

# 2012 Annual Report

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# CSSSB

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The Civil Service  
Superannuation  
Board



## For more information...

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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](http://www.cssb.mb.ca)

### The Civil Service Superannuation Board

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Winnipeg MB R3C 3T1

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**MINISTER RESPONSIBLE  
FOR THE CIVIL SERVICE SUPERANNUATION ACT**

Legislative Building  
Winnipeg, Manitoba CANADA  
R3C 0V8

June 6, 2013

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

May It Please Your Honour:

As Minister Responsible, I have the privilege of presenting for the information of Your Honour, the 74th Annual Report of The Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2012.

Respectfully submitted,

Honourable Stan Struthers  
Minister of Finance  
Minister Responsible for  
The Civil Service Superannuation Act



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June 5, 2013

Honourable Stan Struthers  
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 74th Annual Report of The Civil Service Superannuation Board.

This report covers the period January 1, 2012 to December 31, 2012 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**

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

**Monica Girouard**

Civil Service Representative  
Manitoba Government & General Employees Union

**Doug Troke**

Civil Service Representative  
Department of Finance

### Employer Representatives

**Ed Balcewich**

Investment Advisor, FMA, FSCI.

**Gabriel Forest, f.c.a.**

Chartered Accountant

**Wayne D. McGimpsey**

Chartered Accountant

**C. Lynn Romeo**

Solicitor

## INVESTMENT COMMITTEE

### Chair

**Peter G. Munro \***

Retired, Executive Vice-President, Chief Investment Officer,  
The Great-West Life Assurance Company

**Dick Archer \***

Retired, Executive Vice-President Investments,  
IGM Financial Inc.

**Richard Brownscombe \***

President  
Montrose Mortgage Corporation Ltd.

**John Clarkson \***

Deputy Minister of Finance  
Province of Manitoba

**Monica Girouard ^**

Civil Service Representative

**Al Morin ^**

Chair  
The Civil Service Superannuation Board

**A. Scott Penman\***

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**

Vice-President, Finance and Administration, CFO,  
Manitoba Hydro-Electric Board

\* Appointed based on investment expertise      ^ Required by legislation

## COMPENSATION AND GENERAL MANAGER PERFORMANCE REVIEW COMMITTEE

### Chair

**Ed Balcewich** - Employer Representative

**Paul Desorcy** - Employee Representative

**Ray Erb** - Employee Representative

**Monica Girouard** - Employee Representative

## GOVERNANCE COMMITTEE

### Chair

**C. Lynn Romeo** - Employer Representative

**Ed Balcewich** - Employer Representative

**Paul Desorcy** - Employee Representative

**Ray Erb** - Employee Representative

## FINANCE AND AUDIT COMMITTEE

### Chair

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

**Ray Erb** - Employee Representative

**Wayne McGimpsey** - Employer Representative

**Doug Troke** - Employee Representative



# The Civil Service Superannuation Board

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

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

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

As the Plan trustee, the Board is required to:

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

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

## CSSB Management Team



## 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

	2012 (*)	2011 (*)
Rate of Return on Investments	10.23%	(2.43)%
Investments at Market Value	5,450,922	4,845,227
Net Investment Income	166,078	130,527
Current Period Change in Fair Value of Investments	331,119	(258,761)
Employee Contributions	120,358	109,736
Employer Payments	189,218	166,062
The Province of Manitoba Unfunded Pension Liability Trust Account	1,640,314	1,304,271
Pension Payments	340,558	315,051
Refunds and Transfers	60,847	35,123
General Expenses - Net	1,703	1,563

\* \$Thousands unless otherwise noted

### Membership

	2012	2011
Non-Retired Members	33,959	33,814
Retired Members and Other Recipients	18,028	17,370
<b>Total Members</b>	<b>51,987</b>	<b>51,184</b>

### Other Plans Under Administration

Manitoba Telecom Services Inc.^	6,175	6,243
Money Purchase Accounts Plan	2,559	2,251
Centra Gas^	811	818
Winnipeg Child and Family Services^	301	309
MLA's^	107	108
Legislative Assembly Pension Plan	77	77
<b>Total Membership (all Plans)</b>	<b>62,017</b>	<b>60,990</b>

^ Active and Retired



From the U.S. Presidential election and the threat of the fiscal cliff to fears of a slowdown in the Chinese economy to the European sovereign debt crisis, there were no shortages of challenges for the financial markets throughout 2012. In the end, the global economy continued on its gradual recovery from the financial crisis of recent years. Despite a bit of a roller coaster ride and amid much uncertainty, the markets did recover and manage to post some impressive gains by year end.

The Civil Service Superannuation Fund's (Fund) 2012 rate of return of 10.23% was quite respectable considering these economic and political events. Looking ahead to 2013, our focus remains on delivering reliable long-term growth and stability to meet our future pension commitments. Our experienced investment team continues to actively manage our portfolios, always looking for ways to maximize return potential that markets have to offer while limiting the risks.

The Civil Service Superannuation Board (Board) is continuing with our commitment to closely monitoring the financial position of the Fund through annual actuarial valuations. These valuations help to determine whether contributions made to the pension plan are sufficient and led us to the decision last year to increase the employee contribution rate. The gradual increase of 2% over a four year period began July 1, 2012 and will continue to increase by .5% each year thereafter until 2015. At this point the contribution rate will be 8% on salary up to the Yearly Maximum Pensionable Earnings (YMPE) and 9% on salary over the YMPE. This type of active measure helps to reduce the reliance on investment returns while we continue to position ourselves to ensure the long-term viability of the Fund.

There were several exciting technological enhancements for the CSSB in 2012. Our Web Site was redesigned and has a modern new look that should prove easier to navigate. Employees are also now able to register for Pre-Retirement Seminars through our Online Services. This new feature allows you to see which seminars are available, the number of seats remaining, lets you cancel your registration and provides links to a map of the seminar location. The Board also launched a pilot project to provide members with the ability to receive their Annual Employee Pension Statement online. Due to the success of the pilot, this initiative will be expanded to include all employers for 2013. In addition to the convenience and security, the elimination of the distribution of paper copies will result in significant savings for the Fund.

As a result of the fall Board election process, 2013 will see the addition of two newly elected Board members. The Board is pleased to welcome Mr. Douglas Troke as a Civil Service Employee Representative and Mr. Paul Desorcy who was elected to represent the Manitoba Hydro Employee Group. On behalf of the Board, plan members, staff and management, we sincerely thank out-going members Ms. Denise Hickson and Mr. Stephen Watson for their dedication and contributions to the Board over the past three years.

In closing, I would also like to extend my sincere gratitude to Bruce Schroeder, General Manager, and the staff of The CSSB for their hard work and continued dedication in providing our membership with the high quality service that they have come to expect.





Another year has come and passed and brought with it challenges and opportunities for the Civil Service Superannuation Fund (CSSF). From an investment perspective, the CSSF had a return on investments of 10.23% which compares favorably to our benchmark return of 9.72%.

During 2012 we developed and pursued a number of initiatives for the benefit of membership. We completed a redesign of the Civil Service Superannuation Board (CSSB) website to simplify and enhance the membership's experience. We also introduced the ability for members to self-enroll for CSSB Online Services. Prior to this initiative, members were required to complete and submit a two-page form to the CSSB. Upon receipt, the CSSB would contact the member to set up the online access. Now, members can enroll themselves and have instant access to all of the services offered. To complement the new self-enrollment feature for Online Services, members are now able to recover their passwords if in the event the password is forgotten. In addition, our Online Services gives the member the ability to view an up-to-date list of available group pension seminars, along with how many spaces are remaining, and self-enroll for the group pension seminar they are interested in attending.

In 2012 we also introduced a pilot project where members will retrieve their annual Pension Statements through CSSB Online Services. In 2013 we will be notifying all members of the CSSF that they now have the capability to self-enroll for Online Services and retrieve their annual pension statement online. This initiative will provide members with more immediate access to pension information and will give them the ability to retrieve a limited number of historical statements. Our goal is to have the majority of members access their information online. Since 2002 members have run over 900,000 estimates via the web. There are currently 8,193 active and deferred members or 23.5% registered for online services. The time and effort that go into Online Services is well worth it.

Another initiative in 2012 revolved around disaster recovery/business continuity. A comprehensive plan was developed that involved the purchase of a backup computer server that provides for immediate data recovery that will mirror the current server we utilize on a day-to-day basis. The creation of an alternate server site will enable us to maintain services to membership with minimal delays in the event of a disaster to our computer server.

The past year was also an election year for Board members. Every three years, active membership has the opportunity to elect their representatives to the Board. We would like to congratulate and welcome newly elected members, Paul Desorcy (Manitoba Hydro) and Doug Troke (Civil Service) to the Board and thank outgoing members Denise Hickson (Manitoba Hydro) and Stephen Watson (Civil Service) for their dedication and contributions over the last three years.

In 2013 we plan to continue to provide the services and commitment the stakeholders have come to expect. We will continue to focus on enhancing and adding to the online experience for membership as more and more employees take advantage of the wide array of services and convenience offered via the web.

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



A close-up photograph of a financial chart, likely a stock market index, with a black and gold pen pointing at a red line graph. The chart features multiple red lines on a grid background, with some lines showing significant volatility. The pen is positioned horizontally, with its tip touching one of the lines. The word "Investments" is overlaid in a blue serif font on a white rectangular background in the center-right of the image.

