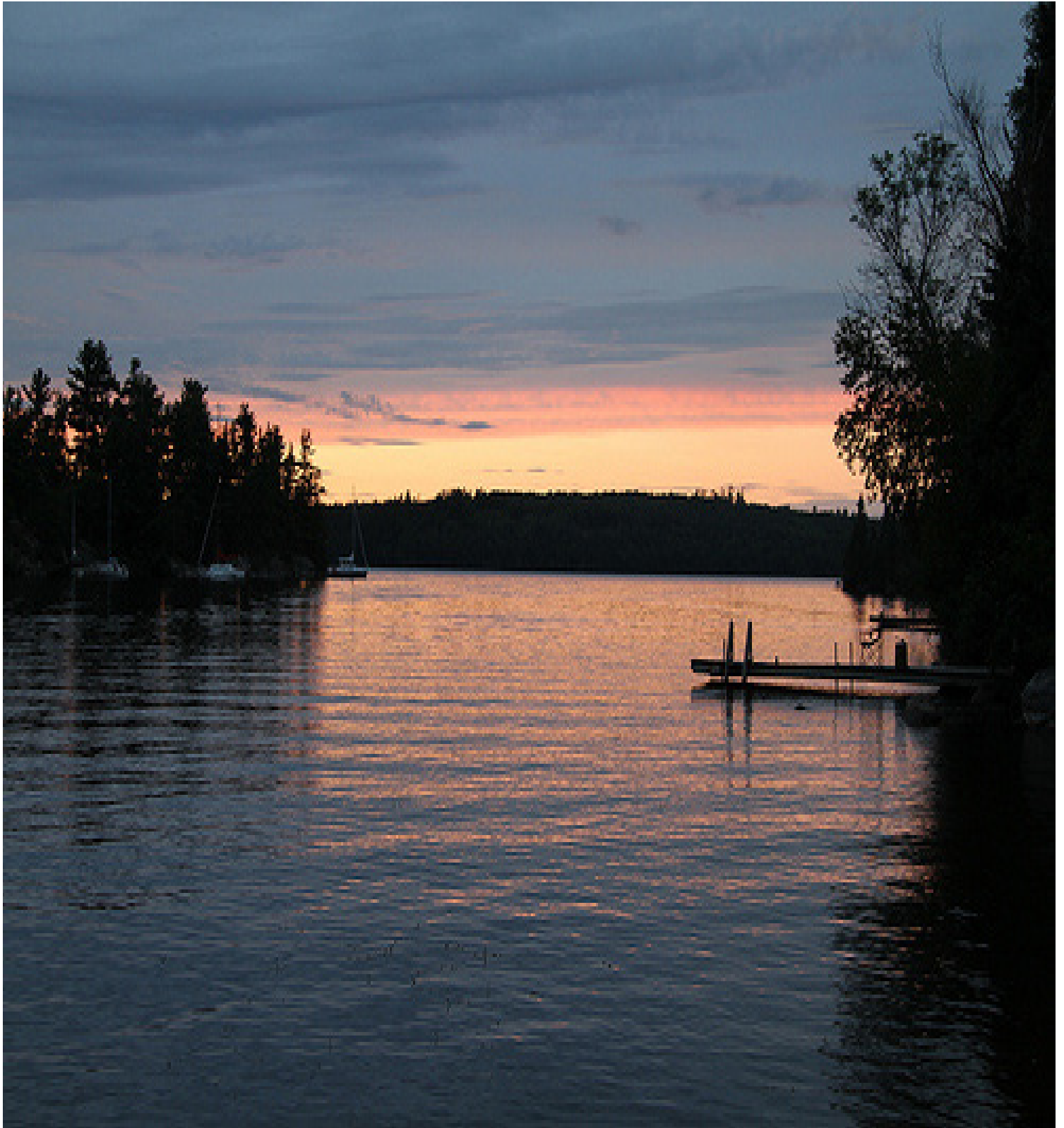




CSSB

The Civil Service
Superannuation
Board



2015 Annual Report

FOR MORE INFORMATION...

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

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

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

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

The Civil Service Superannuation Board

1200-444 St. Mary Avenue
Winnipeg MB R3C 3T1

Telephone: 204-946-3200
Fax: 204-945-0237
Canada-Wide Toll-Free Number: 1-800-432-5134

Internet site: www.cssb.mb.ca
E-mail: askus@cssb.mb.ca

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LETTERS OF TRANSMITTAL



MINISTER RESPONSIBLE
FOR THE CIVIL SERVICE SUPERANNUATION ACT

Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

June 14, 2016

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 77th Annual Report of The Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2015.

Respectfully submitted,

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



1200-444 St. Mary Avenue
Winnipeg, Manitoba, Canada R3C 3T1
Phone: (204) 946-3200 | Fax: (204) 945-0237
Canada Toll Free: 1-800-432-5134

June 13, 2016

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 77th Annual Report of The Civil Service Superannuation Board.

This report covers the period January 1, 2015 to December 31, 2015 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

Paul Desorcy
Manitoba Hydro Representative
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, f.c.a.
Chartered Accountant

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

Paul Desorcy - Employee Representative

Ed Balcewich - Employer Representative

Andrew Clarke - Employer Representative

Jody Gillis - Employee Representative

INVESTMENT COMMITTEE

Chair

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

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

Richard Brownscombe *
President
Montrose Mortgage Corporation Ltd.

Jody Gillis ^
Civil Service Representative

Jim Hrichishen ^
Deputy Minister of Finance
Province of Manitoba

Al Morin ^
Chair
The Civil Service Superannuation Board

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

Bruce Schroeder ^
General Manager
The Civil Service Superannuation Board

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

Manny Schulz
Corporate Treasurer
Manitoba Hydro-Electric Board

* Appointed based on investment expertise

^ Required by legislation

THE CIVIL SERVICE SUPERANNUATION BOARD

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

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

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

As the Plan trustee, the Board is required to:

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

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

CSSB MANAGEMENT TEAM

Bruce Schroeder
General Manager

Dale Allen
Director, Management Information Systems

Peter Josephson, CFA
Chief Investment Officer

Robert Derksen
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 match (to the extent required by legislation) employee contributions, others are obligated to fund their share of benefits paid in the future.

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

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

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

HIGHLIGHTS

Financial

	2015 (*)	2014 (*)
Rate of Return on Investments	7.63%	9.24%
Investments at Market Value	6,885,208	6,554,875
Net Investment Income	204,469	181,111
Current Period Change in Fair Value of Investments	288,405	365,731
Employee Contributions	157,703	150,251
Employer Payments	236,356	213,957
The Province of Manitoba Unfunded Pension Liability Trust Account	2,025,703	1,938,337
Pension Payments	410,870	386,601
Refunds and Transfers	88,961	62,857
General Expenses - Net	1,895	1,864

* \$Thousands unless otherwise noted

Membership

	2015	2014
Non-Retired Members	34,393	33,952
Retired Members and Other Recipients	19,823	19,171
Total Members	54,216	53,123

Other Plans Under Administration

Manitoba Telecom Services Inc.^	5,837	5,980
Money Purchase Accounts Plan	3,121	2,935
Centra Gas^	791	796
Winnipeg Child and Family Services^	269	290
MLA's^	97	100
Legislative Assembly Pension Plan	82	80
Total Membership (all Plans)	64,413	63,304

^ Active and Retired

On behalf of the members of the Board, I am pleased to present the 2015 Annual Report for The Civil Service Superannuation Board (CSSB).

In what seems to have become the norm in recent years, Canadian financial markets experienced considerable volatility again in 2015, primarily due to the sharp decline in crude oil prices, which negatively impacted almost every sector of the Canadian economy.

I don't think anyone who follows the markets was surprised to see the Canadian dollar plummet along with the crude oil prices. By the third quarter, the Canadian dollar was trading at just below \$0.75 U.S., an 11-year low. In an attempt to combat the impact that oil prices were having on Canadian economic growth and inflation, the Bank of Canada cut its overnight lending rate by 25 basis points in January and again in July, dropping the key interest rate from 1.00% to 0.50%. The third quarter of 2015 also marked the worst quarter for global equities in four years. Statistically, Canada was one of the worst performers of the 24 developed stock markets. The declining Bond yields also contributed to a very challenging environment for Canadian investors overall.

For Canadian pension funds, 2015 took its toll on the financial position of many plans. Several pension plans saw a decline in their funding in 2015. The deterioration in funding came as financial markets underperformed, long-term bond yields continued to decline and pension plans took a hit from the adoption of new Canadian mortality tables that increased life expectancies for Canadians. Although the fall in the Canadian dollar hit an 11-year low, the declining currency turned out to be the silver lining for pension plans in 2015. The 20-per-cent drop in the Canadian dollar against the U.S. dollar over the year actually helped to boost returns on large portfolios of foreign stocks when translated back into Canadian dollars for reporting purposes.

According to a report by RBC Investor & Treasury Services, a typical Canadian pension fund achieved an annual return of 5.4% on their investments in 2015. Investment strategies that included international diversification helped mitigate volatile market conditions. The Board's rate of return for 2015 was 7.63%, exceeding the Actuarial rate of return set at 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. This is significant, given the volatile environment that pension plans now operate in. Although it is easy to focus on current financial results, now more than ever, we need to make sure that we do not lose sight of the bigger picture.

The success of a defined benefit pension plan is not measured by the rate of return generated over the past year or even the past few years, but rather achieving long-term growth and stability. The CSSB continues to closely monitor the financial position of the Fund by conducting annual actuarial valuations. These valuations led us to the decision to recommend a gradual increase to the employee contribution rates by 2% over a four year period from July 2012 – January 2015. These types of proactive decisions help to reduce the reliance on investment returns during volatile economic times and better positions us to ensure we meet the future financial commitments of our membership.

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to the staff and management of The Civil Service Superannuation Board for their hard work and dedication throughout the year. They continue to demonstrate a pride and commitment to providing our membership with the best possible pension and benefits service possible.

MESSAGE FROM THE GENERAL MANAGER

BRUCE SCHROEDER

In 2015 the Civil Service Superannuation Fund (the Fund) had a return on assets of 7.63% compared to a benchmark return of 6.03%. U.S. equities, infrastructure, and international equities were our best performing asset categories. Although the return on assets does not have a direct effect on the benefits paid, they are instrumental in keeping the plan affordable for all stakeholders. The Fund's assets now total over \$6.8 billion compared to \$6.6 billion at the end of 2014.

With the annual return exceeding our actuarial return of 6%, the Fund moves closer toward 100% funded status. The actuarial rate of 6% is the rate of return that the actuary believes is required to fund (in combination with the contributions required) the benefits as currently promised. It is important that, at a minimum, the Fund achieves the rate required by the actuary while prudently managing risk.

