CSSB The Civil Service Superannuation Board

2011 Annual Report

For more information...

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

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

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

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

The Civil Service Superannuation Board

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

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

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

Cover photo of the Manitoba Legislative Building courtesy of Travel Manitoba.

Contents

MINISTER OF
FINANCE

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

June 9, 2012

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 73rd Annual Report of The Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2011.

Respectfully submitted,

Stan Struthers

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

CSSB The Civil Service Superannuation Board

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

June 8, 2012

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 73rd Annual Report of The Civil Service Superannuation Board.

This report covers the period January 1, 2011 to December 31, 2011 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,

A. Morin

Al Morin, Chair
The Civil Service Superannuation Board

The Civil Service Superannuation Board

Chair
Al Morin
President and Chief Executive Officer
Assiniboine Credit Union

Employee Representatives

Ray Erb
Civil Service Representative
Retired

Monica Girouard
Civil Service Representative
Manitoba Government and General Employees' Union

Denise Hickson
Manitoba Hydro Representative
Manitoba Hydro-Electric Board

Stephen Watson
Civil Service Representative
Retired

Employer Representatives

Ed Balcewich
Financial Advisor

Gabriel Forest, f.c.a.
Chartered Accountant

Wayne McGimpsey
Chartered Accountant

C. Lynn Romeo
Solicitor

Management

Bruce Schroeder
General Manager

Robert Derksen
Director, Communications and Client Services

Dawn Prokopowich
Director, Client Services Administration

Robert Riddell
Director, Management Information Systems

Rick Wilson
Director, Finance and Investment Communications & Management Services

Peter Josephson, CFA
Chief Investment Officer

Ellement and Ellement
Consulting Actuary

Investment Committee

Members of the Investment Committee are appointed by the Lieutenant Governor in Council based on their investment expertise, legislative requirements or, in the case of the employee representative, elected by the employee representatives of the Board.

Chair
Peter G. Munro*
Retired, Executive Vice-President and 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

Vacant Position

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.

Vince Warden
Senior 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
Ray Erb
Employee Representative

Ed Balcewich
Employer Representative

Monica Girouard
Employee Representative

Finance and Audit Committee

Chair
Gabriel Forest, f.c.a.
Employer Representative

Ray Erb
Employee Representative

Wayne McGimpsey
Employer Representative

Stephen Watson
Employee Representative

Governance Committee

Chair
Denise Hickson
Employee Representative

Ed Balcewich
Employer Representative

Ray Erb
Employee Representative

C. Lynn Romeo
Employer 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.

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).

		2011 (*)	2010 (*)
Financial	Rate of Return on Investments	(2.43)%	12.67%
	Investments at Market Value	4,845,227	4,915,555
	Net Investment Income	130,527	122,516
	Current Period Change in Fair Value of Investments	(258,761)	417,440
	Employee Contributions	109,736	109,924
	Employer Payments	166,062	151,255
	The Province of Manitoba Unfunded Pension Liability Trust Account	1,304,271	1,201,935
	Pension Payments	315,051	291,168
	Refunds and Transfers	35,123	27,517
	General Expenses - Net	1,563	1,540
	* $Thousands unless otherwise noted		

		2011	2010
Membership	Non-Retired Members	33,814	32,884
	Retired Members and Other Recipients	17,370	16,661
	Total Members	**51,184**	**49,545**

Other Plans Under Administration	Manitoba Telecom Services Inc.^	6,243	6,336
	Money Purchase Accounts Plan	2,251	1,995
	Centra Gas^	818	819
	Winnipeg Child and Family Services^	309	316
	MLA's^	108	112
	Legislative Assembly Pension Plan	79	65
	Total Membership (all Plans)	**60,992**	**59,188**
	^ Active and Retired		

Message from the Chair

Al Morin

Following a year of relatively solid investment returns in 2010, we entered 2011 with cautious optimism. Unfortunately, after a promising start to the year that saw the markets reach a three year high in late April, the European debt crisis, congressional fighting in the U.S. over the debt ceiling, and the major western economies debt load took their toll on the financial markets. The end result was a year dominated by caution, fear and some of the wildest volatility the markets had encountered in years.