# 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.

***"Different risk elements relating to market volatility and potential returns are factored into an investment decision."***

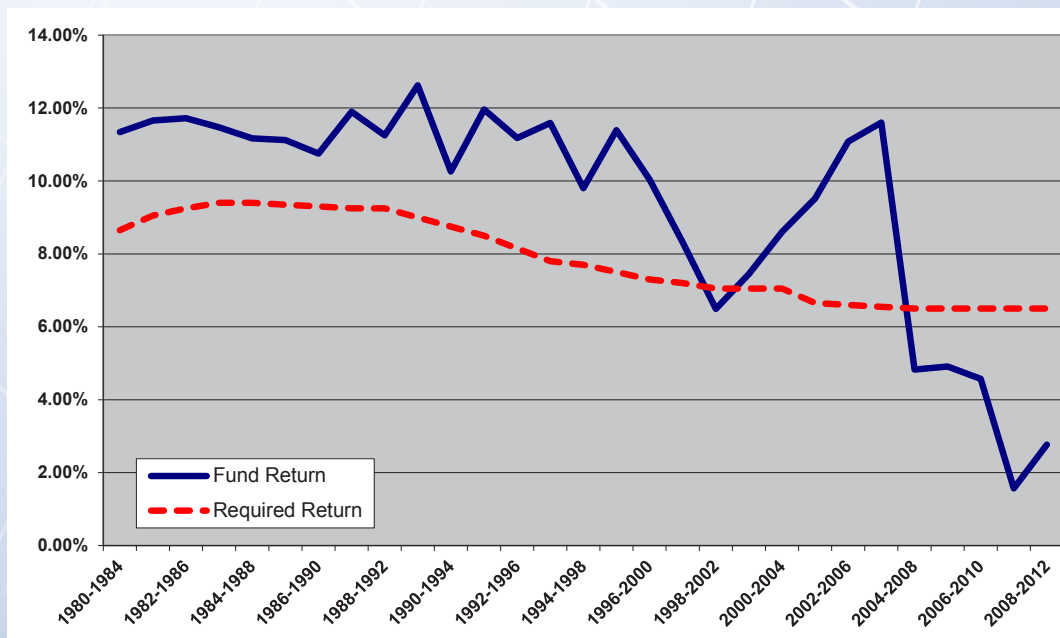
## Long-term Success of Investment Policy

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).

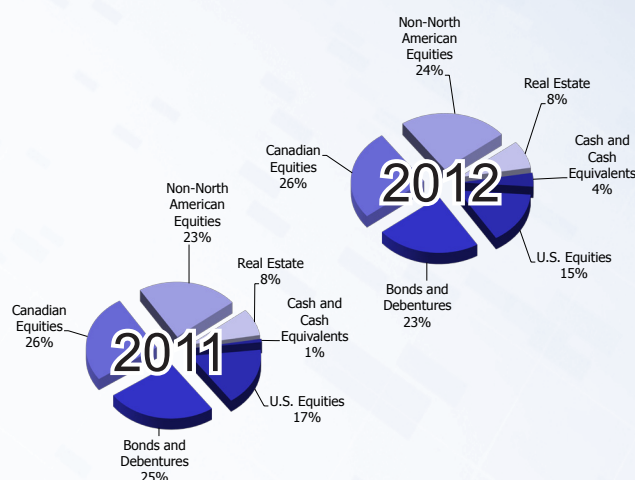
Policies and procedures that continue to guide or impact investment decisions include:

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

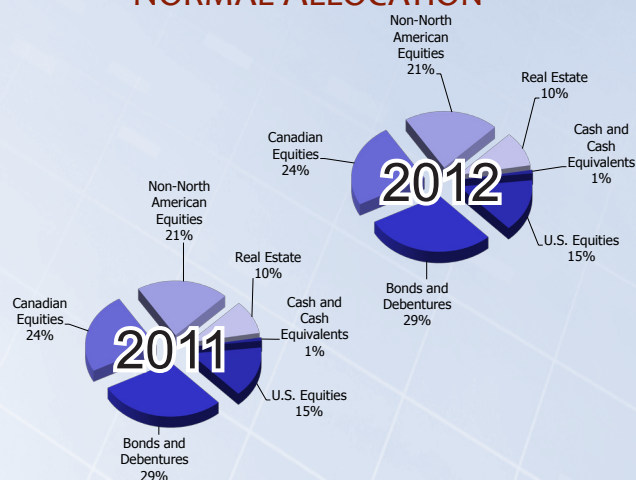
### FIVE-YEAR ANNUALIZED RETURN



## FUND INVESTMENTS



## INVESTMENT POLICY NORMAL ALLOCATION



## Overview

During 2012, world capital markets continued to be heavily influenced by global macro and political/headline events. Despite these issues, global equity markets advanced, climbing the proverbial “Wall of Worry”, with most major indices producing double digit returns.

For the year (in USD), the S&P 500 advanced 16%, the EAFE gained 14.6%, and MSCI Europe and emerging markets both returned over 15%. The laggards were China, up 4.2%, Japan, up 9%, and Canada only managed an advance of 10.2% (7.2% in CAD). With respect to the fixed income markets, the total return in 2012 for the DEX composite index was 3.6% while the CSSB custom fixed income benchmark gained 4.1%.

Real estate results at time of writing were well in excess of benchmark for the year. As for private equity (Superman), the results for 2012 were disappointing as the valuation of our oil and gas properties suffered due to depressed natural gas prices.

For 2012 as a whole, the total fund outperformed (est.) its policy benchmark by 51 basis points, returning 10.23% versus 9.72%. This relative outperformance was driven by the fund’s asset allocation which emphasized equities over fixed income and within the allocation to equities, there was an overweight towards emerging markets. Additionally, our internal and external public equity fixed income managers all outperformed their respective benchmarks with the exception of our Asia ex-Japan manager.

## Diversification, Growth and Stability

### Fund Investments

	2012(*)	2011 (*)
<b>Contractual Investments</b>		
Cash and Short-term	211,775	30,313
Bonds and Debentures	1,235,993	1,202,267
Mortgages	26,082	27,681
<b>Equity Investments</b>		
Canadian Equities	1,398,801	1,375,619
U.S. Equities	819,459	703,690
Non-North American Equities	1,313,153	1,124,870
Real Estate	445,659	380,787
<b>Total Investments</b>	<b>5,450,922</b>	<b>4,845,227</b>

\* \$Thousands

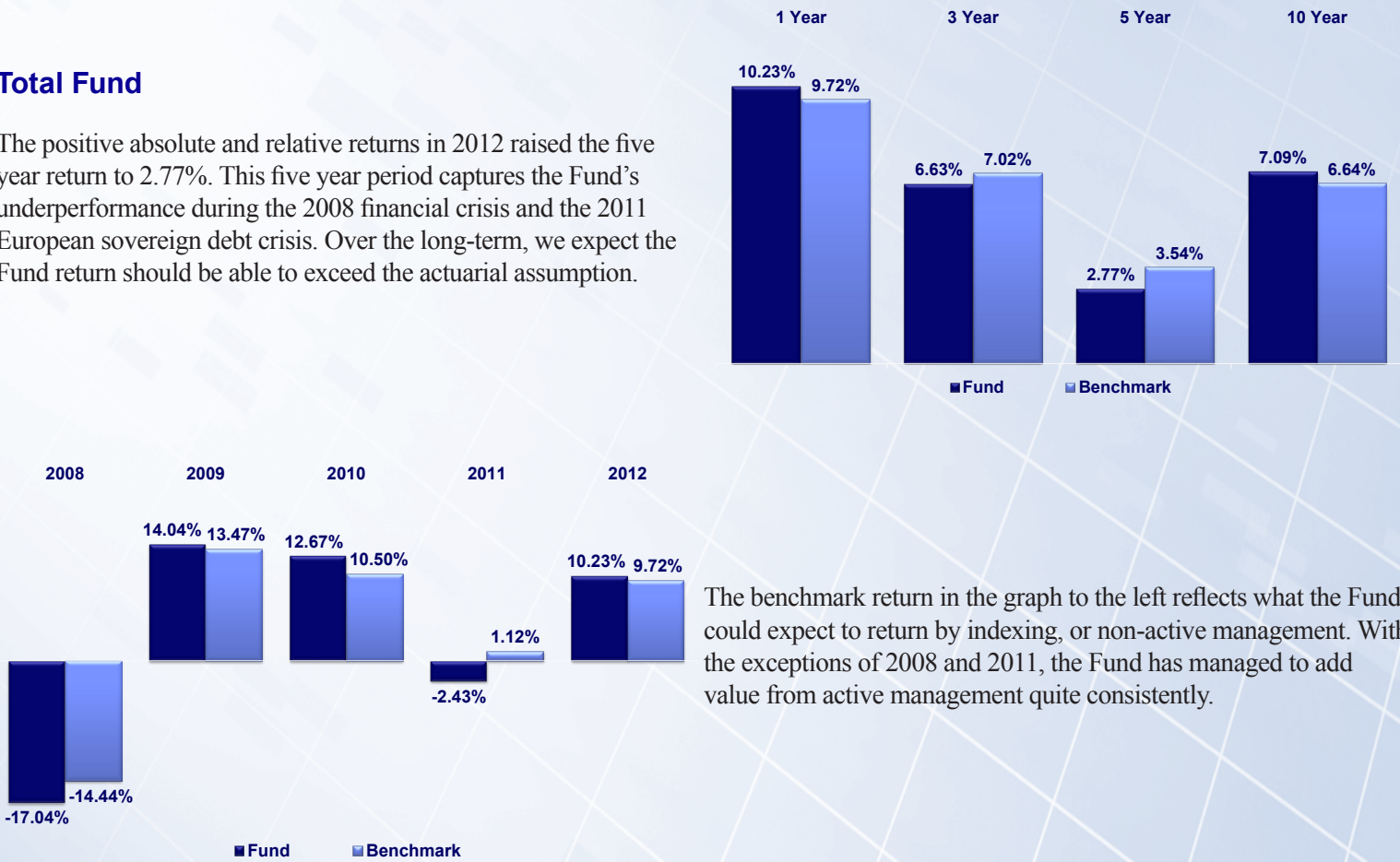


Calculation Methodology

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

Total Fund

The positive absolute and relative returns in 2012 raised the five year return to 2.77%. This five year period captures the Fund’s underperformance during the 2008 financial crisis and the 2011 European sovereign debt crisis. Over the long-term, we expect the Fund return should be able to exceed the actuarial assumption.



