The Civil Service Superannuation Board
2007 Report to Members

We are pleased to provide you with this summary of The Civil Service Superannuation Board's (Board) 2007 Annual Report. You can request a copy of the full Annual Report by contacting the Board office, or it can be viewed at www.cssb.mb.ca.

Financial	**2007 (*)**	2006 (*)
Rate of Return on Investments	**3.91%**	12.85%
Investments at Market Value	**3,973,775**	3,836,359
Net Investment Income	**128,026**	113,716
Current Period Change in Fair Value of Investments	**(3,366)**	280,247
Employee Contributions	**92,374**	100,844
Employer Payments	**122,480**	111,803
Pension Payments	**230,630**	211,617
Refunds and Transfers	**29,692**	25,490

* $Thousands unless otherwise noted

Membership		
Non-Retired Members	**30,296**	30,005
Retired Members and Other Recipients	**14,812**	14,101
Total Members	**45,108**	44,106

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Member Services

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

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

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

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

Cost-of-Living Allowance

- Pensioners and beneficiaries receive an annual increase to a maximum of ⅔ of the increase in the Canadian Consumer Price Index (CPI)
- The COLA paid July 1, 2007 was 1.09%

Governance

Once again, the Board engaged an audit firm to ensure that the methodology employed in calculating the Fund rates of return conformed with the standards recommended by the Institute of Chartered Financial Analysts. As in prior years, the Board received an unqualified audit opinion.

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 sub-committee meetings.

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

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

Message from the Chair **Gary N. Coopland**

On behalf of the Board, I am pleased to present the 2007 Annual Report, which will be my last following 14 years as Chair of The Civil Service Superannuation Board (Board).

In my very first message to the membership in 1995, I stated that The Civil Service Superannuation Fund (Fund) was committed to providing above average investment returns consistent with a moderate level of risk and superior service to its members. We have not been without our challenges over the years as we have had to contend with the change in the millennium, the catastrophic impact of 9-11, SARS, mad cow disease, and more recently the war in Iraq and a strong Canadian dollar. Despite the volatility and uncertainty of the financial markets, the Board's team of Investment professionals have been able to consistently perform at a level that leaves the Fund in a favourable financial position. Throughout these challenges, the Fund's assets have been well managed through diversification and prudent management of investment risk that helps to reduce the impact of such volatility. Over the years I have witnessed the Fund evolve and grow from having $1.5 billion in assets under administration in 1994 to just under $4 billion in 2007. It is this type of growth and success that has permitted the Plan to continue to serve the retirement interests and provide financial security to its membership.

For 2007, the Fund rate of return of 3.91% outperformed the benchmark of 2.26%. This translates into approximately $63 million more than what we would generate by meeting the benchmark. Although this rate of return did not meet the projected actuarial requirement (6.5% for 2007), the Fund does plan for years where we are unable to meet or exceed target returns. In the pension industry we tend to measure performance over a longer time frame, similar to how you might manage your personal investments. In comparison, in 2006 we were under our benchmark for the rate of return but managed to almost double the rate established by the actuarial assumptions. Through prudent planning, portfolio diversity and solid long-term performance, the years we exceed the rate that our actuary determines is required to meet future pension obligations, we are able to offset the impact of lower returns to ensure the continued long-term financial stability of the Fund. The long-term success of the Fund's investments has played a significant role in the Fund's evolution and growth over the years. In addition to offsetting years of poorer performance, these favourable returns can also lead to pension surpluses that allow the opportunity for plan improvements. Over the years we have been fortunate to enjoy investment returns that have contributed to benefit enhancements such as using the best five years of pensionable earnings during a member's career to calculate pension benefits and the pension formula increase in 2000.

In regards to my comments on the commitment to provide superior service to the Fund's members in my first message, this is an area that is not affected by the volatility of the financial markets. If there has been one constant during my tenure as Board Chair, it has been the commitment to excellence in benefits administration. Technology has greatly enhanced service delivery over the years. With members becoming more knowledgeable and taking a greater interest in their Plan, the Board has evolved to meet their demand for more information, details and active involvement. Perhaps the most significant advancement in service delivery has been the implementation of the Online Pension Estimator in 2002. As one of the first of its kind in Canada, the Estimator has enabled members to actively participate in their retirement planning in the comfort of their own homes with up-to-date data that provides the same accuracy as estimates run at our office. Our membership is more computer literate these days as evidenced by the increasing usage of this service. Since its implementation, pension estimates run each year have steadily increased from 24,431 in the first year to 91,897 in 2007. The launch of the Pension Estimator has also opened the door to expanded online services for our pensioners and holds great potential for future enhancements to service delivery for our membership.