As I mentioned in my report last year, we have been 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 to pay for approximately half of future benefits. Despite the favorable 2010 rate of return of 12.67%, the Actuary presented a recommendation to both the Employer Advisory and the Employee Liaison Committees to increase the contribution rate to strengthen the financial position of the Fund and ensure it is well positioned to able to continue to meet the future pension liabilities. As the year progressed, it became even more evident that this was a prudent decision as the volatility of the markets took its toll, resulting in a Fund rate of return of (2.43)% by year's end.

The proposed regulation to increase the contribution rate by 2% was approved by the Lieutenant Governor in Council and will be implemented gradually over a four year period effective July 1, 2012. The employee contributions are set 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. The Board is committed to continue to work closely with our Actuary to solidify the Fund's financial position.

The Board continues to work closely with the Governance Committee to further assess the effectiveness of our internal control framework. The Board has successfully implemented methods designed to monitor the various financial, operational, and compliance control processes to ensure all timeframes are adhered to. A draft Governance manual has also been created and it is anticipated that it will continue to grow and evolve as the Board moves towards strengthening its Governance practices.

The Board is pleased to welcome Ms C. Lynn Romeo as the last of the three new Government-appointed members who joined The Civil Service Superannuation Board in 2011. Ms Romeo joins Mr. Ed Balcewich and Mr. Wayne McGimpsey, who were all appointed to three year terms on the Board. The New Year will also signal the end of the current Employee Representatives three-year terms. In September 2012, all eligible plan members will receive a ballot package that will allow them to elect three new Board members for the Employee Group as well as one member to represent the Manitoba Hydro Employee Group.

Finally, I would like to take this opportunity to thank my fellow directors, the management team and all the staff for their dedication and hard work, in particular regarding the Pension Benefits Act (PBA) changes that had a significant impact on our computer programming and service delivery over the past year and a half. Despite the complexities, the CSSB staff did tremendous work implementing all of the required changes and they are to be commended for a job well done.

Message from the General Manager

Bruce Schroeder

The past year has certainly been a challenge for all pension plans and The Civil Service Superannuation Fund (CSSF) is no exception. The combination of economic uncertainty and record low interest rates have strained the funded status of defined benefit pension plans around the world. The CSSF is not immune to world markets and as such posted a (2.43)% return for 2011. This return does not meet the actuarially required rate of 6.00%. Falling short of the actuarially required rate of return increases deficits in defined benefit plans such as the CSSF and requires monitoring. Although 2011 resulted in a return lower than the rate required by the actuary, we need to keep in mind that pension plans have a long investment horizon and the CSSF is invested based on this long-term view.

There were a number of changes in 2011 to The Civil Service Superannuation Act (CSSA) and we spent a substantial portion of the year implementing these changes along with continuing our implementation of Pension Benefits Act changes from 2010. The major changes to the CSSA were as follows:

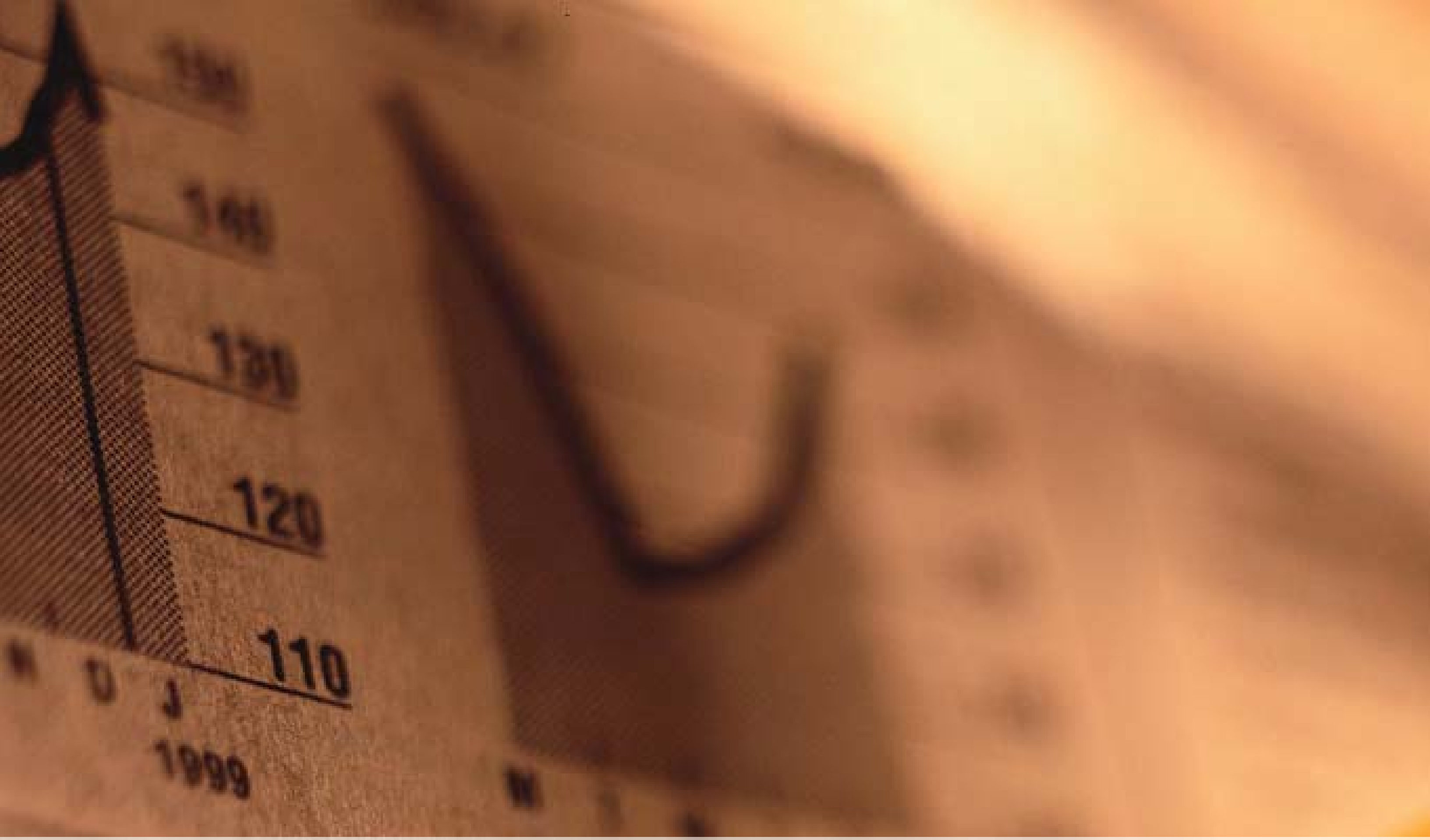
- Calculation of transfer amount for some events on or after January 1, 2012 - The transfer amount for a member who ceases to be an employee on or after January 1, 2012, is the actuarial present value of the pension that would be payable at age 65, unless the member has accumulated at least 10 years of qualifying service and is at least age 55, or is at least age 65, in which case he or she could receive the actuarial present value of the immediate pension.
- Default pension where no valid election made - Where a member has ceased to be an employee and has given a notice of retirement to the Board, but is prevented by ill health or death from electing an optional pension, a minimum 10-year pension is now payable if there is no eligible spouse or partner.
- Purchase of service by reservist - An employee who receives a period of unpaid reservist leave to which he or she is entitled under The Employment Standards Code may purchase a period of service in relation to that period of leave in accordance with the regulations.
- Pre-retirement death benefits - Pre-retirement death benefits for an eligible surviving child or children are no longer specified under the plan. When a member dies prior to retirement, death benefits would be paid to his or her spouse or recognized common-law partner unless that spouse or partner has waived those rights. If there is no spouse or partner, or the spouse or partner has waived his or her entitlement, death benefits would be paid to the member's estate unless the member has made a beneficiary designation in compliance with The Beneficiary Designation Act.
- Employee contributions may be altered if jointly recommended - The Lieutenant Governor in Council may make regulations prescribing employee contributions and the percentage of employee contributions to be allocated to the superannuation adjustment account, if based on a joint recommendation of the Advisory Committee and the Liaison Committee and supported by an actuarial report confirming the viability of the recommendation.