The benchmark return in the graph to the left reflects what the Fund could expect to return by indexing, or non-active management. With the exceptions of 2008 and 2011, the Fund has managed to add value from active management quite consistently.

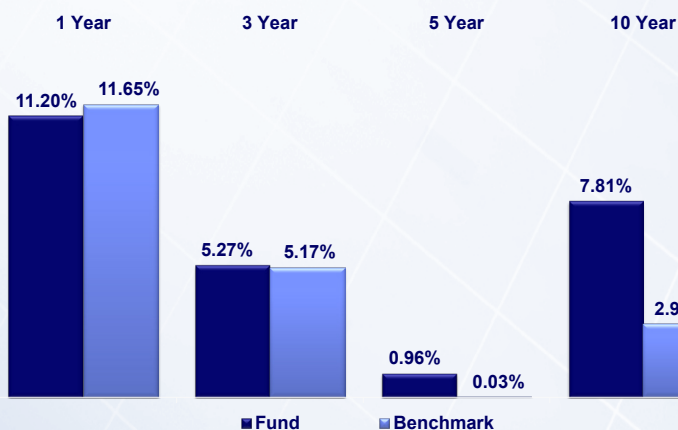
Bonds and Debentures

Throughout 2012, the bond portfolio maintained a bias towards a pick-up in economic growth and a normalization of credit spreads. As a result, the portfolio outperformed returning 6.52% versus 4.13% for the benchmark. Half of the performance was driven by the work-out portfolio as a previously distressed asset successfully matured at par during the year. The remaining performance was primarily the result of being overweight corporate debt.



## 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 7.97% in 2012 compared to its benchmark of 4.50%.

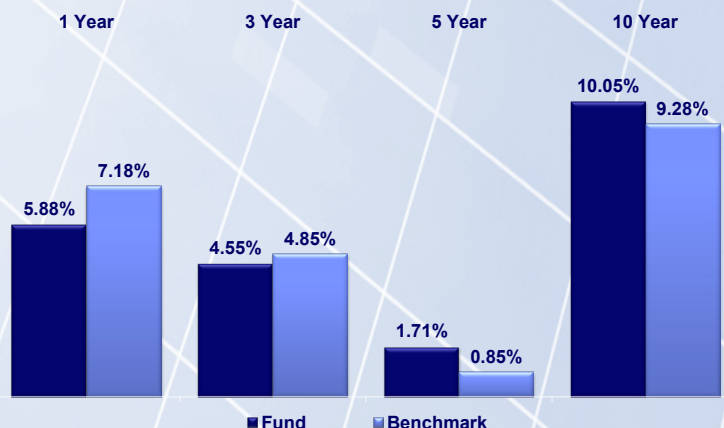


## Total Equity

Globally, most publicly traded equity markets experienced solid double digit returns. Specific to CSSB, all equity categories, except private equity, produced significant positive returns in 2012. Regarding public markets, Canadian equities were the laggard, returning 5.88% versus the 7.18% benchmark. U.S. equities advanced 13.56% versus the 13.48% benchmark, and Non-North American equities returned 16.21% versus 15.46% for the benchmark. Finally, real estate produced a return of 15.03% versus the 14.08% benchmark return.

## Canadian Equity

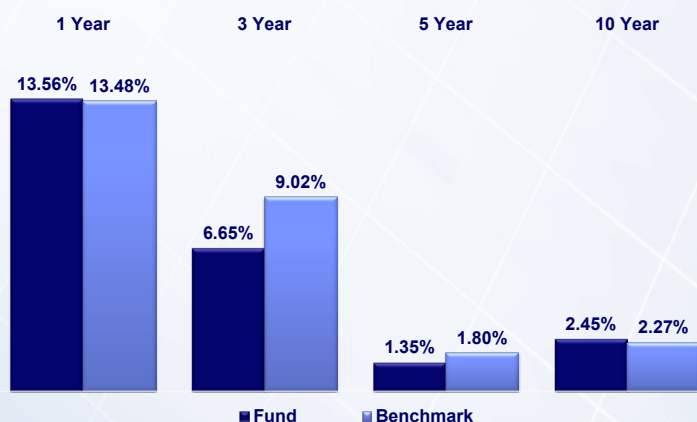
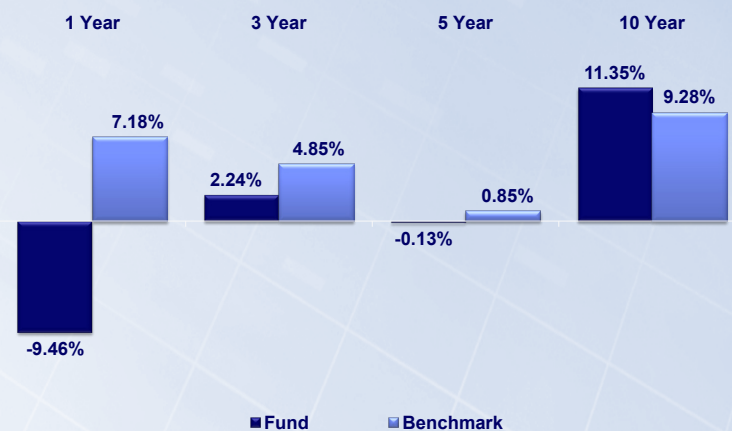
The Canadian Equity component of the fund (encompassing all Canadian equity portfolios and Superman Resources) returned 5.88% in 2012 versus a 7.18% return for the benchmark. The internally-managed Canadian Equity I, II and III portfolios posted strong returns of 9.66%, 9.80% and 10.07% respectively as strong stock selection in materials, energy and utilities offset a lack of exposure to the coveted high-yield, defensive sectors.





## Private Equity

While Superman ended 2012 in a solid financial position, depressed commodity prices over the course of the year took their toll on returns and resultantly dropped 11.34% during the period. Unfortunately, a preponderance of shale gas in the U.S. limited demand for Canadian producers' product and put a top on gas prices over the course of the year. Furthermore, Canadian oil prices traded at a discount to WTI prices mainly due to a lack of available pipeline capacity. These factors led Superman's reserve evaluator, Sproule, to implement a new and less favorable price deck. Specifically, gas prices were brought down by 10-29% at the front end of the price curve (between 2013-2015) for gas, and 1-10% for oil. These revisions resulted in both a 15% reduction in value and a \$26.5 million cut to reserves. Additionally, land values eroded somewhat in Alberta, specifically in the Duvernay plays, causing a reduction in Superman's land value over the year. Management remains focused on its profitable liquids rich plays and enhanced oil recovery opportunities within the portfolio. A tax free status may also provide attractive partnering opportunities in an environment where access to capital may be difficult for certain companies.

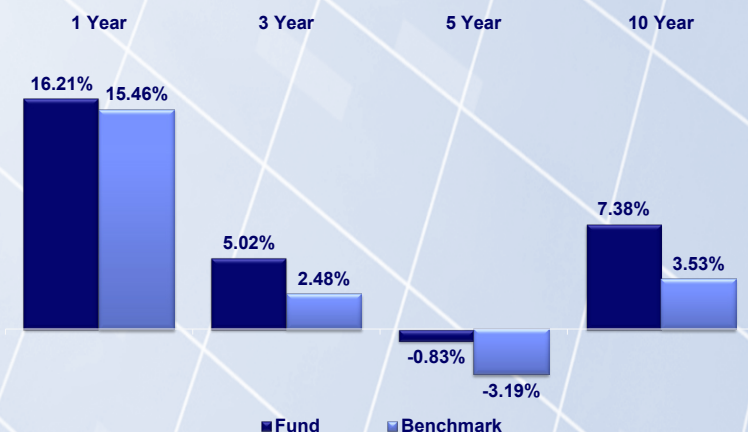


## U.S. Equity

The U.S. equity fund had a very strong first quarter as the cyclical over weight in technology, financials, materials and energy provided a strong tail wind. For the remainder of the year, concerns over a U.S. slowdown, led by fiscal drags from tax increases and spending cuts, along with worries about China's economic growth, shifted the focus to the more defensive, risk off sectors. That type of volatility created challenges for many managers and the S&P 500 outperformed the median U.S. portfolio manager. The U.S. equity fund posted a gain of 13.56% in Canadian dollars and managed to beat the median manager in the RBC Investor Universe (13.34%) and S&P 500 (13.48%) in 2012.

## Non-North American Equity

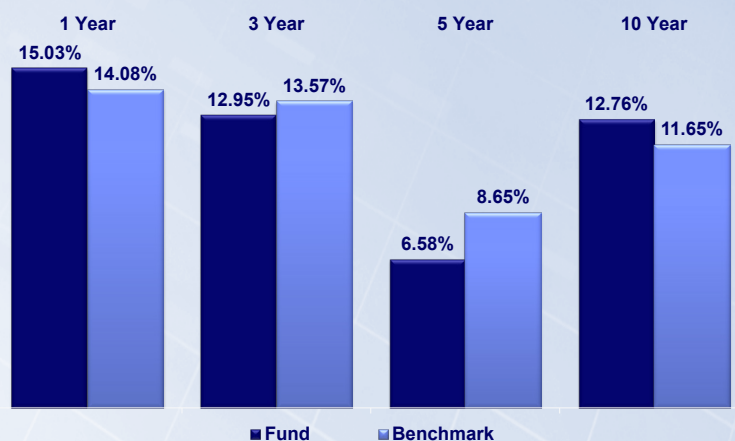
2012 saw continued turmoil in economies and markets. Political events in Europe and a once in a decade leadership change in China contributed to uncertainty. Equity markets generally found a bottom at mid-year and finished the year strongly, with European markets up 20% and emerging markets up 17%. The Fund's Non-North American investments outperformed the benchmark 16.2% versus 15.5%.