The Civil Service Superannuation Board (CSSB) also completed stakeholder service improvement projects throughout the year. Improvements included:

- Complete redesign of our general information website (www.cssb.mb.ca). The new format is easier to navigate and contains an improved search function. In redesigning the site we have made the most relevant topics front and centre, added substantial information about the investments of the fund, explained the retirement process, and added information on the options available in the event you terminate employment. The information that has been added will enable membership to answer their questions on how the plan works, what happens when they leave employment through retirement or termination, and much more. Each subject area now contains a FAQ (Frequently Asked Questions) section using the most common enquiries that we have received. Each FAQ section is updated as common queries arise.
- Complete redesign of our Online Services website (cssb.mypension.ca). The redesign and upgrade were instigated by new technology that became available as well as the desire to make the entire CSSB Online Services user experience as easy and intuitive as possible. In the past, members questioned why they couldn't simply go to the areas of Online Services that they utilized the most instead of having to wade through information that they didn't find relevant. To address those concerns we created a custom dashboard feature that allows membership to choose the features that are important to them. Whether it is an active member who is only interested in producing pension estimates or a pension recipient who wants to see when their monthly payment will be direct deposited, the functions can be added to customize their dashboard. Dashboards can be altered at any time. If a member finds a useful function in the future they can simply add it to their existing list.

Our Askus general email inquiry is proving to be a very popular communication tool with our membership. In 2015, we answered over 5,100 emails, the majority of which were answered either the same day or within one business day. One of the most common responses I see from membership after we provide a response is "Thanks for getting back to me so quickly." At the CSSB, our staff prides themselves on a strong commitment to customer service.

We haven't forgotten about our fastest growing demographic, the pensioners. With now over 19,000 pension recipients, almost half are utilizing our Online Services to receive their monthly pension statements and T4A's electronically, submit and receive documents through our Document Centre, and make address changes. More information for pension recipients is now available through our websites than ever before.

As with any new initiative there were some bumps and bruises along the way and we will review the membership feedback in order to make improvements to our site in 2016.

In 2016 we will continue to focus on improving our online customer service. We are looking into a new method of delivery for retirement seminars. We will pilot the use of online seminar delivery, enabling those members in more remote areas of the province or any member who cannot attend a seminar in person to experience a seminar without the necessity to travel into a major centre. Web delivery of seminars will give easier access to a service that is an important part of retirement planning. We are also actively looking at the feedback we've received through comments on our relaunched site and will make improvements based on common issues. 2016 will also see enhancement of the employer portal allowing employers to provide more information electronically, improving efficiency and service to all stakeholders.

All in all, 2015 was a positive year for the Fund and the CSSB. Good investment performance is moving the Fund towards a fully funded position and improved online services add convenience for our membership as well as contributing to a more efficiently run operation.

I would like to thank the staff of the CSSB for all their dedication and hard work and I would also like to thank the Board for their support and commitment through the year.



Investments



GUIDELINES AND PRACTICES

Policies and Procedures

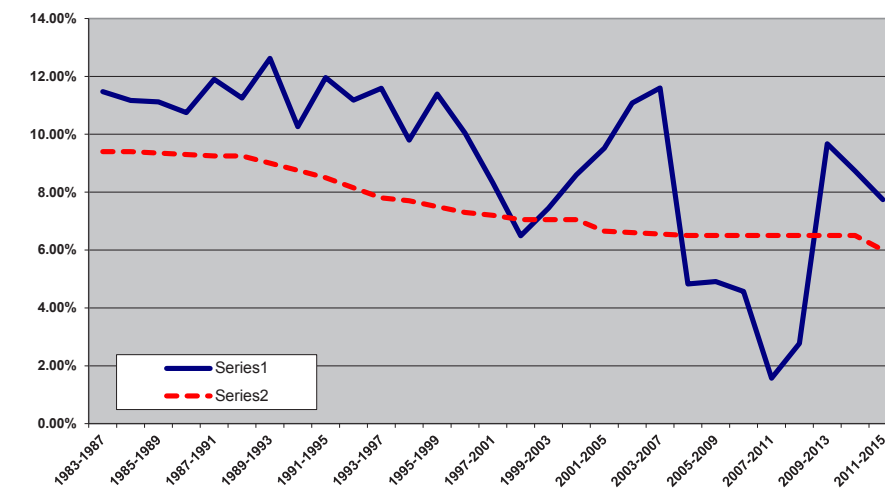
The Fund's Statement of Investment Policies and Procedures (SIP&P) guides the investment decision making process. This document is created by independent consultants and matches the Fund's assets with its liabilities, now and into the future. Upon its approval by the Board, this document is put into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

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

Long-term Success of Investment Policy

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

FIVE-YEAR ANNUALIZED RETURN

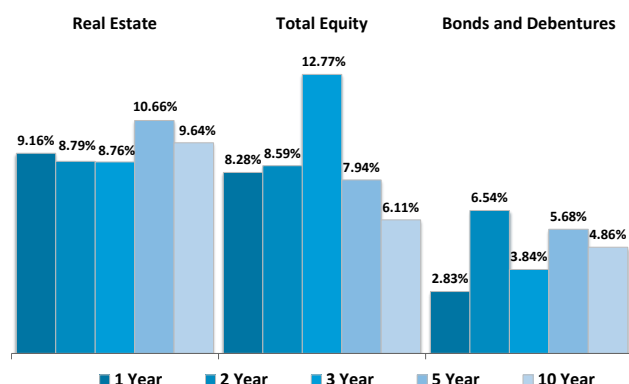


Policies and procedures that continue to guide or impact investment decisions include:

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

OVERVIEW

During 2015, global capital markets were extremely challenging. They were highlighted by rising volatility, directional moves highly sensitive to macro events (economic and political) and modest returns in local currency terms. Much of the increase in market volatility was driven by heightened concerns that China's economy would experience a hard landing, a strong U.S. dollar, collapsing commodity prices (especially oil), the potential for the first Federal Reserve rate increase in 9 years and rising geopolitical tensions.



The fear that China's economy was slowing faster than expected was exacerbated in August when the Chinese authorities surprised markets by devaluing the Yuan for the first time since 1994. This shook financial markets with most global equity markets falling over 12% in a very short period of time. This, in combination with investor perception that Chinese growth was decelerating at a pace much faster than reported numbers would suggest or market participants were expecting, raised concerns considerably. The strength of the U.S. dollar since July 2014 has put pressure on U.S. corporate earnings, exports, inflation and has had a severe impact on global commodity prices. In this regard, oil prices have plunged over 30% in 2015. This has raised concerns of default in the high yield energy sector and fears of further deterioration in commodity (and specifically) oil producing regions. Many economic prognosticators fear that oil and other commodity price declines may push the global economy into recession. Regarding the Federal Reserve and its stated intentions to raise rates for the first time in 9 years, there was a concern that this may be a policy error, given the fragility of the global economy and uncertainty surrounding the Chinese economy. The Fed did in fact raise the Fed funds rate in December of 2015.

Geopolitical tensions/risks rose significantly over the past year. The conflict in Syria became more complicated with the involvement of Russia, Saudi Arabia/Iranian relations deteriorated and the war with ISIS in the Middle East spread and intensified. Importantly, the increase in ISIS

terrorist attacks outside of the Middle East - Paris, Beirut, the U.S. and fears of others in various parts of Europe rocked investor sentiment.

For 2015, global capital markets were disappointing, as most major equity markets (with the exception of Japan and Europe) struggled to produce positive returns in local currency terms. However, for Canadian investors, the significant weakness in the Canadian dollar versus the U.S. dollar, Japanese yen and the Euro had a substantial impact on non-Canadian equity returns. In 2015, the U.S. equity market gained almost 21% in CAD (1.4% in USD), while the Canadian equity market lost 8.3% in local currency terms (23% in USD). For the major global equity indices returns (in CAD) for 2015 were also impressive with the exception of emerging markets. The MSCI (All World Index ex Canada and U.S.) advanced 15.4%, MSCI EAFE rose 18.3%, MSCI Europe up 12.7% while MSCI Emerging Markets gained 1.5%. In the Asia Pacific region, Japan's Nikkei jumped 29.4% while China gained 24.0% and Hong Kong advanced 10.6%.

Concerning fixed income markets, returns were modest in Canada as the FTSE/TMX Universe Bond Index gained only 3.5%, while CSSB's custom index advanced 3.6%. In the U.S., 10-year treasuries actually lost just over 1.0% and the 30-year treasury fell almost 3%. This was largely driven by the expectation of a Federal Reserve rate hike (which did occur at the December Fed meeting), strong employment gains and perceived strengthening in the domestic U.S. economy.

DIVERSIFICATION, GROWTH AND STABILITY

Fund Investments

	2015(*)	2014(*)
Contractual Investments		
Cash and Short-term	78,501	65,204
Bonds and Debentures	1,403,589	1,364,183
Mortgages	19,429	21,757
Public Equity Investments		
Canadian Equities	1,054,860	1,273,336
U.S. Equities	1,354,914	1,205,639
Non-North American Equities	1,733,711	1,469,517
Non-Public Equity Investments		
Real Estate	776,293	665,626
Private Equity	167,361	225,906
Infrastructure	296,550	263,707
Total Investments	6,885,208	6,554,875

* \$Thousands

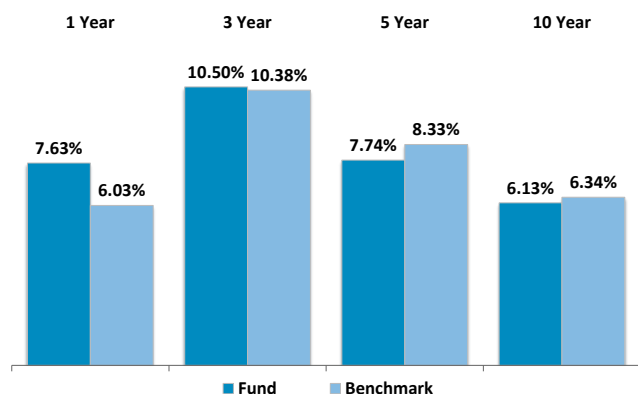


PERFORMANCE

Calculation Methodology

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

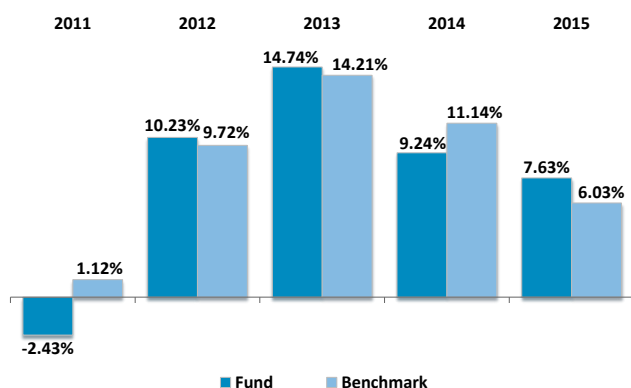
Total Fund



For 2015 as a whole, the Total Fund outperformed its benchmark by 1.60% as it gained 7.63% versus 6.03% for the benchmark. This outperformance was driven by positive relative performance by most of the Fund's internal and external equity managers. Asset allocation which emphasized equities over fixed income benefitted relative performance.