It is a time of transition for the Fund, with Bruce Schroeder taking over as the General Manager in 2007, and the appointment of Mr. Al Morin as the new Chair of the Board effective February 1, 2008. In reflecting upon my appointment back in 1994, I was fortunate to inherit a committed, hard-working staff of dedicated employees that made my job as Chair that much easier. It is this experience and dedication that will ensure the Fund is well positioned for years to come to continue to provide the superior pension and benefit program that you have come to expect. It has been my pleasure to be a part of one of the premier defined benefit pension plans in Canada and I would like to extend my sincere appreciation to the Board members, management, staff and the stakeholders that have made this such a memorable experience. It will be with great interest that I continue to follow what I am sure will be continued future success for the Fund and its membership.

A Comparison

Financial	**2007 (*)**	1994 (*)
Investments at Market Value	**3,973,775**	1,532,572
Employee Contributions	**92,374**	55,276
Employer Payments	**122,480**	62,610
Pension Payments	**230,630**	118,417
Refunds and Transfers	**29,692**	10,017

* $Thousands unless otherwise noted

Membership		
Non-Retired Members	**30,296**	31,152
Retired Members and Other Recipients	**14,812**	10,268
Total Members	**45,108**	41,420

Message from the General Manager **Bruce Schroeder**

The Civil Service Superannuation Board (Board) is committed to providing excellent service in a cost-effective manner. We are continually trying to enhance our service to our members by providing innovative solutions to improve our processes. In the past, we have had numerous requests for earlier access to retiree T4A's at the end of the year. Beginning with the 2007 tax year, pension recipients now have the ability to access their T4A's via our secure web site. Not only does this enhance service to our members but it will also result in a significant cost saving over time. In 2008, we will continue to search for other ways of using Internet based services to provide faster and more secure access to information for our membership.

In 2007, for the first time in the history of the Fund, the number of retirements exceeded 1,000. This is an increase of approximately 20% from 2006. There has been a steady increase in the number of retirements for the past five years. We believe that the larger than average increase in retirements is the beginning of a trend which we will see repeated in coming years. This is largely because of the sheer number of members that are currently eligible to retire. We are prepared and have sufficient staff resources to handle the increases. Also, from the plan liability perspective, we are well prepared. Through past valuations, the Board has prudently created reserves that can be drawn upon if needed to compensate for the expected increase in the number of retirements and corresponding increase in pension payments.

In 2007 the plan's assets generated a return of 3.91% which exceeded our benchmark return of 2.26%. Although the return did not achieve the actuarially required rate of 6.5%, the plan remains in good shape going forward. A pension plan is a long-term commitment, so while investment returns may not meet actuarial requirements in any given year, our objective is to provide stable returns that exceed actuarial requirements over the long-term. Over the last ten years investment returns have exceeded the benchmark, 9.01% versus 7.46%, and have also exceeded the average actuarial required rate of 6.82%.

Through the valuation process, which takes place every three years, the Board examines multiple scenarios and has created reserves for years such as this year when investment returns are lower than the required rate. These reserves can be drawn upon to stabilize the Fund and enable the plan to maintain current benefits. Going forward, a valuation is required for the year ending December 31, 2007. Our actuary is currently in the process of his review and will provide recommendations for the Board's consideration by the fall of 2008. The Board will continue to maintain a prudent outlook and provide the appropriate direction to preserve current benefits.

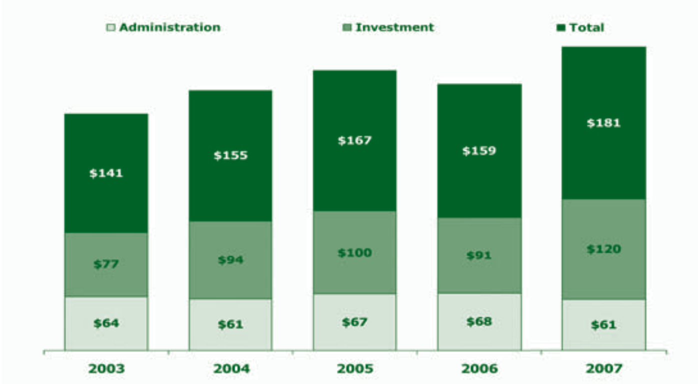
Mr. Gary Coopland, the Chair of The Civil Service Superannuation Board since 1994, retired from the Board effective February 1, 2008. Over the time Mr. Coopland served as Chair, the assets of the Fund have grown from $1.5 billion to $3.9 billion. During Mr. Coopland's tenure, we have seen our average investment return consistently exceed our benchmark as well as the actuarially required rate of return. We have also enjoyed plan improvements that have benefited members and their beneficiaries. On behalf of the Board and staff, I would like to thank Mr. Coopland for his service and wish him the very best.