## Real Estate

Values continued to grow during the year as an abundance of capital continues to drive property yields lower in search for stable dividends. Overall, commercial real estate fundamentals remain healthy with the market displaying low vacancy and moderate rent increases. The real estate portfolio returned 15.0% for the year versus 14.1% for the Investment Property Databank. The market continues to be difficult to acquire well priced properties and in many instances the risk does not match the return. The focus for the portfolio has shifted to development where we would then hold the assets for the long-term.



## Strategy and Outlook

As we enter 2013, it is our view that global economic activity troughed in mid-2012 and is poised to gain momentum over the forecast period. Our expectation for much of 2012 had been that the U.S. and most world economies would “muddle through” with tepid economic growth. However, we have upgraded our position as recent economic releases suggest that the U.S. and global economies are gaining traction. Also, various macro/political headwinds that were negatively impacting financial markets have diminished in terms of market impact reaction.

In the U.S., the partial resolution of the fiscal cliff has removed some policy uncertainties and lessened the financial impact on U.S. GDP. China appears to have engineered a soft landing in its economy as recent economic metrics have shown improvement. In Europe, the sovereign debt/banking crisis concerns have greatly diminished due to the aggressive policy moves of the ECB.

Given this backdrop, we believe, barring a severe policy error, that global equity markets are poised to move higher in 2013. In fact, at the time of writing, most major global equity indices are up 3 – 5% year to date. In particular, we see significant opportunities in emerging market equities which have underperformed over the last few years and where valuations are compelling. While the U.S./global equity markets have enjoyed a significant rally since the July lows, we would consider enhancing the fund’s exposure on short-term weakness as valuations are attractive and the fundamental outlook is improving.

While this is a relatively optimistic outlook, we are also well aware of the various risks that are currently on the horizon. In the U.S. congress has yet to deal with the sequestered budget cuts, continuing budget resolutions and the debt ceiling. The European debt crisis, while currently diminished, could once again threaten capital markets should a policy error occur. While China’s economy appears to be on a positive growth trajectory, any deviation from accommodative monetary and

fiscal policies by the new leadership would have a negative impact globally.

With respect to fixed income, we have underestimated the extent to which yields in North America could decline over the last few years. However, from the current level of yields, it is hard to envision a further decline without a global recession or a financial system debacle. Further, should global growth strengthen as we expect, this should result in upward pressure on the interest rate structure. Thus we do not see value in the fixed income markets and intend to remain underweight our benchmark.

Turning to real estate, good quality properties with attractive yields remain difficult to acquire in the current environment, however we continue to pursue opportunities as they are presented directly, with partners, or through various fund arrangements across Canada.

Total Fund cash levels are expected to remain modest over the next year.

Finally, for 2013, a new asset class, infrastructure, has been established in our benchmark policy asset mix. Infrastructure assets are very long-term assets that generate stable and significant cash flows, tend not to be correlated to public equity markets, and are an excellent match for funding long-term pension plan obligations.





**Membership**



# Member Services

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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.

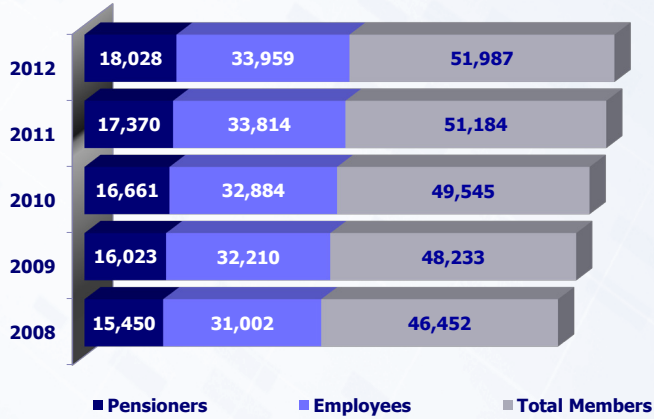


## Members/Retirements

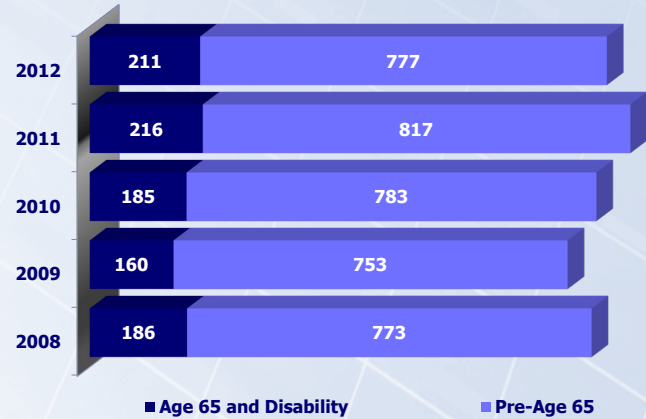
During 2012

- Total members increased by 803 to 51,987
- Employees/former employees participating in the Fund increased by 145 to 33,959
- Pensioners/beneficiaries increased by 658 to 18,028

### TOTAL MEMBERS



### RETIREMENTS

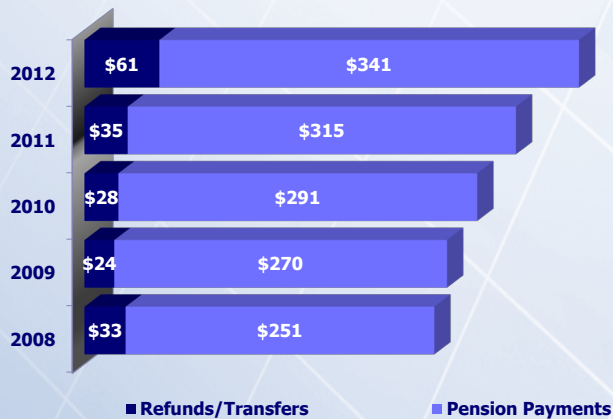


## Paying Your Benefits

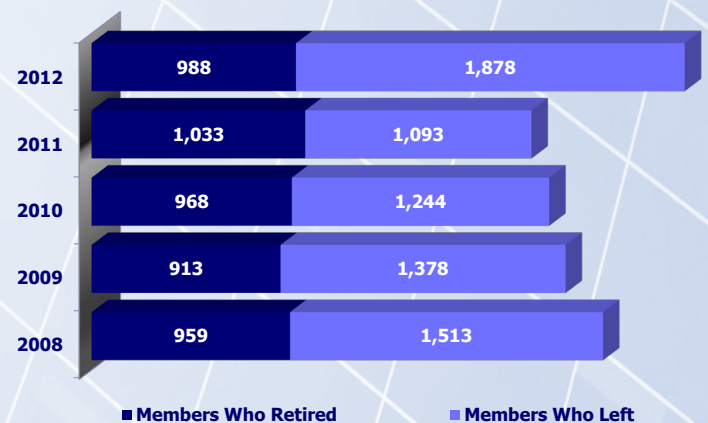
During 2012

- 18,028 pensioners/beneficiaries were receiving pension benefits at the end of the year
- \$340.6 million was paid in pensions

### PAYMENTS FROM THE FUND (MILLIONS)



### FORMER CONTRIBUTORS



## Employees/Former Employees

The distribution of employees/former employees by employer as at December 31, 2012 was as follows:

Non-Matching Employers	Males	Females	Total
Province of Manitoba Civil Service	7,111	8,352	15,463
Manitoba Hydro-Electric Board	4,505	1,501	6,006
Manitoba Public Insurance	818	1,159	1,977
Red River College	654	726	1,380
Liquor Control Commission	370	353	723
Addictions Foundation of Manitoba	87	244	331
Assiniboine Community College	137	185	322
University College of The North	121	195	316
The Legal Aid Services Society of Manitoba	45	112	157
Diagnostic Services of Manitoba	8	74	82
Manitoba Centennial Centre Corporation	36	16	52
Teachers' Retirement Allowances Fund Board	9	23	32
Communities Economic Development Fund	10	4	14
The Council on Post-Secondary Education	4	8	12
Manitoba Horse Racing Commission	1	0	1
Regional Health Authorities			
Winnipeg	15	138	153
Brandon	26	91	117
Central	2	32	34
Assiniboine	2	26	28
Parkland	6	21	27
Interlake	1	24	25
South Eastman	3	13	16
Nor-Man	0	13	13
North Eastman	1	7	8
Burntwood	1	5	6
<b>Total Non-Matching</b>	<b>13,973</b>	<b>13,322</b>	<b>27,295</b>