Regarding non-public assets, real estate and infrastructure added significant value to their respective benchmarks in 2015. The major disappointment for the Total Fund results in 2015 was the significant decline in private equity. This asset class is primarily our investment in Superman Resources which suffered a significant write down due to the collapse in energy prices over the past year.

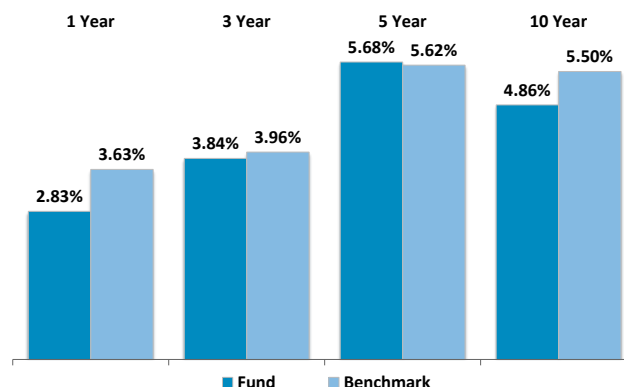
The benchmark return in the graph below reflects what the Fund could expect to return by indexing, or non-active management, versus the actual total fund return.



Cash and Cash Equivalents

Cash remains a relatively small portion of the Fund. Active management added 21 basis points with a return of 0.84% compared to the FTSE TMX Canada 91 Day T-Bill return of 0.63%.

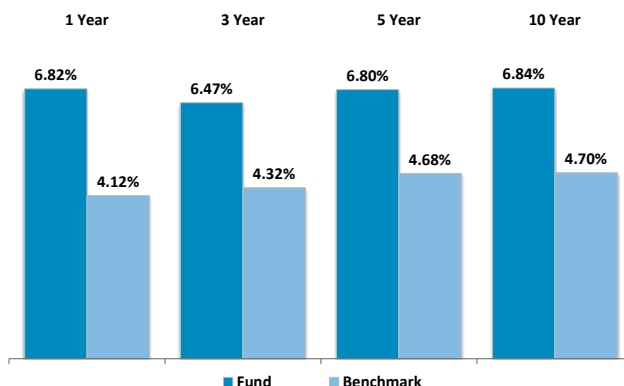
Bonds and Debentures



In 2015, the bond portfolio underperformed with a return of 2.83% versus 3.63% for the benchmark.

The biggest drag on performance was an overweight position in corporate debt as spreads widened on average 42 basis points. The portfolio maintained a modest short duration position throughout the year which also weighed on performance as a surprise rate cut by the Bank of Canada along with depressed oil prices led yields in Canada lower. Short-term yields were the most impacted as they declined 70 basis points while long-term yields declined 20 basis points.

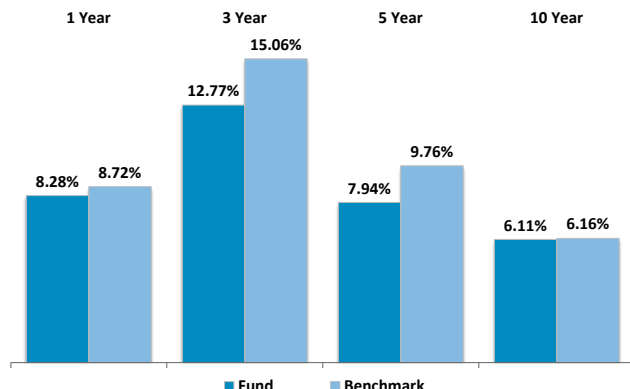
Real Return



Products such as Index-Linked mortgages remain a designated vehicle to fund the Cost-of-Living Account for future benefits. Real return investments earned 6.82% in 2015 compared to its benchmark of 4.12%.

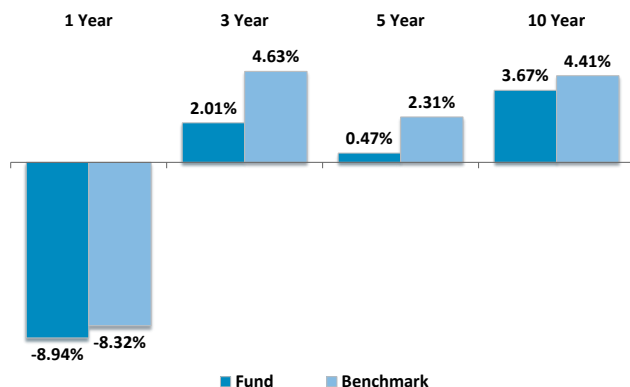
Total Equity

In 2015, global capital markets were disappointing, as most major equity markets (with the exception of Japan and Europe) struggled to produce positive returns in local currency terms. However, for Canadian investors, the significant weakness in the Canadian dollar versus the U.S. dollar, Japanese yen and the Euro had a substantial impact on non-Canadian equity returns.



In 2015, the U.S. equity market gained almost 21% in CAD (1.4% in USD), while the Canadian equity market lost 8.3% in local currency terms (23% in USD). For the major global equity indices returns (in CAD) for 2015 were also impressive with the exception of emerging markets. The MSCI (All World Index ex Canada and U.S.) advanced 15.4%, MSCI EAFE rose 18.3%, MSCI Europe up 12.7% while MSCI Emerging Markets gained 1.5%. In the Asia Pacific region, Japan's Nikkei jumped 29.4% while China gained 24.0% and Hong Kong advanced 10.6%.

Canadian Equity



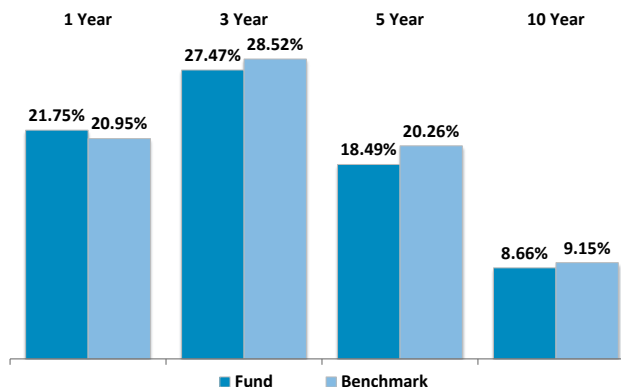
The three-year winning streak enjoyed by Canadian equity markets came to an end in 2015 with the S&P/TSX posting an 8.32% loss for the year. The mid-capitalization TSX Completion index fell 10%. Amongst developed markets, the S&P/TSX posted the third worst performance in 2015, bettering only Greece and Singapore.

Only three of 10 sectors posted positive returns on the year with the worst results coming from energy, materials and health care. Given the heavy commodity exposure inherent in the Canadian equity landscape, only one in three stocks in Canada rose in 2015, reflecting the worst market breadth since 2008. Faltering global growth alongside emerging market weakness and US Dollar strength weighed heavily on commodities. Crude oil lost 36% during the year, natural gas shed 28%, copper fell 24% and gold dipped 11%. The usual safe havens basked in the flow of funds away from cyclicals with information technology and consumer staples posting strong double digit gains.

The Canadian Equity I portfolio fell 10.87% during the year while the Canadian Equity II portfolio lost 4.53%. On an aggregate basis, the Canadian equity funds posted an 8.94% loss compared to the 8.32% loss posted by the TSX. The underperformance was largely a consequence of poor selection in materials, energy and financials.

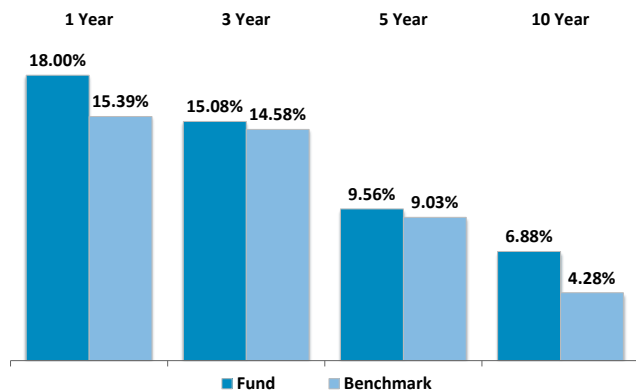
U.S. Equity

A significant portion of the 20.95% return of the S&P 500 in Canadian dollar terms was achieved through depreciation of the Canadian currency relative to the U.S. dollar. In U.S. dollar terms the S&P 500 only managed to gain 1.4%. The U.S. Equity portfolio had a solid year in beating the benchmark by 80 basis points. It was actually a very difficult year for active managers with only 26% of the managers beating the benchmark (even before counting for fees) and the U.S. Equity portfolio is fortunate to have been counted among them.



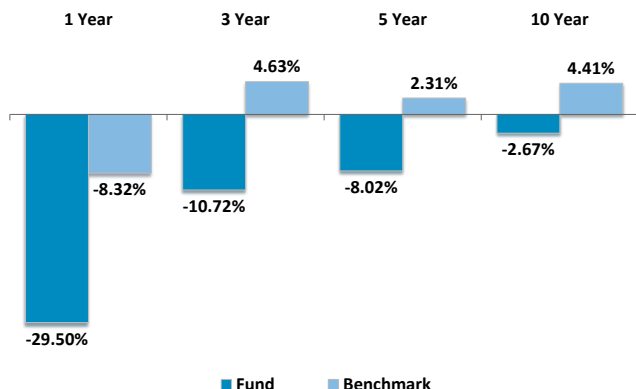
2015 will be remembered as a year where there was essentially a stealth bear market in many names and sectors and if not for the outstanding performance of a handful of very large cap stocks, the broader benchmark would have been significantly negative. In particular the stocks comprising the well-known acronym of FANG (Facebook, Amazon, Netflix and Google) were up about 82% on average on an equally weighted basis. Further evidence of the stealth bear market can be seen in the severe underperformance of the small cap Russell 2000, which dropped by almost 5% in 2015.

Non-North American Equity



The Non-North American Equity component of the Fund outperformed by 261 bps, returning 18.00% versus the benchmark return of 15.39%. The external EAFE manager returned 27.95%, outperforming its benchmark by 962 bps. The Asia Pacific manager returned 14.47%, outperforming its benchmark by 370 bps. The EM manager returned 3.10%, outperforming its benchmark by 160 bps. The internal International Equity portfolio outperformed by 94 bps, returning 16.67% versus the benchmark return of 15.73%.