A regulation was made in November of 2011 that will allow for an overall contribution rate increase of 2%. The increase will be done in steps beginning on July 1, 2012 and will increase .5% every year until January 2015. While no one enjoys paying increased contributions, the committees that are responsible for changes to the CSSF and the Board, with support from the Board's actuary, believe that an increase was required for the long-term viability of the CSSF.

2011 also brought substantial changes to the look and functionality of our online services. We have re-introduced the feature that allows a member to calculate an estimated amount in the event a member termination. The pension estimate portion of the online services has also changed to provide a more user-friendly interface.

The valuation for 2010 was completed and presented to the Board in fall of 2011 and revealed a continuing deficit. The Board will continue to monitor the situation by performing annual valuations and will provide advice or recommendations to the appropriate parties when required. The report in its entirety can be viewed on our website.

The Board continues to provide guidance and oversight of your plan in the uncertain economic environment which seems to have become the new norm. I would like to thank the Board for their continued vigilance and advice as well as the Board staff for continuing to provide superior service to all plan stakeholders.



Investments

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.

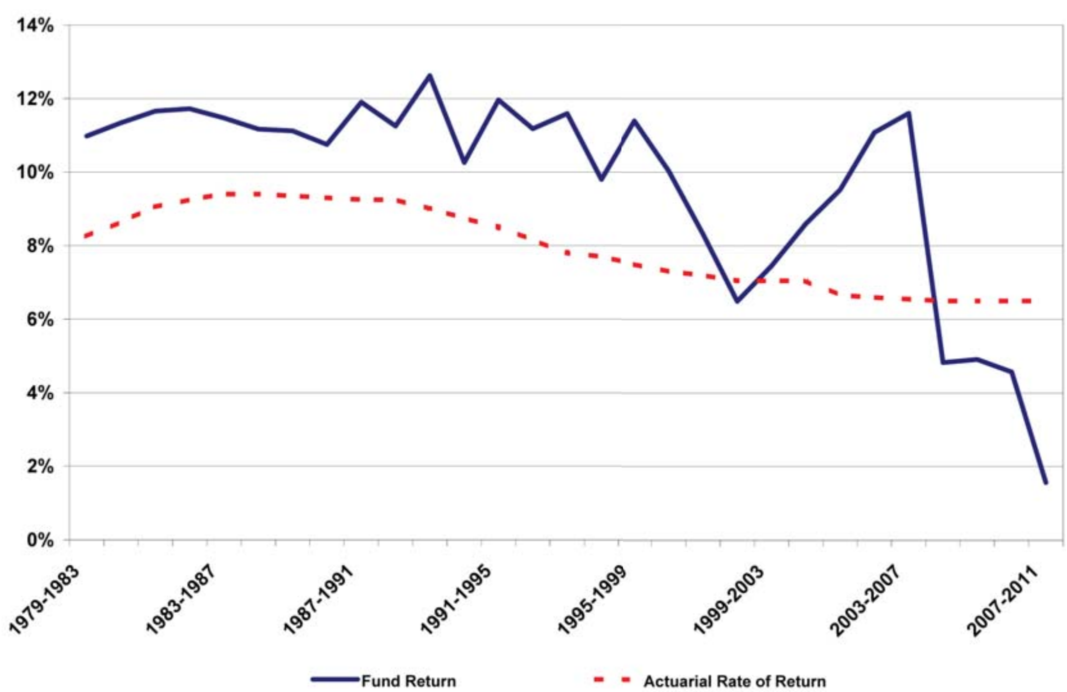
Asset mix is the single most important factor in determining pension fund performance. Different risk elements relating to market volatility and potential returns are factored into an investment decision. Investments that produce lower returns are generally a result of lower risk or volatility. In order 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