Matching Employers	Males	Females	Total
Manitoba Lotteries Corporation	809	800	1,609
Manitoba Housing Authority	272	192	464
CUPE Support Workers	82	282	364
Manitoba Agricultural Services Corporation	64	99	163
Child and Family All Nations Coordinated Network Inc.	17	131	148
Manitoba Crop Insurance Corporation	123	16	139
Manitoba Government and General Employees Union	34	53	87
Manitoba Hydro Utilities Service	49	14	63
Manitoba Floodway Expansion Authority Inc.	31	26	57
Gaming Control Commission	26	26	52
The Civil Service Superannuation Board	27	24	51
Food Development Centre	16	23	39
Travel Manitoba	7	25	32
Dairy Farmers of Manitoba	6	14	20
Industrial Technology Centre	14	6	20
Hams Marketing Services Co-op Inc.	10	6	16
Manitoba Arts Council	0	13	13
Manitoba Film and Sound Recording Development Corporation	4	6	10
Manitoba Pork Council	4	5	9
Manitoba Chicken Producer Board	2	4	6
MFC Testing and Research Inc.	1	5	6
Manitoba Health Research Council	1	5	6
Crown Corporations Council	1	4	5
Sport Manitoba	2	1	3
Manitoba Cattle Enhancement Council	0	3	3
Manitoba Turkey Producers	0	3	3
Paletta & Company Hotels	3	0	3
Venture Manitoba Tours Ltd.	3	0	3
<b>Total Matching</b>	<b>1,608</b>	<b>1,786</b>	<b>3,394</b>

Other	Males	Females	Total
Deferred Pension Accounts	1,632	1,388	3,020
L.T.D. Recipients	42	108	150
Manitoba Reciprocal Agreements	60	40	100
<b>Total Other</b>	<b>1,734</b>	<b>1,536</b>	<b>3,270</b>

<b>Total (Non-Matching, Matching, Other)</b>	<b>17,315</b>	<b>16,644</b>	<b>33,959</b>
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## Employee Contributions/Employer Payments

During 2012

- Employees contributed \$120.4 million to the Fund compared to \$109.7 million in 2011
- Employers paid \$189.2 million to the Fund compared to \$166.1 million in 2011

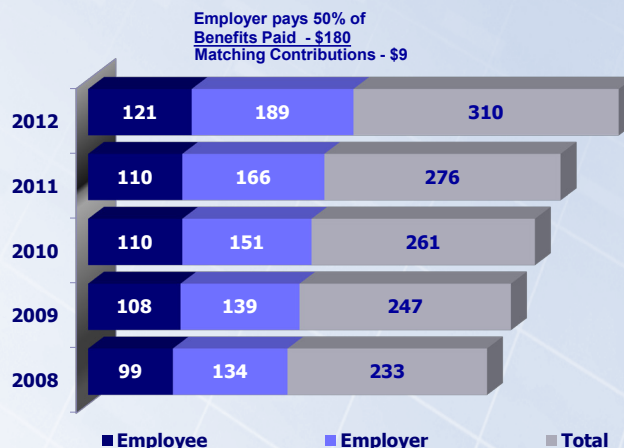
Employees and Employers share the cost of the plan.

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

Employer payments include:

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

### CONTRIBUTIONS AND PAYMENTS (MILLIONS)



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

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

An employee contributes to the pension plan at one rate on salary up to his or her Canada pensionable earnings, and at a different rate on salary over of his or her Canada pensionable earnings. Canada pensionable earnings is the salary an employee receives in a year that does not exceed the Yearly Maximum Pensionable Earnings under the Canada Pension Plan. The Yearly Maximum Pensionable Earnings for 2013 is \$51,100.

## 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, 2012 was 1.53%

## 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, 2012 are summarized below.

	Fund (*)	Non-Matching Employers (*)	Obligations Total (*)
<b>1. Net Assets Available (Net of Actuarial Reserves)</b>			
Basic Benefits Account	3,322,625		
Indexing Benefits Account	386,354		
<b>Total</b>	<b>3,708,979</b>		
<b>2. Actuarial Obligations for Pension Benefits</b>			
Basic Benefits Account (Excluding future benefits)	4,009,785	3,170,251	7,180,036
Indexing Benefits Account	216,252	206,728	422,980
<b>Total</b>	<b>4,226,037</b>	<b>3,376,979</b>	<b>7,603,016</b>
<b>3. Actuarial Position/Funds Available</b>			
Basic Benefits Account	(687,160)	(3,170,251)	(3,857,411)
Indexing Benefits Account (funds available to finance future adjustments)	170,102	(206,728)	(36,626)
<b>Surplus/(Deficit)</b>	<b>(517,058)</b>	<b>(3,376,979)</b>	<b>(3,894,037)</b>

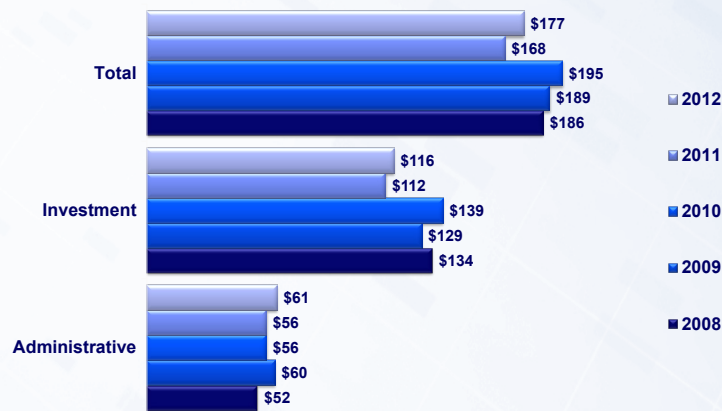
\* \$Thousands

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 2012 was \$177 consisting of \$61 for administration and \$116 for investment related expenses.

## ANNUAL COST PER MEMBER



# Governance

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

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




## Five-Year Comparative Statistics

		2008 (*)	2009 (*)	2010 (*)	2011(*)	2012(*)
<b>Investments</b>	Rate of Return	(17.04)%	14.06%	12.67%	(2.43)%	<b>10.23%</b>
	Market Value	3,302,963	4,001,189	4,915,555	4,845,227	<b>5,450,922</b>
<b>Contributions and Payments</b>	Employee Contributions	98,635	107,593	109,924	109,736	<b>120,358</b>
	Employer Payments	133,991	139,556	151,255	166,062	<b>189,218</b>
	<b>Total</b>	<b>232,626</b>	<b>247,149</b>	<b>261,179</b>	<b>275,798</b>	<b>309,576</b>
<b>Payments from the Fund</b>	Pension Benefits Paid	250,532	270,006	291,168	315,051	<b>340,558</b>
	Refunds and Transfers	33,367	24,238	27,517	35,123	<b>60,847</b>
<b>Expenses</b>	Administrative, net before recoveries from non-matching employers	2,452	2,858	2,787	2,846	<b>3,051</b>
	Investment, net	6,271	6,217	6,883	5,758	<b>6,023</b>

\* \$Thousands unless otherwise noted

		2008	2009	2010	2011	2012
<b>Membership</b>	Non-Retired Members	31,002	32,210	32,884	33,814	<b>33,959</b>
	Pensioners and Other Recipients	15,450	16,023	16,661	17,370	<b>18,028</b>
	<b>Total Members</b>	<b>46,452</b>	<b>48,233</b>	<b>49,545</b>	<b>51,184</b>	<b>51,987</b>
	Refunded/Transferred Members	1,513	1,378	1,244	1,093	<b>1,878</b>
	Retirements	959	913	968	1,033	<b>988</b>



Money

# Financial Information



## Management Report

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The accompanying consolidated financial statements of The Civil Service Superannuation Fund are the responsibility of management and have been prepared in accordance with Canadian accounting standards for pension plans, as stated in the notes to the consolidated financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to April 25, 2013.

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

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

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

The Board has reviewed and approved these financial statements.

On behalf of Management,



Bruce Schroeder  
General Manager



Rick Wilson  
Director, Finance



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Civil Service Superannuation Fund, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of changes in net assets available for benefits, changes in pension obligations and changes in deficit for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Civil Service Superannuation Fund as at December 31, 2012, and the consolidated changes in net assets available for benefits, consolidated changes in pension obligations and the consolidated changes in deficit for the year then ended in accordance with Canadian accounting standards for pension plans.

April 25, 2013  
Winnipeg, Manitoba

**Original document signed by:**  
Carol Bellringer, FCA, MBA  
Auditor General



# Exhibit A - The Civil Service Superannuation Fund

## Consolidated Statement of Financial Position

as at December 31, 2012

(\$) Thousands

### Assets

Investments, Schedule 1, Notes 2(b) and 4	\$5,450,922	\$4,845,227
Equipment	287	51
Prepaid expenses	201	184
Debt due from the Province of Manitoba, Note 5	1,826	1,826
Receivables, Note 6	2,219	2,756
Accrued dividends and interest	12,446	13,203

### Total assets

**5,467,901** **4,863,247**

### Liabilities

Accounts payable and accrued liabilities	9,867	9,693
The Province of Manitoba Unfunded Pension Liability Trust Account, Note 7	1,640,314	1,304,271
Correctional Officers' Trust Account, Note 9	5,498	4,737
Employer Trust Accounts, Note 10	64,666	58,334
Money Purchase Accounts Plan, Note 11	25,540	21,676
Manitoba Hydro Enhanced Benefit Trust Account, Note 8	13,037	-

### Total liabilities

**1,758,922** **1,398,711**

### Net assets available for benefits, Exhibit B

**\$3,708,979** **\$3,464,536**

### Accrued Pension Obligations and Deficit

Actuarial value of pension obligations, Exhibit C, Note 12	\$7,603,016	\$7,171,074
Deficit, Exhibit D, Note 1(b), 12, 13 and 20	(3,894,037)	(3,706,538)