Private Equity

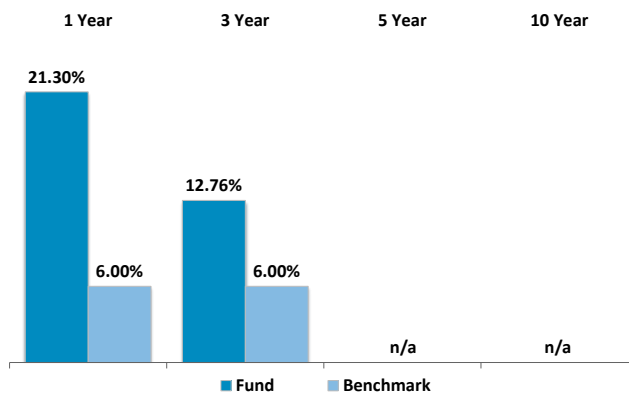


In aggregate, private equity, including the Richardson Private Equity funds, returned -29.5 % in 2015. Underperformance stemmed predominantly from our largest private equity investment, Superman Resources Inc.

Continued dramatic declines in energy pricing through the year led to a 31.9% loss for Superman Resources Inc. While corporate production grew by 2%, the commodity price environment led to the independent reserve evaluator, Sproule Resources, writing down the value of its proven and probable reserves by 13%. The industry continues to face extraordinary challenges due to the continued oversupply of crude oil and natural gas. Given weak and volatile commodity prices, Superman will continue to monitor its funds from operations closely to ensure its debt free balance sheet remains intact.

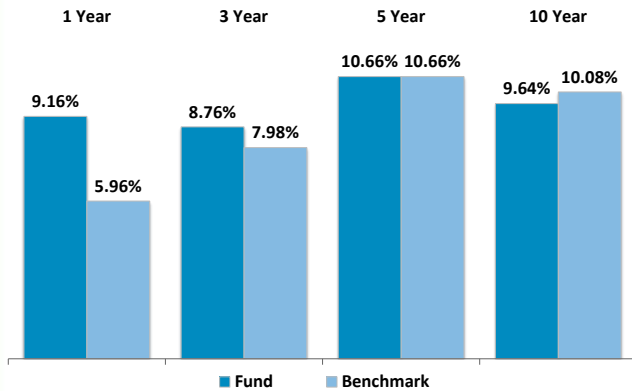
Superman's capital program continues to benefit from improvements in drilling and completions efficiencies as well as service industry cost reductions. Looking forward, capital expenditures will be targeted such as to not exceed funds from operations in order to minimize shareholder equity draws.

Infrastructure



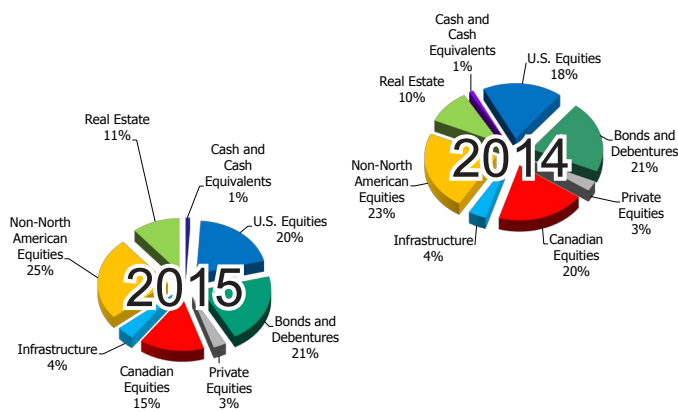
The Borealis Infrastructure fund managed by OMERS had another strong year. It gained 21.3% versus the benchmark of 6% and provided close to half of that return in cash yield. Subsequent to year end the actual cash returned was \$33.8 million on cash invested of \$320 million, which is a cash yield of 10.5% for the whole year ended December 31, 2015. There was also a significant equity valuation write up of their investment in Associated British Ports based on the Canada Pension Plan Investment Board and Hermes Infrastructure purchase price to acquire 33.3% of the business from existing partners, GS Infrastructure Partners and Infracapita. This investment at a significant premium to cost was the primary driver of the capital valuation increase.

Real Estate

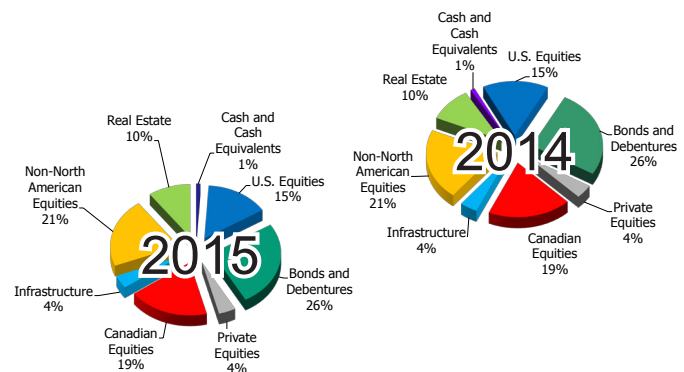


The Real Estate Portfolio returned 9.16% during 2015 compared to a 5.96% return on the IPD Index. Returns were helped by exposure to the Vancouver and Toronto markets, which lead Canada in growth of real estate values. There remains an abundant supply of capital pursuing a limited amount of quality real estate across all the major asset classes of retail, office, industrial, and multi-residential. With the exception of Alberta, property fundamentals at the present time remain healthy with low vacancy and steady rental increases. Investors are carefully monitoring the Alberta market as fundamentals continue to deteriorate. 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.

FUND INVESTMENTS



INVESTMENT POLICY NORMAL ALLOCATION



STRATEGY AND OUTLOOK

As we enter 2016, the headwinds that disrupted markets for most of 2015 have once again gripped global capital markets. Most major equity markets are down 5 - 7% in just the first few days of trading and yields have declined as investors move to perceived safer haven assets. To highlight, the U.S. market declined approximately 6% in the first five trading days of 2016. This is the worst one week start in market history. At time of writing, the negative market tone has continued and after ten trading days the U.S. equity market has lost 8% and is 12% off its 2015 highs. Importantly, many global equity markets are now down 20% from their 2015 highs, i.e., China, Germany, Japan and emerging markets, placing them in bear market territory. The initial catalyst for this precipitous decline in world equity markets and negative investor sentiment was disappointing Chinese economic data and a sharp decline in the equity market.

Further, the Chinese stock market regulator's implementation of circuit breakers (closing the markets on a 7% decline) to calm markets actually had the reverse effect. This resulted in fears of a further devaluation of the Chinese currency and a potential hard landing in the economy. Compounding this was another swift decline in oil prices taking WTI to below \$30 U.S. per barrel, a level not seen in over 12 years. This raised concerns that energy dependent economies could face further economic deterioration and potential credit related issues. These factors as well as heightened concerns regarding further Fed rate hikes, diverging global central bank monetary policies and the persistent strength of the USD have led to an ominous start to 2016.

While it is difficult to ignore the recent sharp decline in global equity markets, the spike in volatility and renewed fears of a global recession, we have experienced this several times since the Great Recession of 2008. Markets and economies have been supported by ultra-accommodative central banks to sustain modest below trend growth and enhance the wealth effect through rising asset values. Since 2009, disappointments in terms of economic performance globally/regionally has had exaggerated implications for global capital markets.

As we look out over the balance of 2016, it is our view that global growth should continue to modestly improve from the slowdown experienced over the last half of 2015. Currently it is our view that the odds of a serious slowdown of the world economy appears to be limited despite the recent selloff in global capital markets. Consensus expectations for global economic growth in 2016 are for real GDP to grow by approximately 3 - 3.5%. Recently, the IMF released its 2016 global growth forecast and expects real GDP growth of 3.4%. This is supported by strengthening/self-sustaining U.S. economic activity, continued improvement in the European and Japanese economies and a stabilization of Chinese economic activity.

Despite recent economic statistics the U.S. economy appears to be on track to expand by approximately 2.5% in 2016. Importantly, the recent U.S. budget that passed in late 2015 provides for fiscal stimulus (first time in many years) and should boost U.S. GDP by approximately 0.7% in 2016. Other significant provisions include suspending the debt ceiling until March 2017, setting budget levels which provides tax certainty to 2017, and increasing both discretionary Federal spending and defense spending for the first time in five years. The U.S. economy continues to be supported by a recovering housing market, strong auto sales, healthy corporate balance sheets, low interest rates, falling unemployment and low oil/commodity prices. Other tailwinds for the U.S. economy include a relaxation of lending standards, improving business and consumer confidence and historically high JOLTS job openings.

While the European economy has not significantly surprised to the upside, economic growth has certainly experienced steady improvement. In 2015, Eurozone real GDP advanced 1.5% and we expect to see this momentum continue into 2016 with growth approaching 2%. This is demonstrated by increased bank lending and a recovery in consumer spending as retail sales are increasing at the fastest pace since 2002. The Euro economy area will continue to benefit from lower oil prices, a weaker Euro and the potential for further ECB QE given the stubbornly low level of inflation. This last point is further reinforced by the recent decline in energy prices which increases deflationary pressures. Europe does continue to experience several headwinds including a concern that Britain may exit the European Union, the unknown impacts of the immigration crisis and rise of right wing political parties and the effect of a further moderation of Chinese growth on exports.

Regarding the Japanese economy, the economic data to date has not been overwhelming. Japan's structural problems of deteriorating demographics, ongoing low inflation levels and falling productivity will remain challenging. On a positive note, the major factors driving deflation: falling property prices and corporate deleveraging, appear to have troughed. Further, Abenomics is having a positive impact as the reforms portion of the program is gradually implemented. Finally, the Bank of Japan and the government have stated that they are open to further QE, should it be required.

The wildcard for strengthening global economic activity remains the outlook for China and emerging markets. As we have stated previously, China's policy to shift the emphasis of its economy towards domestic consumption and services from a capital intensive export-oriented economy would be challenging and have implications for the global economy. This has been particularly evident in the commodity markets where a moderation in Chinese demand has sent prices down significantly across the spectrum.

The unexpected devaluation of the Chinese Yuan in mid-August 2015, and more recently in early 2016 has heightened investor concerns that Chinese economic growth is deteriorating much faster than reported government statistics would indicate. In fact, many market commentators have been postulating that Chinese real GDP is substantially below the recently reported Q4 6.8% level and more likely in the 4 - 5% range. While this suggestion may be overstating the situation, there is no doubt Chinese growth is decelerating and has been for some time. In fact, the recent Chinese government's five year plan has a target growth of 6.5% for 2016. The real question in our minds is whether or not Chinese growth is nearing a point of stabilization over the next few quarters. There is no question that manufacturing activity has slowed (PMI below 50 @ approximately 47), however the Chinese services sector has strengthened measurably, the housing market is improving and retail sales are solidly positive.