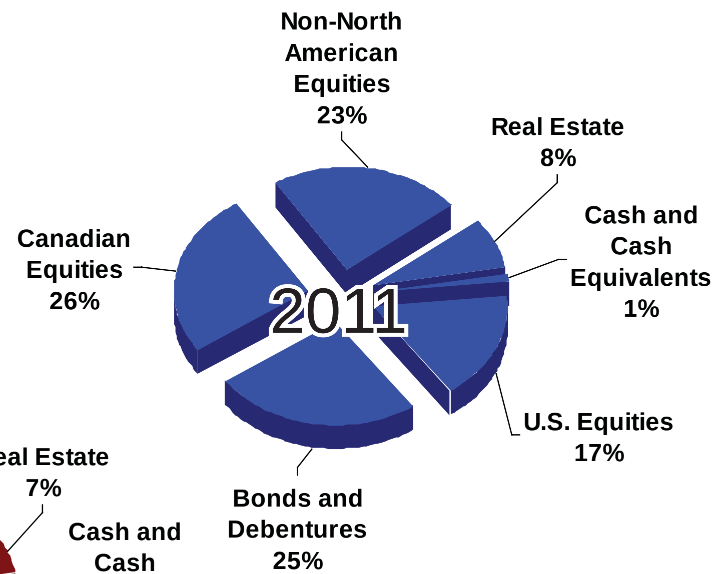
The ultimate success of the Fund's investment policy is measured by how well it meets the long-term obligations for its members. An actuarial valuation on the Fund is the best way to measure this obligation. The significant negative fund returns due to the world financial crisis in 2008 continue to pull 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).

Five-Year Annualized Return

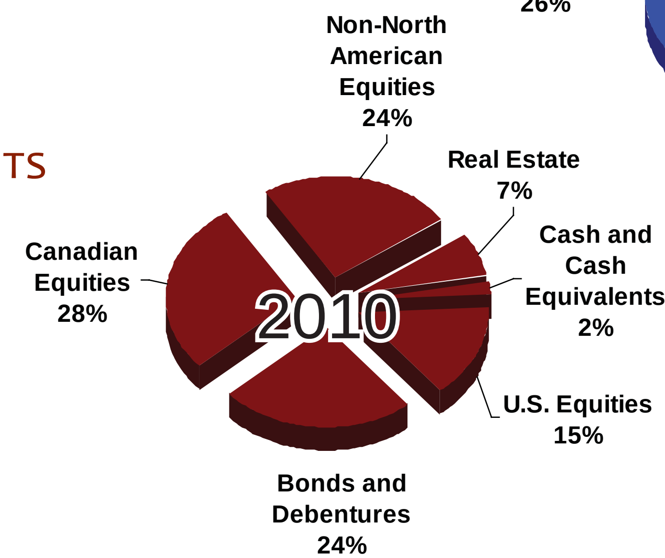


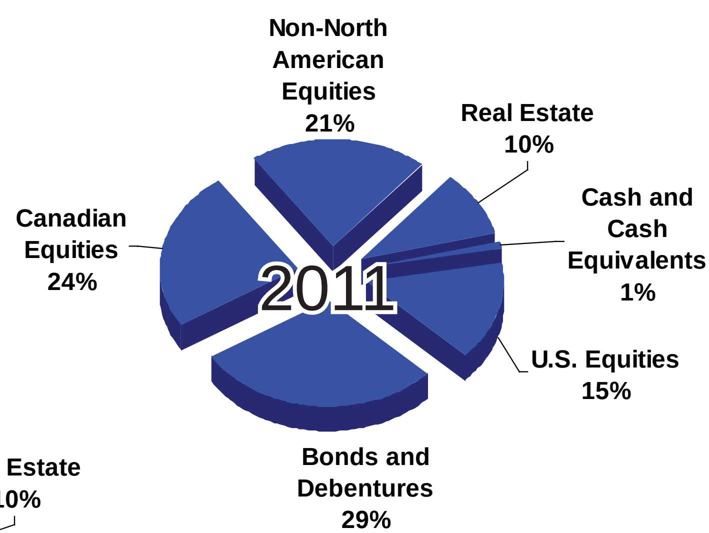
Policies and procedures that continue to guide or impact investment decisions include:

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

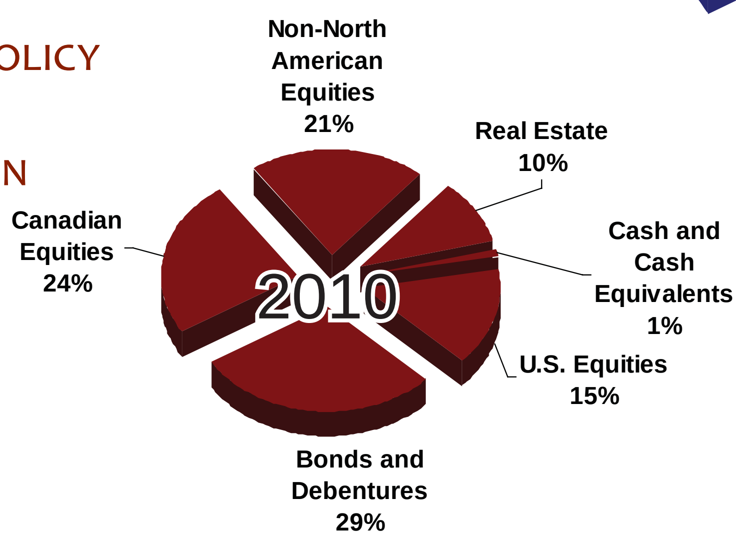


Fund Investments





Investment Policy Normal Allocation



Overview

Despite the spirited rally during the fourth quarter, 2011 proved to be a disappointing year for market participants as most global equity indices registered significant negative returns. The MSCI AW index lost 10%, Japan dropped 9%, Europe fell 12%, emerging markets dropped 16.6% and the Canadian index declined 8.7% (all in Cdn $ terms). The exceptions were in the U.S. equity market, where the Dow Jones Industrial Average advanced over 10% and the S&P 500 returned a modest 4.4%.

For 2011 as a whole, the total fund underperformed its benchmark by 3.55%, as it fell to (2.43)% versus a gain of 1.12% for the benchmark. The underperformance in 2011 was largely due to the Fund's asset allocation which emphasized equities over fixed income and within the allocation to equities, there was an overweight towards emerging markets. The best performing of the publicly traded asset classes in 2011 are the North American fixed income markets. As investors abandoned risk assets, there was an en masse flight to safety into the North American fixed income market. In the U.S., long-term treasuries returned over 30% while long-term Canadas gained 25%. In terms of the Canadian DEX fixed income universe benchmark, the return was 9.7% for 2011.

In addition, most of CSSB's equity managers underperformed their benchmarks, which negatively impacted relative performance for the year.

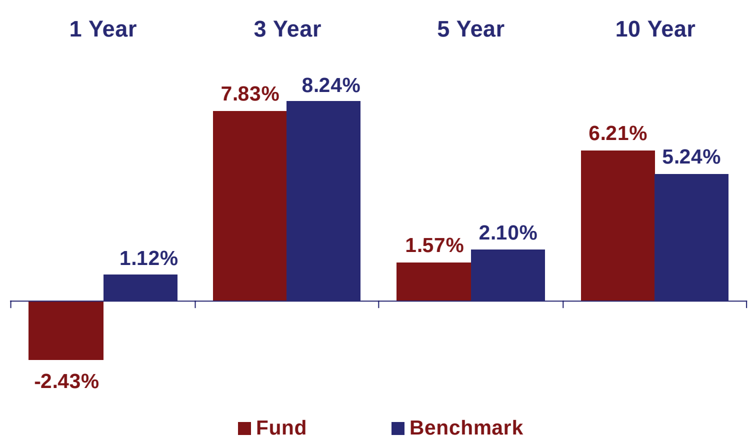
Performance

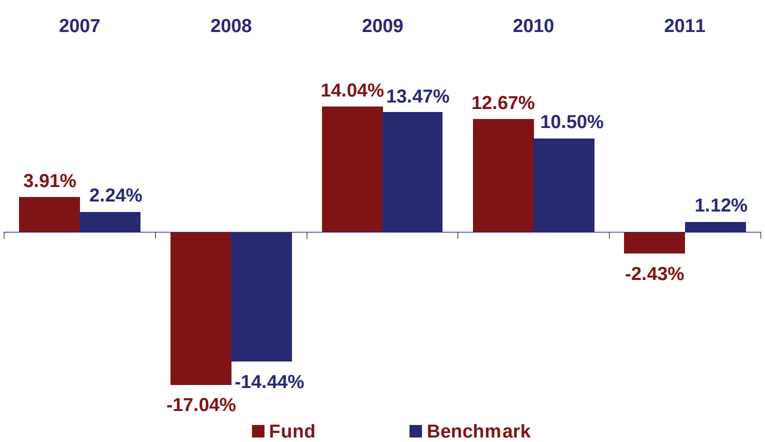
Calculation Methodology

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

Total Fund

The negative absolute and relative returns in 2011 lowered the five year return to 1.57%. 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.