### Accrued pension obligations and deficit

**\$3,708,979** **\$3,464,536**

Approved on behalf of the Board



Chairperson of the Board



Chairperson, Finance and Audit Committee

## Exhibit B - The Civil Service Superannuation Fund

### Consolidated Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2012

(\$ Thousands)	2012			2011
	Basic Benefits Account	Indexing Benefits Account	Total	Total
<b>Increase in assets</b>				
Contributions, Schedule 2, Note 1(b) and 14				
Employees	\$ 108,134	\$ 12,224	\$ 120,358	\$ 109,736
Employers	188,380	838	189,218	166,062
Total contributions	296,514	13,062	309,576	275,798
Net investment income, Schedule 3	131,308	34,770	166,078	130,527
Current period change in fair value of investments, Note 15	331,119	-	331,119	-
Other	80	-	80	78
<b>Total increase in assets</b>	<b>759,021</b>	<b>47,832</b>	<b>806,853</b>	<b>406,403</b>
<b>Decrease in assets</b>				
Current period change in fair value of investments, Note 15	-	-	-	258,761
Benefits paid, Note 16	318,198	22,360	340,558	315,051
Refunds and transfers, Note 17	60,847	-	60,847	35,123
Administrative expenses, net, Note 18	1,703	-	1,703	1,563
Transfer to employer trust accounts	573	-	573	570
Interest (charged) allocations to various trust accounts and Money Purchase Accounts Plan, Note 19	158,729	-	158,729	(33,420)
<b>Total decrease in assets</b>	<b>540,050</b>	<b>22,360</b>	<b>562,410</b>	<b>577,648</b>
<b>Increase (decrease) in net assets</b>	<b>218,971</b>	<b>25,472</b>	<b>244,443</b>	<b>(171,245)</b>
Net assets available for benefits, beginning of year	3,103,654	360,882	3,464,536	3,635,781
Increase (decrease) in net assets	218,971	25,472	244,443	(171,245)
<b>Net assets available for benefits, end of year, Exhibit A</b>	<b>\$ 3,322,625</b>	<b>\$ 386,354</b>	<b>\$3,708,979</b>	<b>\$3,464,536</b>



## Exhibit C - The Civil Service Superannuation Fund

### Consolidated Statement of Changes in Pension Obligations for the Year Ended December 31, 2012

(\$) Thousands	2012			2011
	Matching Employers	Non-Matching Employers	Total	Total
<b>Basic Benefits Account</b>				
Pension obligations, beginning of year	\$3,785,350	\$3,004,205	\$6,789,555	\$6,636,585
Change in pension obligations during the year				
Experience (gain) loss	(6,196)	1,650	(4,546)	(241,367)
Benefits accrued	140,524	111,770	252,294	235,875
Benefits paid	(191,238)	(170,595)	(361,833)	(314,297)
Interest accrued on benefits	225,228	178,587	403,815	381,360
Change in actuarial reserves	56,117	44,634	100,751	91,399
	224,435	166,046	390,481	152,970
Pension obligations, end of year	<b>\$4,009,785</b>	<b>\$3,170,251</b>	<b>\$7,180,036</b>	<b>\$6,789,555</b>
<b>Indexing Account</b>				
Pension obligations, beginning of year	\$ 198,317	\$ 183,202	\$ 381,519	\$ 351,402
Change in pension obligations during the year				
Experience (gain) loss	(8,332)	824	(7,508)	(19,511)
Benefits accrued	30,352	24,141	54,493	55,975
Benefits paid	(21,522)	(17,118)	(38,640)	(36,447)
Interest accrued on benefits	11,527	10,978	22,505	20,330
Change in actuarial reserves	5,910	4,701	10,611	9,770
	17,935	23,526	41,461	30,117
Pension obligations, end of year	<b>\$ 216,252</b>	<b>\$ 206,728</b>	<b>\$ 422,980</b>	<b>\$ 381,519</b>
<b>Combined</b>				
Pension obligations, beginning of year	\$3,983,667	\$3,187,407	\$7,171,074	\$6,987,987
Change in pension obligations during the year	242,370	189,572	431,942	183,087
<b>Pension obligations, end of year, Exhibit A</b>	<b>\$4,226,037</b>	<b>\$3,376,979</b>	<b>\$7,603,016</b>	<b>\$7,171,074</b>

## Exhibit D - The Civil Service Superannuation Fund

### Consolidated Statement of Changes in Deficit

for the Year Ended December 31, 2012

(\$) Thousands	2012			2011
	Matching Employers	Non-Matching Employers	Total	Total
Deficit, beginning of year,	\$ (519,131)	\$ (3,187,407)	\$ (3,706,538)	\$ (3,352,206)
Increase (decrease) in net assets	244,443	-	244,443	(171,245)
Change in pension obligations during the year	(242,370)	(189,572)	(431,942)	(183,087)
	2,073	(189,572)	(187,499)	(354,332)
<b>Deficit, end of year, Exhibit A, Note 20</b>	<b>\$ (517,058)</b>	<b>\$ (3,376,979)</b>	<b>\$ (3,894,037)</b>	<b>\$ (3,706,538)</b>



## 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

For pay periods prior to July 1, 2012 the Act required that employees contribute 6% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 7% of pensionable earnings above that maximum. For pay periods after July 1, 2012 but before 2013, employees contribute 6.5% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 7.5% of pensionable earnings above that maximum. The corresponding contribution rates increase .5% each year from 2013 to 2015. In accordance with the Act, 89.8% of the employee contributions are allocated to the Basic Benefits Account and 10.2% are allocated to the Indexing Benefits Account. The matching employer contribution rate is .9% less than the employee on pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and the same as the employee on Pensionable Earnings above that maximum.

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

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

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

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

### (c) Pension Calculation

The lifetime pension calculation equals:

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

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



The Civil Service Superannuation Fund  
Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2012

(\$) 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) Survivor's Benefits**

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

**(h) Death Refunds**

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

**(i) Withdrawal Refunds**

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

**(j) Income Taxes**

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

**(k) Money Purchase Accounts Plan**

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

## 2. Significant Accounting Policies

The significant accounting policies are summarized below:

**(a) Basis of Presentation**

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



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**(b) Investments**

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

**Fixed Income**

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

**Equity**

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

**(c) Use of Estimates**

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

**(d) Foreign Currency Translation**

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

**(e) Equipment**

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

**(f) Capital Disclosures**

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

### 3. Risk Management

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

**(a) Interest Rate Risk**

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



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

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

The Fund has invested approximately 27% (2011 – 26%) of its assets in fixed income securities as at December 31, 2012 which generated a rate of return of +6.52% (2011 – +10.49%). The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. As at December 31, 2012, 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 \$105,390 (2011 - \$103,902). The Fund's interest rate sensitivity was determined based on portfolio weighted duration.

**(b) Credit Risk**

Credit risk is the risk of loss from the failure of a counter party to discharge its contractual obligations. At December 31, 2012, the Fund's maximum credit risk exposure relates to bonds and debentures, cash and short term investments and mortgages totaled \$1,473,850 (2011 - \$1,260,261), receivables of \$2,219 (2011 - \$2,756) and accrued interest of \$6,523 (2011 - \$8,033) totaled \$1,482,592 (2011 - \$1,271,050). The Fund's Investment Committee limits credit risk by concentrating on high quality securities and adhering to a Statement of Investment Policies and Procedures. The Policy establishes investment ownership limits and acceptable credit ratings. In the case of bonds and debentures, 10% can be rated BBB+ or lower, with some temporary latitude in the event of the down rating of a security.

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

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

Credit Rating	2012 Fair Value		2011 Fair Value	
AAA	\$ 417,415	36.9%	\$ 345,177	31.3%
AA	105,835	9.3	234,637	21.3
A	542,570	48.0	383,748	34.8
BBB+	19,793	1.8	53,044	4.8
BBB and lower	45,125	4.0	85,859	7.8
	1,130,738	100.0%	1,102,465	100.0%
Cash and short-term	105,255		99,802	
Total pooled bond fund	\$1,235,993		\$1,202,267	

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 2012 or 2011.



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**(c) Currency Risk**

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at December 31, 2012 external fund managers had no open forward foreign exchange contracts (as at December 31, 2011 - \$2,010). As a result there were no unrealized gains / (losses) on foreign exchange contracts in 2012 (2011 - \$38 gain).

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

As at December 31, 2012	Actual Currency Exposure	Percentage
Canadian	\$ 3,247,146	59.6%
US dollar	1,350,947	24.8
Japanese yen	139,522	2.6
Hong Kong dollar	105,231	1.9
Pound sterling	84,112	1.5
Euro	73,839	1.4
Australian dollar	70,158	1.3
South Korean won	70,488	1.3
Taiwan new dollar	56,124	1.0
Other currencies	253,355	4.6
Total investments	\$ 5,450,922	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 \$220,378.

**(d) Market Risk**

Market risk is the risk that the value of an investment will fluctuate as a result of a change in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's investments in equities are sensitive to market fluctuations. To assist in mitigating the impact of market risk, the Board has established appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks which they monitor on a regular basis. A decline of 10 percent in equity values, with all other variables held constant, will impact the Fund's equity investments by an approximate loss of \$397,707.

**(e) Liquidity Risk**

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

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

Term to Maturity	2012	2011
Less than one year	\$ 330,710	\$ 159,422
One to five years	320,168	260,737
Over five years	822,972	840,102
Total fixed income investments	\$ 1,473,850	\$ 1,260,261

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**(f) Fair Value**

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

The following is a summary of the inputs used as of December 31, 2012 and 2011 in valuing the Fund's investments carried at fair values:

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

	Level 1 Quoted Prices in Active Markets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total 2011
Assets				
Cash equivalents				
- short term	\$ -	\$ 206,879	\$ -	\$ 206,879
Fixed Income				
Pooled bond fund	-	1,102,465	-	1,102,465
Mortgages	-	27,681	-	27,681
	-	1,130,146	-	1,130,146
Pooled equity funds	2,833,233	641	-	2,833,874
Pooled real estate fund	-	-	378,518	378,518
Petroleum and natural gas	-	-	244,864	244,864
Venture capital	-	-	15,688	15,688
Total assets	2,833,233	1,337,666	639,070	4,809,969
Cash	35,258	-	-	35,258
Total investments, Schedule 1	\$ 2,868,491	\$ 1,337,666	\$ 639,070	\$ 4,845,227



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All securities in Level 1 can be traded in an active market. During the year ended December 31, 2012, no equity investments and no bonds were transferred from Level 1 to Level 2.