Further, the Chinese authorities have proactively lowered rates over the past year (cut rates six times), lowered bank reserve requirements and pulled forward infrastructure spending to support economic activity. In addition, China has significant reserves to address the leverage in the financial system if required. Taken together, these stimulative measures should result in stabilization and potentially a strengthening of the Chinese economy over the coming quarters. The authorities are well aware of the domestic and global implications of an economic "hard landing". It is our view that they have ample tools to engineer a soft landing and will aggressively use them if required.

Emerging market economies, particularly those dependent on commodity prices have suffered the most from China's slowing economic activity. This has also been the case for Canada and Australia given their economies are similarly driven by commodity prices. Other factors negatively influencing emerging market economies have been shrinking domestic credit, weak currencies and the fear of a Fed tightening in the U.S. The pressures on these economies are unlikely to moderate until Chinese growth stabilizes and U.S. dollar strength peaks.

Turning to capital markets, we continue to favor equities over fixed income. Importantly, we are well aware that global equity markets will continue to face significant headwinds and increased volatility over the near-term. This is certainly the case for the U.S. equity market as the potential for further Fed rate hikes loom and earnings have been under pressure from a strong U.S. dollar and a slowing global economy. The recent correction in global equity markets has moved valuations to more attractive levels. This is particularly true in Europe and Japan which are further supported by substantial QE and improving corporate earnings. Emerging market valuations are extremely attractive, however earnings remain depressed, capital market outflows have been massive and sentiment is extremely bearish. The justifications for a contrarian position

to add to emerging markets exposure may be developing and if timed correctly would prove rewarding.

The same can be said for the Canadian market where the energy and other commodity sectors have reached historically low levels of valuation. As well, the Canadian market has now underperformed its U.S. counterpart for five consecutive years. Importantly, for emerging and commodity sensitive markets to gain traction we must see a stabilization of the Chinese economy, a peak in USD strength, improving global growth and a rebound in oil/commodity prices. In summary, it is our view that the recent market decline is not the precursor to a serious bear market in equities. Historically, "bear markets" have been associated with periods of recession, significant declines in earnings and a contraction in credit availability. At this time there is no evidence that the U.S. or global economy is moving into a recessionary period. In fact it is more likely that the U.S. and global economies are poised to improve given the significant global monetary stimulus currently in place.

Of course, there is always the caveat that a financial crisis or serious policy error could derail this expectation. There are certainly other risks that can be identified that could negatively impact our cautiously optimistic outlook for 2016. China could experience a hard landing, the U.S. could fall into recession, oil collapses further and the energy sector faces severe financial pressure and finally geopolitical risks rise further. This last point could involve a further deterioration in the war in Syria, additional ISIS terrorist attacks in Europe and the U.S. and an actual military conflict between Saudi Arabia and Iran.

As has been the case for the last couple years, fixed income markets have and continue to be ultra-focused on when the U.S. Fed will raise rates. The December 2015 Fed increase is the first in over nine years and had been widely anticipated to occur in 2015 as growth seemed solid. Given the recent soft patch in U.S. economic activity and concerns regarding China and emerging markets the chance of four Fed rate hikes in 2016 seems less likely. This will limit any significant upward movement in rates over the near-term. The main risks to this expectation would be a further slowdown in global growth, a financial crisis in China or emerging markets or deterioration in U.S. economic activity. However, from a long-term perspective we see little value in the fixed income markets.

With respect to non-public assets, our view remains favorable 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. CSSB has recently committed to two additional infrastructure mandates which will provide further diversification to this asset class.

Membership



MEMBER SERVICES

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

1. Individual Meetings

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

2. Pre-Retirement Planning Seminars

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

3. Employee Pension and Insurance Seminars

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

4. Personal and General Inquiries

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

5. Electronic Communications

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

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

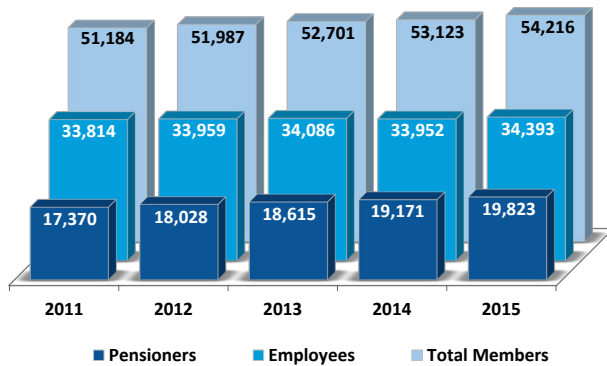
We ask that you have your personal identification number (PIN), social insurance number (SIN), or employee number ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

MEMBERS/RETIREMENTS

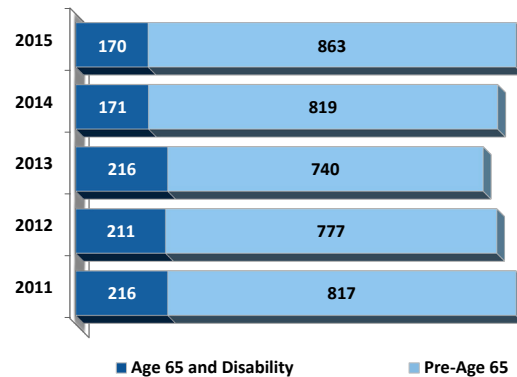
During 2015

- Total members increased by 1,093 to 54,216
- Employees/former employees participating in the Fund increased by 441 to 34,393
- Pensioners/beneficiaries increased by 652 to 19,823

Total Members



Retirements

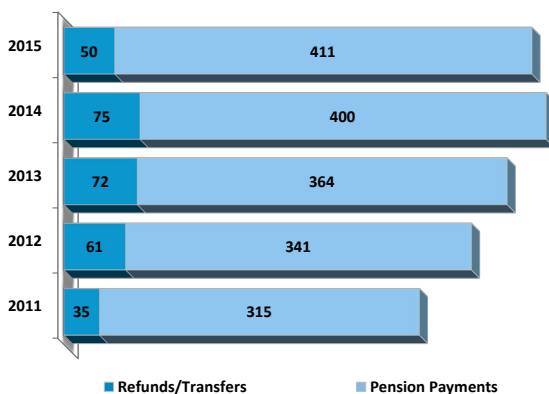


PAYING YOUR BENEFITS

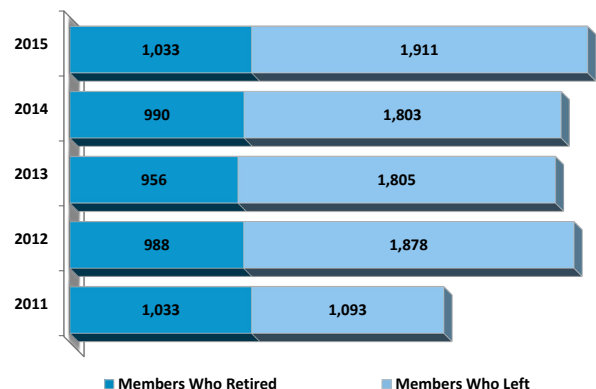
During 2015

- 19,823 pensioners/beneficiaries were receiving pension benefits at the end of the year
- \$411 million was paid in pensions

Payments From The Fund (Millions)



Former Contributors



EMPLOYEE CONTRIBUTIONS/EMPLOYER PAYMENTS

During 2015

- Employees contributed \$158 million to the Fund compared to \$150 million in 2014
- Employers paid \$236 million to the Fund compared to \$214 million in 2014

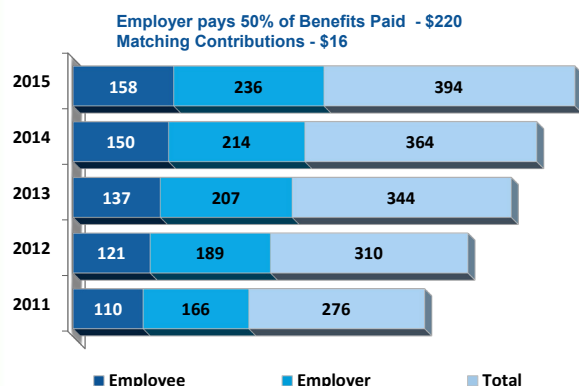
Employees and Employers share the cost of the plan.

- 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, marriage separations, and deaths for non-matching employers
- Payments made by matching 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 2016 is \$54,900.

COST-OF-LIVING ADJUSTMENT (COLA)

- 10.2% of employee contributions and matching employer payments go to a separate account to fund COLA
- The account funds approximately half the COLA increase while employers pay their share
- Pensioners and beneficiaries receive an annual increase to a maximum of $\frac{2}{3}$ of the increase in the Canadian Consumer Price Index (CPI)
- The COLA paid July 1, 2015 was 0.98%

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

The Fund consists of two separate accounts:

1. Basic Benefits Account

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

2. Indexing Benefits Account

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

The cost-of-living benefit payments are limited to the extent that the Indexing Benefits Account is able to finance its share of each increase. Legislation limits the maximum annual cost-of-living adjustment to $\frac{2}{3}$ 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, 2015 are summarized below.

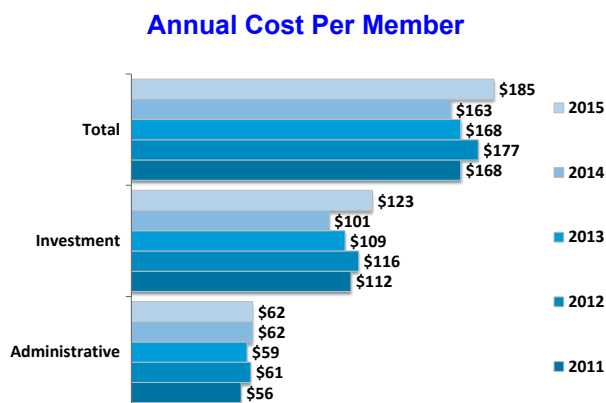
	Fund (*)	Non-Matching Employers (*)	Obligations Total (*)
1. Net Assets Available (Net of Actuarial Reserves)			
Basic Benefits Account	4,215,096		
Indexing Benefits Account	498,245		
Total	4,713,341		
2. Actuarial Obligations for Pension Benefits			
Basic Benefits Account (Excluding future benefits)	4,607,505	3,480,763	8,088,268
Indexing Benefits Account	274,429	253,474	527,903
Total	4,881,934	3,734,237	8,616,171
3. Actuarial Position/Funds Available			
Basic Benefits Account	(392,409)	(3,480,763)	(3,873,172)
Indexing Benefits Account (funds available to finance future adjustments)	223,816	(253,474)	(29,658)
Surplus/(Deficit)	(168,593)	(3,734,237)	(3,902,830)

* \$Thousands

Refer to the Audited Consolidated Financial Statements for additional information.