I would also like to take this opportunity to welcome Mr. Al Morin as the new Chair of The Civil Service Superannuation Board. Mr. Morin is currently the President of Assiniboine Credit Union and brings a wealth of knowledge and experience to the position of Chair. I look forward to working with Mr. Morin in the years to come.

I would like to thank the staff of the CSSB for their dedication and hard work. Thanks also to the Board for their guidance and commitment.

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 2007 was $181 consisting of $61 for administration and $120 for investment related expenses.



Investment Overview

2007 produced significantly lower returns than the Fund enjoyed over the prior four years. Several years of aggressive lending over a wide range of financial instruments finally began to unravel as increasing numbers of borrowers experienced trouble meeting their obligations. The extent of the leverage built into the financial system, focused on the U.S. and Europe, was far greater than most market participants understood. The result was that significant components of the financial markets effectively ceased to function and numerous financial institutions worldwide suffered significant losses.

Commodities continued to catch the headlines. In addition to record high oil and coal prices, agricultural commodity prices also increased significantly. This general strength in commodity prices has carried over into 2008 as world demand continues to be strong, in spite of a slowing U.S. economy. A number of factors have contributed, among them, changing weather patterns in some major agricultural exporting regions, ongoing strong growth in developing countries, led by China, and low world reserves on many edible commodities.

The Canadian dollar continued to appreciate against the U.S. dollar, led by high commodity export prices, the takeover of several large Canadian companies, such as Inco and Alcan (Canadian dollars were bought to pay for the shares), and by significant shifts into Canadian dollar assets by foreign investors.

The Fund benchmark, or expected return, was 2.26%, down considerably from 2006's 13.01%. This was not exactly unexpected as the returns for 2003 to 2006 were unusually high, and markets do have a tendency to smooth out above and below average returns over time. Despite a lower return environment, active management of Fund assets resulted in a return of 3.91%, or 165 basis points better than the benchmark. This translates into approximately $63.6 million of value added.

The major contributors to the outperformance were strong real estate returns, 19.50%; a continued large exposure to emerging market equities, 12.50% return; positive Canadian equity returns, 6.88% and a recovery in natural gas prices elevated the return on the Fund's wholly owned oil and gas company, Superman Resources to 17.06%. Subtracting from performance were positions in U.S., Japanese, and European equities, largely due to the adverse foreign exchange effect from the strong Canadian dollar.

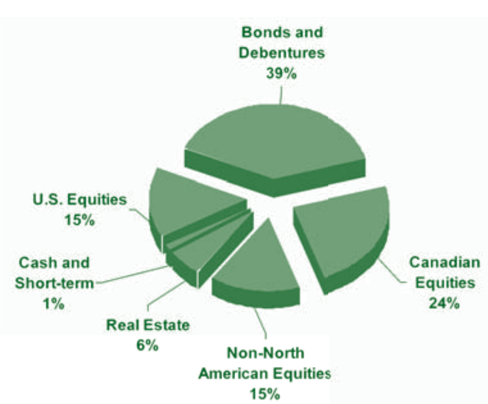
Strategy and Outlook

We expect further aggressive lowering of administered short-term rates and expansion of money supply. For institutional investors, government bonds are not particularly good value at current levels, and concerns about the inflationary impact of aggressive money supply expansion are not without merit, but will likely be a 2009 and later issue. If companies are able to maintain levels of earnings around current levels, and short-term interest rates fall, then equities represent reasonable values at current levels. We are maintaining our fully invested position with equities at the upper end of our permitted ranges. Within equities, we are maintaining our overweight to emerging markets as we continue to expect better returns over the long-term from these markets. We are also shifting a portion of our international weighting to the U.S. markets where we anticipate better relative performance.

We continue to examine potential real estate opportunities, but are in no hurry to add to the portfolio, unless we find particularly attractive projects. Real estate is currently a seller's market and we expect patience will be rewarded.

We are hopeful that attractive opportunities will develop in the oil and gas industry, which we will attempt to take advantage of through our wholly owned company, Superman Resources Inc. Considering that the years 2003 to 2006 produced significantly above average returns, we are anticipating a period of somewhat lower returns for the foreseeable future.

Investment Policy Normal Allocation



Fund Investments