During the year ended December 31, 2012, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Real Estate	Petroleum & Natural Gas	Venture Capital	Total
Beginning balance	\$ 378,518	\$ 244,864	\$ 15,688	\$ 639,070
Purchases	18,992	-	128	19,120
Sales and withdrawals	(12,338)	-	-	(12,338)
Realized (gains)/losses	19,557	-	-	19,557
Return of capital	8,665	-	(10,514)	(1,849)
Change in unrealized appreciation/(depreciation)	27,160	(41,259)	4,316	(9,783)
Ending balance	\$ 440,554	\$ 203,605	\$ 9,618	\$ 653,777

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, 2012, the Fund held the following investments that met this classification:

Canada Government bonds 4.0%, maturing June 1, 2041	\$ 81,352
Quebec Province bonds 5.750%, maturing December 1, 2036	\$ 79,123
BC Municipal Finance bonds 4.650%, maturing April 19, 2016	\$ 62,227
Superman Resources Inc. – unitized shares	\$ 203,605

**(g) Securities Lending**

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

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#### 4. Investment in Petroleum and Natural Gas

##### (a) Investment in Petroleum and Natural Gas

The fair value of the Fund's investment in petroleum and natural gas, through its 75.11% (2011 – 75.11%) share in its subsidiary Superman Resources Inc., as at December 31, is as follows:

	2012	2011
<b>Assets</b>		
Cash	\$ 9,486	\$ 5,559
Accounts receivable	3,705	6,330
Assets held for sale	526	19,130
	13,717	31,019
Investment-Wembley Resources Ltd.	846	880
Deposit for future acquisition	-	-
Exploration and evaluation assets	7,976	8,209
Property, plant and equipment	144,979	142,486
	167,518	182,594
<b>Liabilities</b>		
Accounts payable and accrued liabilities	8,572	16,463
Losses on risk management activities	342	10
Liabilities related to assets held for sale	110	786
	9,024	17,259
Fair value of future administration fee payable	4,238	5,653
Asset retirement obligation	16,601	15,826
	29,863	38,738
Net investment in petroleum and natural gas - cost	137,655	143,856
Market value adjustment	65,950	101,008
Net investment in petroleum and natural gas - fair value, Schedule 1	\$203,605	\$244,864



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**(b) Petroleum and Natural Gas Income**

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

	2012	2011
<b>Revenue</b>		
Oil and gas sales	\$ 36,529	\$ 47,150
Less: Royalties net of Alberta Royalty Tax Credits	(3,476)	(7,184)
	33,053	39,966
Equity in earnings of Wembley Resources Ltd.	65	92
Interest income	140	73
Losses on risk management activities	(332)	(10)
	32,926	40,121
<b>Expenses</b>		
Operating	12,564	15,600
Transportation	341	507
Asset administration fee	3,199	5,893
Finance charges	291	460
General and administrative	509	501
Gain on property dispositions	(11,972)	(1,085)
Recovery of bad debts	-	-
Depletion and depreciation	19,170	25,857
	24,102	47,733
Net loss	8,824	(7,612)
Deficit, beginning of year	(28,767)	(21,155)
Dividends – petroleum and natural gas, Schedule 3	(15,023)	-
Deficit, end of year	\$ (34,966)	\$ (28,767)

**5. Debt due from the Province of Manitoba**

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

**6. Receivables**

	2012	2011
Contributions receivable		
Employer	\$ 727	\$ 1,312
Employee	375	286
	1,102	1,598
Other receivables	1,117	1,158
	\$ 2,219	\$ 2,756

## 7. The Province of Manitoba Unfunded Pension Liability Trust Account

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

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

	2012	2011
Contributions received	\$ 308,871	\$ 243,153
Interest earned/(charged)	149,798	(32,105)
Pension and refund payments made	(119,888)	(106,262)
Investment management fees charged	(2,738)	(2,450)
Change during the year	336,043	102,336
Balance, beginning of year	1,304,271	1,201,935
Balance, end of year	\$ 1,640,314	\$ 1,304,271

## 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:

	2012	2011
Contributions received	\$ 12,131	\$ -
Interest earned/(charged)	1,077	-
Pension and refund payments made	(150)	-
Investment management fees charged	(21)	-
Change during the year	13,037	-
Balance, beginning of year	-	-
Balance, end of year	\$ 13,037	\$ -



## 9. Correctional Officers' Trust Account

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

	2012	2011
Contributions received	\$ 1,097	\$ 973
Interest earned/(charged)	481	(124)
Pension and refund payments made	(813)	(897)
Expenses paid	(4)	(7)
Change during the year	761	(55)
Balance, beginning of year	4,737	4,792
Balance, end of year	\$ 5,498	\$ 4,737

## 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:

	2012	2011
Contributions received	\$ 594	\$ 592
Interest earned/(charged)	5,814	(1,548)
Billing credits made to employers	(76)	(66)
Change during the year	6,332	(1,022)
Balance, beginning of year	58,334	59,356
Balance, end of year	\$ 64,666	\$ 58,334

## 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:

	2012	2011
Contributions received	\$ 4,099	\$ 1,503
Interest earned	1,559	357
Refunds and administration fees paid	(1,439)	(807)
Annuities made	(355)	(8)
Change during the year	3,864	1,045
Balance, beginning of year	21,676	20,631
Balance, end of year	\$ 25,540	\$ 21,676

12. Obligations for Pension Benefits

(a) Basic Benefits Account

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

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

An annual Actuarial Valuation Report on the Fund was completed as at December 31, 2011 by Ellement and Ellement, consulting actuaries. The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was estimated by the actuary as at December 31, 2012. The principal components of the changes in actuarial present value during the year were calculated and are outlined in Exhibit C.

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

The Actuarial Valuation Report as at December 31, 2011 and the estimate at December 31, 2012 were based on the same set of assumptions. These assumptions were chosen for each of the factors that will affect the Fund financially in future years. Each assumption is based on relevant past experience studied over long periods of time to produce more reliable information. In accordance with the methodology set out in the latest actuarial valuation, the actuary has phased in some additional reserves during the estimate period to provide for possible adverse deviations not explicitly identified in the Valuation.

Significant long-term actuarial assumptions used in the December 31, 2011 Valuation and in the determination of the December 31, 2012 present value of the accrued basic pension benefit obligations were:

	2012	2011
Annual rate of return		
(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%

(b) Indexing Benefits Account

The most recent annual Actuarial Valuation Report on the Indexing Benefits Account was prepared by Ellement and Ellement, consulting actuaries, as at December 31, 2012 and is as outlined in Exhibit C. The actuarial assumptions used are the same assumptions used for the Basic Benefits Account, except the annual rate of return is 5.50%.



### 13. Employer Assets Provided for Pension Obligations

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

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

	2012	2011
Province of Manitoba, Note 7	\$ 1,640,314	\$ 1,304,271
Manitoba Hydro, Note 21	769,886	723,727
Manitoba Liquor Control Commission, Note 21	57,721	51,203
Total funds managed	\$2,467,921	\$ 2,079,201

### 14. Contributions

	2012	2011
<b>Employee</b>		
Required contributions	\$ 113,983	\$ 104,840
Voluntary contributions	198	177
Past service contributions	2,198	2,189
Special contributions	3,979	2,530
	120,358	109,736
<b>Employer</b>		
Required contributions	8,384	7,488
Special contributions <sup>1</sup>	180,834	158,574
	189,218	166,062
	\$ 309,576	\$ 275,798

<sup>1</sup> includes non-matching employers' pay-as-you-go portion of benefit payments

### 15. Current Period Change in Fair Value of Investments

	2012	2011
Net realized gain on the sale of investments	\$ 27,107	\$ 22,806
Net unrealized market (loss) gain	304,012	(281,567)
	\$ 331,119	\$ (258,761)

### 16. Benefits Paid

	2012	2011
Pension benefit payments	\$ 331,875	\$ 306,713
Disability benefit payments	8,683	8,338
	\$ 340,558	\$ 315,051

## 17. Refunds and Transfers

	2012	2011
Termination refund payments	\$ 48,920	\$ 24,758
Death refund payments	8,595	7,628
Marriage break up refund payments	2,965	2,496
Reciprocal transfers out - matching employers	367	241
	<b>\$ 60,847</b>	<b>\$ 35,123</b>

## 18. Administrative Expenses, Net

	2012	2011
Actuary fees	\$ 160	\$ 131
Audit fees	55	52
Legal fees	62	36
Consulting fees	5	27
Professional fees	282	246
Salaries and fringe benefits	3,406	3,255
Office and administration	968	915
Gross administrative expenses	4,656	4,416
Less: Recoveries		
From other administered funds		
- regular administration	(1,505)	(1,520)
From other administered fund		
- special administration	(100)	(50)
From non-matching employers	(1,348)	(1,283)
Administrative expenses, net	<b>\$ 1,703</b>	<b>\$ 1,563</b>

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

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

	2012	2011
The Province of Manitoba Unfunded Pension Liability Trust Account	\$ 149,798	\$ (32,105)
Manitoba Hydro Enhanced Benefit Trust Account	1,077	-
Correctional Officers' Trust Account	481	(124)
Employer Trust Accounts	5,814	(1,548)
Money Purchase Plan Account	1,559	357
	<b>\$ 158,729</b>	<b>\$ (33,420)</b>