ADMINISTRATION AND INVESTMENT COST

The Board's annual administration and investment cost per member continues to be one of the lowest in Canada for complex defined benefit plans. The total annual cost per member for 2015 was \$185 consisting of \$62 for administration and \$123 for investment related expenses.



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.

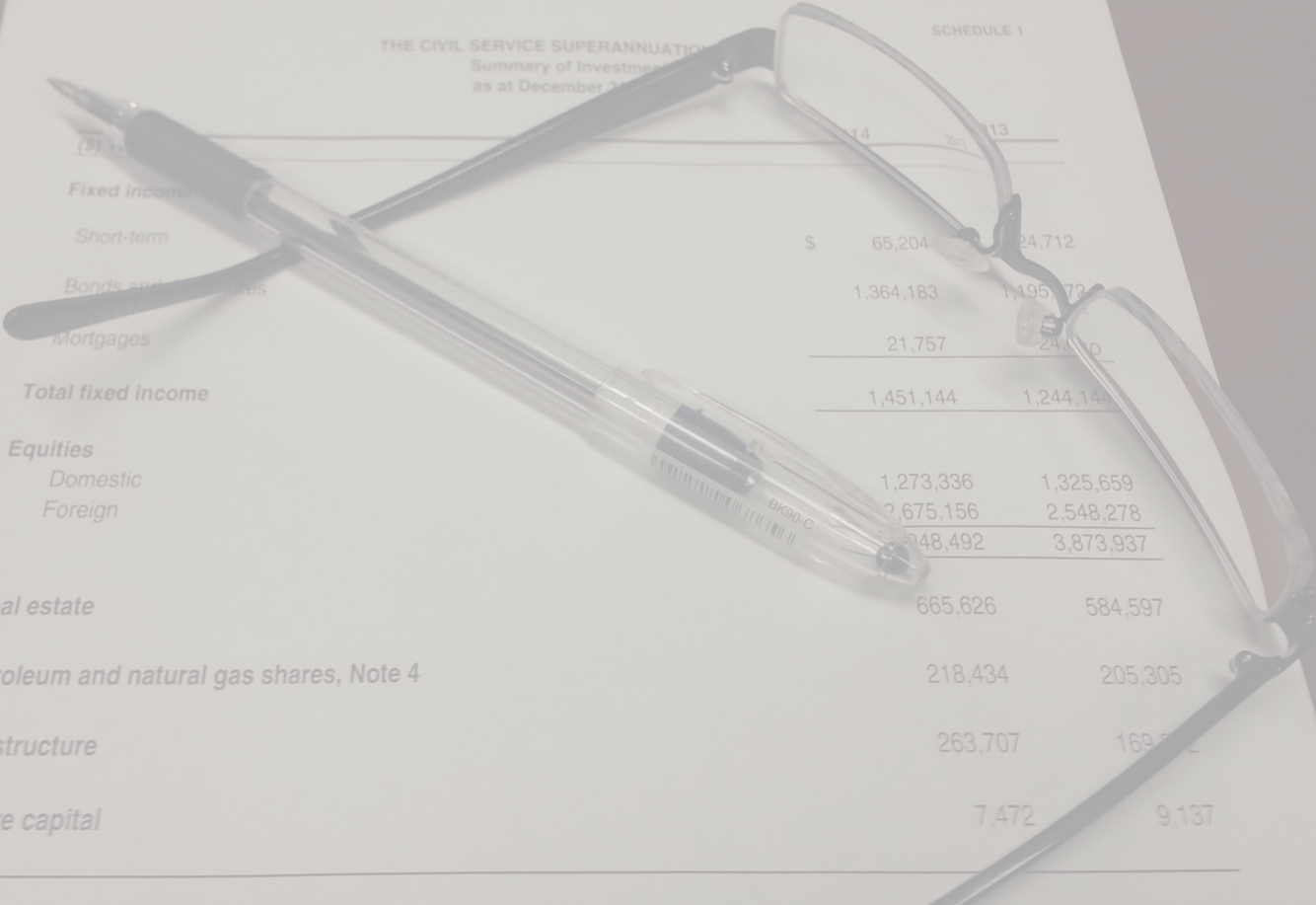
FIVE-YEAR COMPARATIVE STATISTICS

		2011 (*)	2012 (*)	2013 (*)	2014 (*)	2015 (*)
Investments	Rate of Return	(2.43)%	10.23%	14.74%	9.24%	7.63%
	Market Value	4,845,227	5,450,922	6,086,952	6,554,875	6,885,208
Contributions and Payments	Employee Contributions	109,736	120,358	136,390	150,251	157,703
	Employer Payments	166,062	189,218	207,253	213,957	236,356
	Total	275,798	309,576	343,643	364,208	394,059
Payments from the Fund	Pension Benefits Paid	315,051	340,558	364,295	386,601	410,870
	Refunds and Transfers	35,123	60,847	72,252	62,857	88,961
Expenses	Administrative, net before recoveries from non-matching employers	2,846	3,051	3,128	3,268	3,345
	Investment, net	5,758	6,023	5,724	5,382	6,665

* \$Thousands unless otherwise noted

		2011	2012	2013	2014	2015
Membership	Non-Retired Members	33,814	33,959	34,086	33,952	34,393
	Pensioners and Other Recipients	17,370	18,028	18,615	19,171	19,823
	Total Members	51,184	51,987	52,701	53,123	54,216
	Refunded/Transferred Members	1,093	1,878	1,805	1,803	1,911
	Retirements	1,033	988	956	990	1,033

Financial Information



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

SCHEDULE 1

	2014	2013
(5) Fixed income		
Short-term	\$ 65,204	24,712
Bonds and securities	1,364,183	1,195,723
Mortgages	21,757	24,000
Total fixed income	1,451,144	1,244,435
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 April 28, 2016.

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 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



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, 2015 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, 2015, 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.

April 28, 2016
Winnipeg, Manitoba

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

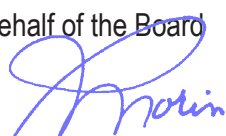
Norm Ricard, CPA, CA
Auditor General

THE CIVIL SERVICE SUPERANNUATION FUND
Statement of Financial Position
as at December 31, 2015

	2015	2014
(\$ Thousands)		
Assets		
Investments, Schedule 1, Notes 2(b) and 4	\$ 6,885,208	\$ 6,554,875
Equipment	97	197
Prepaid expenses	237	246
Debt due from the Province of Manitoba, Note 5	1,826	1,826
Receivables, Note 6	3,271	4,728
Accrued dividends and interest	14,647	14,774
Total assets	6,905,286	6,576,646
Liabilities		
Accounts payable and accrued liabilities	12,204	10,908
The Province of Manitoba Unfunded Pension Liability Trust Account, Note 7	2,025,703	1,938,337
Manitoba Hydro Enhanced Benefit Trust Account, Note 8	23,809	20,519
Correctional Officers' Trust Account, Note 9	9,097	7,823
Employer Trust Accounts, Note 10	86,899	81,963
Money Purchase Accounts Plan, Note 11	34,233	32,154
Total liabilities	2,191,945	2,091,704
Net assets available for benefits, Exhibit B	\$ 4,713,341	\$ 4,484,942
Pension Obligations and Deficit		
Actuarial value of pension obligations, Exhibit C, Note 12	\$ 8,616,171	\$ 8,255,325
Deficit, Exhibit D, Note 1(b), 12, 13 and 20	(3,902,830)	(3,770,383)
Pension obligations and deficit	\$ 4,713,341	\$ 4,484,942

The accompanying notes 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, 2015

			2015	2014
(\$) Thousands	Basic Benefits Account	Indexing Benefits Account	Total	Total
Increase in assets				
Contributions, Schedule 2, Note 1(b) and 14				
Employees	\$ 141,691	\$ 16,012	\$ 157,703	\$ 150,251
Employers	210,900	25,456	236,356	213,957
Total contributions	352,591	41,468	394,059	364,208
Net investment income, Schedule 3	169,092	35,377	204,469	181,111
Current period change in fair value of investments, Note 15	288,405	-	288,405	365,731
Employer liability funding	-	-	-	59,672
Other	79	-	79	79
Total increase in assets	810,167	76,845	887,012	970,801
Decrease in assets				
Benefits paid, Note 16	361,171	49,699	410,870	386,601
Refunds and transfers, Note 17	88,961	-	88,961	62,857
Administrative expenses, net, Note 18	1,895	-	1,895	1,864
Transfer to employer trust accounts	594	-	594	568
Interest allocations to various trust accounts and Money Purchase Accounts Plan, Note 19	156,293	-	156,293	177,792
Total decrease in assets	608,914	49,699	658,613	629,682
Increase in net assets	201,253	27,146	228,399	341,119
Net assets available for benefits, beginning of year	4,013,843	471,099	4,484,942	4,143,823
Increase in net assets	201,253	27,146	228,399	341,119
Net assets available for benefits, end of year,				
Exhibit A	\$ 4,215,096	\$ 498,245	\$ 4,713,341	\$ 4,484,942

The accompanying notes 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, 2015

(\$) Thousands			2015	2014
	Fund	Non-Matching Employers	Total	Total
<u>Basic Benefits Account</u>				
Pension obligations, beginning of year	\$ 4,441,511	\$ 3,369,408	\$ 7,810,919	\$ 7,377,842
Change in pension obligations during the year				
Experience (gain) loss	(47,263)	(17,944)	(65,207)	31,795
Benefits accrued	140,492	103,416	243,908	251,313
Benefits paid	(239,232)	(210,900)	(450,132)	(406,904)
Interest accrued on benefits	263,597	200,066	463,663	439,910
Change in actuarial assumptions	48,400	36,717	85,117	-
Change in actuarial reserves	-	-	-	116,963
	165,994	111,355	277,349	433,077
Pension obligations, end of year	\$ 4,607,505	\$ 3,480,763	\$ 8,088,268	\$ 7,810,919
<u>Indexing Account</u>				
Pension obligations, beginning of year	\$ 231,501	\$ 212,905	\$ 444,406	\$ 426,854
Change in pension obligations during the year				
Experience (gain) loss	(904)	95	(809)	(12,584)
Benefits accrued, Note 12(b)	53,610	49,516	103,126	34,822
Benefits paid	(25,836)	(23,863)	(49,699)	(42,554)
Interest accrued on benefits	13,535	12,501	26,036	23,529
Change in actuarial assumptions	2,523	2,320	4,843	-
Change in actuarial reserves	-	-	-	14,339
	42,928	40,569	83,497	17,552
Pension obligations, end of year	\$ 274,429	\$ 253,474	\$ 527,903	\$ 444,406
<u>Combined</u>				
Pension obligations, beginning of year	\$ 4,673,012	\$ 3,582,313	\$ 8,255,325	\$ 7,804,696
Change in pension obligations during the year	208,922	151,924	360,846	450,629
Pension obligations, end of year, Exhibit A	\$ 4,881,934	\$ 3,734,237	\$ 8,616,171	\$ 8,255,325