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## 20. Deficit

	Fund	Non-Matching Employers	Total 2012	Total 2011
(Deficit) surplus, beginning of year,				
Basic Benefits	\$ (681,696)	\$ (3,004,205)	\$ (3,685,901)	\$ (3,377,274)
Indexing Benefits	162,565	(183,202)	(20,637)	25,068
	(519,131)	(3,187,407)	(3,706,538)	(3,352,206)
Change in net assets available for benefits, Exhibit B				
Basic Benefits	218,971	-	218,971	(155,657)
Indexing Benefits	25,472	-	25,472	(15,588)
	244,443	-	244,443	(171,245)
Change in pension obligations during the year, Exhibit C				
Basic Benefits	(224,435)	(166,046)	(390,481)	(152,970)
Indexing Benefits	(17,935)	(23,526)	(41,461)	(30,117)
	(242,370)	(189,572)	(431,942)	(183,087)
(Deficit) surplus, end of year, Exhibit D				
Basic Benefits	(687,160)	(3,170,251)	(3,857,411)	(3,685,901)
Indexing Benefits	170,102	(206,728)	(36,626)	(20,637)
	\$ (517,058)	\$ (3,376,979)	\$ (3,894,037)	\$ (3,706,538)

## 21. Managed Investment Funds

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

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

	2012	2011
The Manitoba Hydro Pension Fund	\$ 769,886	\$ 723,727
Joint Board of Trustees of The Municipal Employees Benefits Program	488,577	453,896
The Public Service Group Insurance Fund	132,656	124,923
Centra Gas Manitoba Inc.	92,503	80,142
Manitoba Liquor Control Commission	57,721	51,203
Winnipeg Child and Family Services Employee Benefits Retirement Plan	22,671	21,730
Workers Compensation Board of Manitoba	19,701	17,669
Legislative Assembly Pension Plan	17,164	13,960
	\$ 1,600,879	\$ 1,487,250

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

## 22. Future Commitments

The Fund has committed to enter into real estate investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2012, the Fund's share of the outstanding commitment is \$120.6 million (2011 - \$63.8 million).



# Schedule 1 - The Civil Service Superannuation Fund

## Consolidated Summary of Investments

as at December 31, 2012

	2012	2011
(\$) Thousands		
<b>Fixed income investments</b>		
Cash and Short-term		
Major banks, corporations and bonds	\$ 211,775	\$ 30,313
Bonds and debentures		
Pooled fund	1,235,993	1,202,267
Mortgages		
Other	-	-
Index-linked	26,082	27,681
<b>Total fixed income investments</b>	<b>1,473,850</b>	<b>1,260,261</b>
<b>Equity investments</b>		
Pooled funds		
Domestic	1,185,578	1,115,067
Foreign	2,132,612	1,828,560
Real estate		
Units of pooled real estate	445,659	380,787
Petroleum and natural gas shares, Note 4	203,605	244,864
Venture capital	9,618	15,688
<b>Total equity investments</b>	<b>3,977,072</b>	<b>3,584,966</b>
<b>Investments, Exhibit A</b>	<b>\$5,450,922</b>	<b>\$4,845,227</b>

## Schedule 2 - The Civil Service Superannuation Fund

### Consolidated Schedule of Contributions

For The Year Ended December 31, 2012

(\$ Thousands)	2012			2011
	Employers	Employees	Total	Total
<b>Non-Matching Employers, Note 1 (b)</b>				
Province of Manitoba Civil Service	\$122,308	\$54,999	\$177,307	\$160,281
Manitoba Hydro-Electric Board	46,894	27,570	74,464	63,402
Manitoba Public Insurance Corporation	7,879	7,159	15,038	13,007
Red River College	60	5,453	5,513	4,852
Liquor Control Commission	3,159	1,999	5,158	4,852
Addictions Foundation of Manitoba	1,251	1,008	2,259	1,961
Community Colleges				
Assiniboine Community College	37	1,255	1,292	1,245
University College of the North	-	1,288	1,288	1,195
Regional Health Authorities				
Winnipeg	-	726	726	717
Brandon	16	614	630	628
Central	-	153	153	148
Assiniboine	-	155	155	134
Interlake	-	122	122	126
Parkland	-	129	129	125
South Eastman	-	87	87	93
Nor-Man	-	76	76	75
North Eastman	-	40	40	46
Burntwood	-	31	31	32
The Legal Aid Services Society of Manitoba	59	759	818	697
Manitoba Centennial Centre Corporation	342	150	492	470
Diagnostic Services of Manitoba	-	366	366	415
Teachers' Retirement Allowances Fund Board	108	156	264	250
Communities Economic Development Fund	50	62	112	103
The Council on Post Secondary Education	-	56	56	48
Manitoba Horse Racing Commission	24	7	31	24
Workers Compensation Board	1	-	1	1
<b>Total Non-Matching Employers</b>	<b>\$182,188</b>	<b>\$104,420</b>	<b>\$286,608</b>	<b>\$254,927</b>



## Schedule 2 - The Civil Service Superannuation Fund

### Consolidated Schedule of Contributions

For The Year Ended December 31, 2012

(\$ Thousands)	2012			2011
	Employers	Employees	Total	Total
<b>Total Non-Matching Employers, continued</b>	<b>\$182,188</b>	<b>\$104,420</b>	<b>\$286,608</b>	<b>\$254,927</b>
<b>Matching Employers, Note 1 (b)</b>				
Manitoba Lotteries Corporation	3,734	4,159	7,893	7,153
Manitoba Housing Authority	1,113	1,286	2,399	2,122
Manitoba Agricultural Services Corporation	871	622	1,493	1,333
Manitoba Government and General Employees' Union	441	476	917	870
CUPE Support Workers	567	650	1,217	883
All Nations Coordinated Response Network	450	511	961	837
Civil Service Superannuation Board	298	322	620	612
Gaming Control Commission	184	207	391	374
Manitoba Crop Insurance Corporation	161	187	348	331
Manitoba Floodway Authority	221	249	470	392
National Agri-Food Technology Centre	140	158	298	244
Travel Manitoba	135	141	276	277
Manitoba Hydro Utilities Service	104	121	225	285
Industrial Technology Centre	81	90	171	153
Dairy Farmers of Manitoba	63	71	134	121
Hams Marketing Services Co-op Inc.	53	60	113	94
Manitoba Arts Council	38	44	82	73
Manitoba Pork Council	45	41	86	83
Manitoba Film and Sound	38	43	81	74
Crown Corporations Council	28	23	51	44
Manitoba Chicken Producers	22	25	47	43
Manitoba Cattle Enhancement Council	14	15	29	24
Manitoba Turkey Producers	7	8	15	14
MFC Testing and Research Inc.	13	15	28	25
Manitoba Health Research Council	20	22	42	-
Economic Innovation and Technology Council	4	-	4	3
<b>Total Matching Employers</b>	<b>\$ 8,845</b>	<b>\$ 9,546</b>	<b>\$ 18,391</b>	<b>\$ 16,464</b>
<b>Total Employers, Non-Matching and Matching</b>	<b>\$191,033</b>	<b>\$113,966</b>	<b>\$304,999</b>	<b>\$271,391</b>

## Schedule 2 - The Civil Service Superannuation Fund

### Consolidated Schedule of Contributions

For The Year Ended December 31, 2012

(\$) Thousands	2012			2011
	Employers	Employees	Total	Total
<b>Total Employers, Non-Matching and Matching, continued</b>	<b>\$191,033</b>	<b>\$113,966</b>	<b>\$304,999</b>	<b>\$271,391</b>
<b>Other</b>				
Employees on loan	1	1	2	2
Employees on workers compensation	-	11	11	29
Reciprocal agreement - transfers in	-	5,756	5,756	3,171
Reciprocal agreement - transfers out	(1,816)	(2,132)	(3,948)	(1,213)
Repayment of contributions previously refunded	-	16	16	74
Contributions based on prior non-pensionable employment	-	2,385	2,385	2,336
Transfer from Money Purchase Accounts Plan	-	355	355	8
<b>Total Other</b>	<b>\$ (1,815)</b>	<b>\$ 6,392</b>	<b>\$ 4,577</b>	<b>\$ 4,407</b>
<b>Total contributions, Exhibit B</b>	<b>\$189,218</b>	<b>\$120,358</b>	<b>\$309,576</b>	<b>\$275,798</b>



## Schedule 3 - The Civil Service Superannuation Fund

### Consolidated Schedule of Investment Income

For The Year Ended December 31, 2012

(\$) Thousands	2012	2011
<b>Fixed income</b>		
Short term	\$ 1,531	\$ 696
Bonds and debentures	51,493	45,975
Mortgages	2,096	1,891
<b>Total fixed income</b>	<b>55,120</b>	<b>48,562</b>
<b>Equity income</b>		
Pooled funds	81,477	72,102
Real estate	16,541	12,389
Petroleum and natural gas shares, Note 4	15,023	-
Venture capital	18	-
<b>Total equity income</b>	<b>113,059</b>	<b>84,491</b>
<b>Other investment income</b>		
Security lending revenue	4,095	3,388
<b>Gross investment income</b>	<b>172,274</b>	<b>136,441</b>
<b>Less:</b>		
Investment management expenses, net, Note 21	6,023	5,758
Interest allocated to employee future benefits obligations	173	156
	<b>6,196</b>	<b>5,914</b>
<b>Net investment income, Exhibit B</b>	<b>\$166,078</b>	<b>\$130,527</b>



The Civil Service Superannuation Board (CSSB), 2013.

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