The accompanying notes 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, 2015

(\$ Thousands)			2015	2014
	Fund	Non-Matching Employers	Total	Total
<u>Basic Benefits Account</u>				
Deficit, beginning of year,	\$ (427,668)	\$ (3,369,408)	\$ (3,797,076)	\$ (3,665,538)
Increase in net assets	201,253	-	201,253	301,539
Change in pension obligations during the year	(165,994)	(111,355)	(277,349)	(433,077)
	35,259	(111,355)	(76,096)	(131,538)
Deficit, end of year	\$ (392,409)	\$ (3,480,763)	\$ (3,873,172)	\$ (3,797,076)
<u>Indexing Account</u>				
Surplus (deficit), beginning of year,	\$ 239,598	\$ (212,905)	\$ 26,693	\$ 4,665
Increase in net assets	27,146	-	27,146	39,580
Change in pension obligations during the year	(42,928)	(40,569)	(83,497)	(17,552)
	(15,782)	(40,569)	(56,351)	22,028
Surplus (deficit), end of year	\$ 223,816	\$ (253,474)	\$ (29,658)	\$ 26,693
<u>Combined</u>				
Deficit, beginning of year,	(188,070)	(3,582,313)	(3,770,383)	(3,660,873)
Change during the year	19,477	(151,924)	(132,447)	(109,510)
Deficit, end of year, Exhibit A, Note 20	\$ (168,593)	\$ (3,734,237)	\$ (3,902,830)	\$ (3,770,383)

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

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$) 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

Effective January 1, 2015, the Act required that employees contribute 8.0% (2014, 7.5%) of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 9.0% (2014, 8.5%) 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 matching employer contribution rate is .9% less than the employee on pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and the same as the employee on Pensionable Earnings above that maximum.

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

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

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, 2015

(\$ 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.

(\$) 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 the most recent appraisals or external manager's valuations of the underlying properties.
- (ii) Petroleum and natural gas shares are valued based upon the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost until such information is available.
- (iii) Venture capital investments are based on values established by the external managers or at cost where no valuation has been prepared.

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets 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, 2015

(\$ 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.

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 22% (2014 – 22%) of its assets in fixed income securities as at December 31, 2015 which generated a rate of return of 2.83% (2014 – 10.38%). The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. As at December 31, 2015, 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 \$131,849 (2014 - \$125,880). 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, 2015 external fund managers had no open forward foreign exchange contracts (as at December 31, 2014 - \$0). As a result there were no unrealized gains / (losses) on foreign exchange contracts in 2015 (2014 - \$0).

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$) Thousands

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

As at December 31, 2015	Actual Currency Exposure	Percentage
Canadian dollar	\$ 3,642,395	52.9%
US dollar	1,899,474	27.6
Euro	276,325	4.0
Japanese yen	268,506	3.9
Pound sterling	189,557	2.8
Hong Kong dollar	159,635	2.3
South Korean won	71,664	1.0
Indian Rupee	68,715	1.0
Australian dollar	68,185	1.0
Taiwan new dollar	52,943	0.8
Other currencies	187,809	2.7
Total investments	\$ 6,885,208	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 \$324,281 (2014 - \$280,305).

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 \$538,369 (2014 - \$510,373).

(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, 2015, the Fund's maximum credit risk exposure relating to bonds and debentures, cash and short-term investments and mortgages totaled \$1,501,519 (2014 - \$1,451,144), receivables of \$3,271 (2014 - \$4,728) and accrued interest of \$7,840 (2014 - \$8,324) totaled \$1,512,630 (2014 - \$1,464,196). 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 CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$ Thousands)

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

Credit Rating	2015 Fair Value		2014 Fair Value	
AAA	\$	202,260 15.8%	\$	337,926 25.4%
AA		217,547 17.0		418,150 31.5
A		690,904 53.9		519,914 39.1
BBB+		124,197 9.7		8,148 0.6
BBB and lower		46,819 3.6		45,669 3.4
		1,281,727 100.0%		1,329,807 100.0%
Cash and short-term		121,862		34,376
Total bonds and debentures	\$	1,403,589	\$	1,364,183

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 2015 or 2014.

(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	2015		2014	
Less than one year	\$	201,855	\$	101,059
One to five years		325,617		398,005
Over five years		974,047		952,080
Total fixed income investments	\$	1,501,519	\$	1,451,144

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$) Thousands

(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 2015
Assets				
Cash	\$ 33,041	\$ -	\$ -	\$ 33,041
Short-term	-	293,709	-	293,709
Bonds and debentures	-	1,281,727	-	1,281,727
Mortgages	-	19,429	-	19,429
Equities	3,356,459	662,669	-	4,019,128
Real estate	-	-	774,263	774,263
Infrastructure	-	-	296,550	296,550
Petroleum and natural gas	-	-	159,436	159,436
Venture capital	-	-	7,925	7,925
Total investments, Schedule 1	\$ 3,389,500	\$ 2,257,534	\$ 1,238,174	\$ 6,885,208

	Level 1 Quoted Prices in Active Markets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total 2014
Assets				
Cash	\$ 40,496	\$ -	\$ -	\$ 40,496
Short-term	-	224,484	-	224,484
Bonds and debentures	-	1,329,807	-	1,329,807
Mortgages	-	21,757	-	21,757
Equities	3,300,823	484,946	-	3,785,769
Real estate	-	-	662,949	662,949
Infrastructure	-	-	263,707	263,707
Petroleum and natural gas	-	-	218,434	218,434
Venture capital	-	-	7,472	7,472
Total investments, Schedule 1	\$ 3,341,319	\$ 2,060,994	\$ 1,152,562	\$ 6,554,875

All securities in Level 1 can be traded in an active market. During the year ended December 31, 2015, no equity investments were transferred from Level 1 to Level 2.

THE CIVIL SERVICE SUPERANNUATION FUND

Notes to the Financial Statements For the year ended December 31, 2015

(\$ Thousands)

During the year ended December 31, 2015, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Infrastructure	Real Estate	Petroleum & Natural Gas	Venture Capital	Total
Beginning Balance	\$ 263,707	\$ 662,949	\$ 218,434	\$ 7,472	\$ 1,152,562
Purchases	367	57,763	11,481	32	69,643
Sales and withdrawals	-	(5,631)	-	-	(5,631)
Capitalized Income	-	20,409	-	-	20,409
Change in unrealized appreciation/ (depreciation)	32,476	38,773	(70,479)	421	1,191
Ending Balance	\$ 296,550	\$ 774,263	\$ 159,436	\$ 7,925	\$ 1,238,174

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, 2015, the Fund held the following investments that met this classification:

ISHARES MSCI Japan ETF	\$ 119,671
Superman Resources Inc. – unitized shares	\$ 159,436
Borealis	\$ 296,550
Marathon M-L	\$ 663,267

(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

The Plan invests in petroleum and natural gas, through its 79.86% (2014 – 79.74%) share in its subsidiary, Superman Resources Inc. The fair value of the investment is \$159,436 (2014 - \$218,434).

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 (2014 - \$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.

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$) Thousands

6. Receivables

	2015	2014
Contributions receivable		
Employers	\$ 964	\$ 2,331
Employees	375	397
	1,339	2,728
Other receivables	1,932	2,000
	\$ 3,271	\$ 4,728

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 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:

	2015	2014
Contributions received	\$ 92,319	\$ 86,547
Interest earned	146,471	166,948
Pension and refund payments made	(147,290)	(134,565)
Investment management fees charged	(4,134)	(3,357)
Change during the year	87,366	115,573
Balance, beginning of year	1,938,337	1,822,764
Balance, end of year	\$ 2,025,703	\$ 1,938,337

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$) Thousands

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:

	2015	2014
Contributions received	\$ 2,303	\$ 2,320
Interest earned	1,627	1,654
Pension and refund payments made	(594)	(359)
Investment management fees charged	(46)	(33)
Change during the year	3,290	3,582
Balance, beginning of year	20,519	16,937
Balance, end of year	\$ 23,809	\$ 20,519

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:

	2015	2014
Contributions received	\$ 1,316	\$ 1,292
Interest earned	621	634
Pension and refund payments made	(656)	(899)
Expenses paid	(7)	(4)
Change during the year	1,274	1,023
Balance, beginning of year	7,823	6,800
Balance, end of year	\$ 9,097	\$ 7,823

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$) Thousands

10. Employer Trust Accounts

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

	2015	2014
(Withdrawals) / Contributions	\$ (1,084)	\$ 726
Interest earned	6,134	6,787
Billing credits made to employers	(114)	(42)
Change during the year	4,936	7,471
Balance, beginning of year	81,963	74,492
Balance, end of year	\$ 86,899	\$ 81,963

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:

	2015	2014
Contributions received	\$ 3,205	\$ 2,820
Interest earned	1,440	1,769
Refunds and administration fees paid	(2,088)	(2,133)
Annuities made	(478)	(574)
Change during the year	2,079	1,882
Balance, beginning of year	32,154	30,272
Balance, end of year	\$ 34,233	\$ 32,154

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$ Thousands)

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 Non-Matching Employers' pension obligations were prepared as at December 31, 2014 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, 2015. The principal components of the changes in pension obligations during the year are presented in Exhibit C.

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

Significant long-term actuarial assumptions used in the December 31, 2014 and 2013 valuations of the present value of the accrued basic pension benefit obligations were:

	2014	2013
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	UP 2013 Generational
(ii) mortality improvements	Scale B	Scale B

The extrapolations to December 31, 2015 were based on the assumptions used in the 2014 actuarial valuations.

The next actuarial valuations for Basic Benefits will be prepared as at December 31, 2015 and will be completed by the fall of 2016.

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$) Thousands

(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 2015 financial statements reflect the pension obligations for cost-of-living adjustments up to the change in the Consumer Price Index for 2015.

The 0.98% cost-of-living adjustment for the year ended December 31, 2014 at a cost of \$47,966 (Fund - \$24,935, Non-Matching Employers - \$23,031) was approved April 30, 2015, with payment commencing July 2015.

The 1.07% cost-of-living adjustment for the year ended December 31, 2015 at a cost of \$55,160 (Fund - \$28,675, Non-Matching Employers - \$26,485) was approved March 31, 2016, with payment commencing July 2016.

These pension obligations are reported in the 2015 statement of changes in pension obligations (Exhibit C).

The December 31, 2014 and 2015 actuarial valuations for the Fund's Indexing Benefits Account and the Non-Matching Employers' liability for indexing benefits were prepared by Ellement Consulting Group. The actuarial assumptions were the same as those used for the December 31, 2014 actuarial valuations for basic benefits, except the discount rate used was 5.50%.

The next actuarial valuations on the Indexing Benefits Account and the Non-Matching Employers' indexing benefits liability will be prepared as at December 31, 2016 and will be completed during 2017.

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 non-matching 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:

	2015	2014
Province of Manitoba, Note 7	\$ 2,025,703	\$ 1,938,337
Manitoba Hydro, Note 21	962,458	914,994
Total funds managed	\$ 2,988,161	\$ 2,853,331

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.

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$) Thousands

14. Contributions

	2015	2014
Employees		
Required contributions	\$ 154,128	\$ 144,670
Voluntary contributions	178	189
Past service contributions	1,651	1,950
Special contributions	1,746	3,442
	157,703	150,251
Employers		
Required contributions	15,736	12,480
Voluntary contributions	1	6
Special contributions ¹	220,619	201,471
	236,356	213,957
	\$ 394,059	\$ 364,208

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

15. Current Period Change in Fair Value of Investments

	2015	2014
Net realized gains on the sale of investments	\$ 265,940	\$ 430,328
Net unrealized market gains (losses)	22,465	(64,597)
	\$ 288,405	\$ 365,731

16. Benefits Paid

	2015	2014
Pension benefit payments	\$ 401,571	\$ 377,552
Disability benefit payments	9,299	9,049
	\$ 410,870	\$ 386,601

17. Refunds and Transfers

	2015	2014
Termination refund payments	\$ 74,641	\$ 49,555
Death refund payments	10,980	10,618
Marriage break up refund payments	2,530	2,174
Reciprocal transfers out – matching employers	810	510
	\$ 88,961	\$ 62,857

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$) Thousands

18. Administrative Expenses, Net

	2015	2014
Actuary fees	\$ 186	\$ 183
Audit fees	63	60
Legal fees	85	55
Consulting fees	14	-
Professional fees	348	298
Salaries and fringe benefits	3,678	3,552
Office and administration	977	960
Gross administrative expenses	5,003	4,810
Less: Recoveries		
From other administrated funds – regular administration	(1,577)	(1,509)
From other administrated fund – special administration	(81)	(33)
From non-matching employers	(1,450)	(1,404)
Administrative expenses, net	\$ 1,895	\$ 1,864

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:

	2015	2014
The Province of Manitoba Unfunded Pension Liability Trust Accounts	\$ 146,471	\$ 166,948
Manitoba Hydro Enhanced Benefit Trust Account	1,627	1,654
Correctional Officers' Trust Account	621	634
Employer Trust Accounts	6,134	6,787
Money Purchase Plan Account	1,440	1,769
	\$ 156,293	\$ 177,792

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$) Thousands

20. Deficit

	Fund	Non-Matching Employers	Total 2015	Total 2014
(Deficit) surplus, beginning of year,				
Basic Benefits	\$ (427,668)	\$ (3,369,408)	\$ (3,797,076)	\$ (3,665,538)
Indexing Benefits	239,598	(212,905)	26,693	4,665
	(188,070)	(3,582,313)	(3,770,383)	(3,660,873)
Change in net assets available for benefits, Exhibit B				
Basic Benefits	201,253	-	201,253	301,539
Indexing Benefits	27,146	-	27,146	39,580
	228,399	-	228,399	341,119
Change in pension obligations during the year, Exhibit C				
Basic Benefits	(165,994)	(111,355)	(277,349)	(433,077)
Indexing Benefits	(42,928)	(40,569)	(83,497)	(17,552)
	(208,922)	(151,924)	(360,846)	(450,629)
(Deficit) surplus, end of year, Exhibit D				
Basic Benefits	(392,409)	(3,480,763)	(3,873,172)	(3,797,076)
Indexing Benefits	223,816	(253,474)	(29,658)	26,693
	\$ (168,593)	\$ (3,734,237)	\$ (3,902,830)	\$ (3,770,383)

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:

	2015	2014
The Manitoba Hydro Pension Fund	\$ 962,458	\$ 914,994
Joint Board of Trustees of The Municipal Employees Benefits Program	631,227	595,176
The Public Service Group Insurance Fund	191,926	177,094
Centra Gas Manitoba Inc.	123,302	119,160
Manitoba Liquor & Lotteries Corporation	4,733	13,736
Winnipeg Child and Family Services Employee Benefits Retirement Plan	25,196	24,824
Workers Compensation Board of Manitoba	-	12,375
University of Winnipeg	19,562	18,559
Legislative Assembly Pension Plan	26,675	23,733
	\$ 1,985,079	\$ 1,899,651

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.

THE CIVIL SERVICE SUPERANNUATION FUND
Notes to the Financial Statements
For the year ended December 31, 2015

(\$) Thousands

22. Future Commitments

The Fund has contractual obligations for future real estate investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2015, the Fund's share of the outstanding commitment is \$109.9 million (2014 - \$166.8 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.

THE CIVIL SERVICE SUPERANNUATION FUND
Summary of Investments
as at December 31, 2015

	2015	2014
(\$) Thousands		
Fixed income		
Short-term	\$ 78,501	\$ 65,204
Bonds and debentures	1,403,589	1,364,183
Mortgages	19,429	21,757
Total fixed income	1,501,519	1,451,144
Equities		
Domestic	1,054,860	1,273,336
Foreign	3,088,625	2,675,156
	4,143,485	3,948,492
Real estate	776,293	665,626
Petroleum and natural gas shares, Note 4	159,436	218,434
Infrastructure	296,550	263,707
Venture capital	7,925	7,472
Investments, Exhibit A	\$ 6,885,208	\$ 6,554,875

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, 2015

			2015	2014
(\$) Thousands	Employers	Employees	Total	Total
Non-matching employers, Note 1 (b)				
Province of Manitoba Civil Service	\$ 151,303	\$ 71,555	\$ 222,858	\$ 206,312
Manitoba Hydro-Electric Board	58,076	38,337	96,413	85,996
Manitoba Public Insurance Corporation	10,615	9,620	20,235	17,915
Red River College	5	8,270	8,275	7,644
Manitoba Liquor Control Commission	-	-	-	4,204
Addictions Foundation of Manitoba	1,806	1,315	3,121	2,727
Community Colleges				
Assiniboine Community College	23	1,884	1,907	1,723
University College of the North	26	1,736	1,762	1,539
Regional Health Authorities				
Winnipeg	-	714	714	731
Prairie Mountain Health	-	876	876	898
Southern Health	-	220	220	270
Interlake - Eastern	-	151	151	205
Northern	-	104	104	97
The Legal Aid Services Society of Manitoba	-	963	963	951
Manitoba Centennial Centre Corporation	464	204	668	556
Diagnostic Services of Manitoba	-	354	354	366
Teachers' Retirement Allowances Fund Board	182	224	406	357
Communities Economic Development Fund	84	74	158	144
Manitoba Horse Racing Commission	16	13	29	27
Workers Compensation Board	1	-	1	1
Total non-matching employers	\$ 222,601	\$ 136,614	\$ 359,215	\$ 332,663

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, 2015

			2015	2014
(\$) Thousands	Employers	Employees	Total	Total
Total non-matching employers, continued	\$ 222,601	\$ 136,614	\$ 359,215	\$ 332,663
Matching employers, Note 1 (b)				
Manitoba Liquor & Lotteries Corporation	8,100	8,799	16,899	12,292
Manitoba Housing	1,727	1,896	3,623	3,299
Manitoba Agricultural Services Corporation	1,276	1,017	2,293	2,154
CUPE Support Workers	1,082	1,222	2,304	1,747
All Nations Coordinated Response Family Services	649	725	1,374	1,234
Manitoba Government and General Employees' Union	652	686	1,338	1,210
Gaming Control Commission	445	481	926	788
Civil Service Superannuation Board	377	401	778	714
Teranet Manitoba LP	539	597	1,136	677
Manitoba Floodway Authority	368	392	760	654
Food Development Centre	218	237	455	406
Manitoba Hydro Utilities Services	153	173	326	307
Travel Manitoba	164	170	334	299
Industrial Technology Centre	97	105	202	185
Dairy Farmers of Manitoba	93	101	194	172
Hams Marketing Services Co-op Inc.	56	61	117	131
Manitoba Pork Council	68	64	132	125
Manitoba Arts Council	57	64	121	108
Manitoba Film and Sound	56	63	119	105
Manitoba Health Research Council	55	57	112	77
Manitoba Chicken Producers	28	31	59	63
Crown Corporations Council	35	30	65	60
Horizon Lab Ltd.	22	24	46	46
Manitoba Turkey Producers	8	8	16	15
Manitoba Cattle Enhancement Council	-	-	-	5
Economic Innovation and Technology Council	4	-	4	4
Total matching employers	\$ 16,329	\$ 17,404	\$ 33,733	\$ 26,877
Total employers, non-matching and matching	\$ 238,930	\$ 154,018	\$ 392,948	\$ 359,540

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, 2015

			2015	2014
(\$ Thousands)	Employers	Employees	Total	Total
Total employers, non-matching and matching	\$ 238,930	\$ 154,018	\$ 392,948	\$ 359,540
Other				
Employees on loan	-	-	-	2
Employees on workers compensation	-	1	1	1
Reciprocal agreement - transfers in	-	4,269	4,269	4,315
Reciprocal agreement - transfers out	(2,575)	(3,000)	(5,575)	(2,657)
Repayment of contributions previously refunded	-	109	109	291
Contributions based on prior non-pensionable employment	1	1,828	1,829	2,142
Transfer from Money Purchase Accounts Plan	-	478	478	574
Total other	\$ (2,574)	\$ 3,685	\$ 1,111	\$ 4,668
Total contributions, Exhibit B	\$ 236,356	\$ 157,703	\$ 394,059	\$ 364,208

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

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Investment Income
for the Year Ended December 31, 2015

	2015	2014
(\$) Thousands		
Fixed income		
Short-term	\$ 783	\$ 601
Bonds and debentures	43,268	41,978
Mortgages	1,407	1,371
	<u>45,458</u>	<u>43,950</u>
Equities		
Domestic	33,496	35,959
Foreign	88,569	76,192
	<u>122,065</u>	<u>112,151</u>
Real estate	19,957	18,921
Venture capital	62	70
Infrastructure	20,430	9,051
Security lending revenue	3,363	2,549
Gross investment income	<u>211,335</u>	<u>186,692</u>
Less:		
Investment management expenses, net, Note 21	6,665	5,382
Interest allocated to employee future benefits obligations	201	199
	<u>6,866</u>	<u>5,581</u>
Net investment income, Exhibit B	<u>\$ 204,469</u>	<u>\$ 181,111</u>

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



The Civil Service Superannuation Board (CSSB), 2014.

The Civil Service Superannuation Board
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