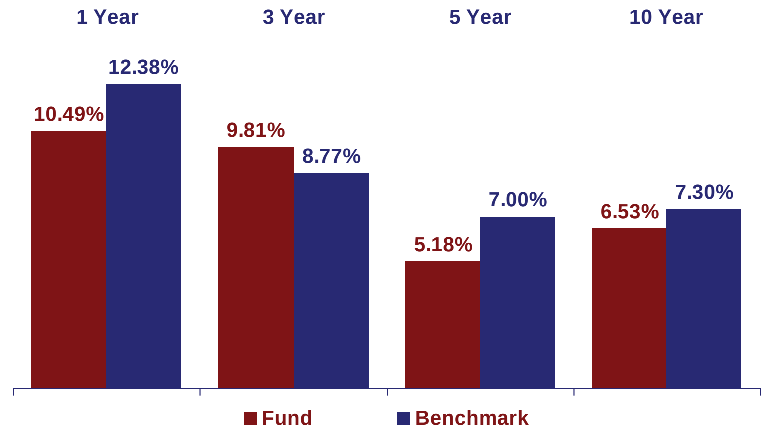




The benchmark return in the graph to the left reflects what the Fund could expect to return by indexing, or non-active management. Except for 2008 and 2011, the Fund has managed to add value from active management quite consistently.

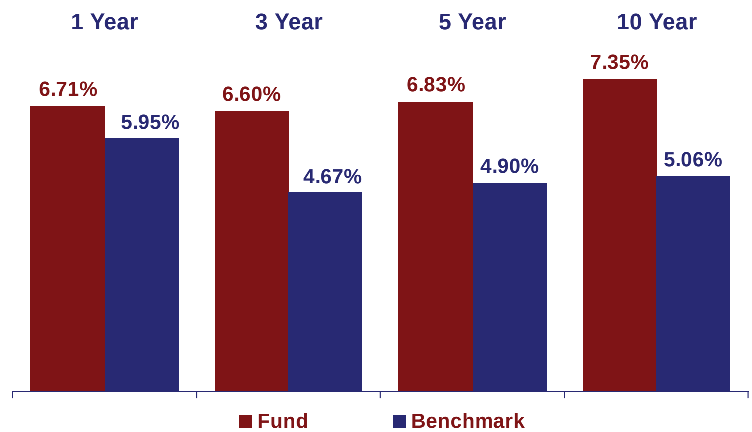
Bonds and Debentures

The portfolio remains positioned for economic recovery and market normalization. The return lagged the benchmark 10.49% versus 12.38%. Underweighting in provincial bonds and overweighting of corporates were the main reasons.



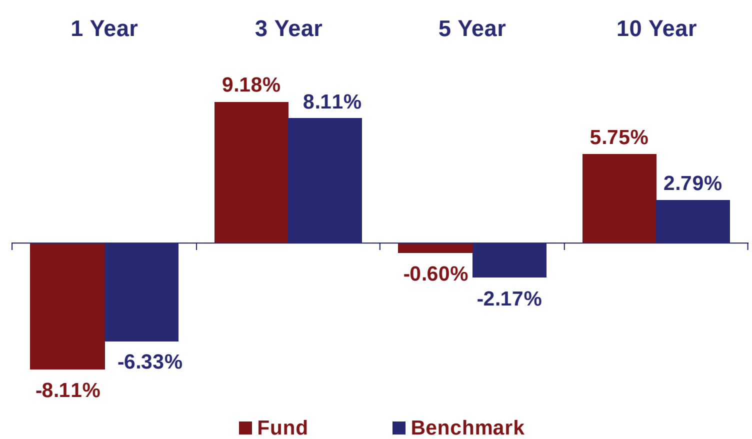
Real Return

Products such as Index-Linked mortgages remain a designated vehicle to fund the Cost-of-Living Account for future benefits. Real return investments earned 6.71% in 2011 compared to its benchmark of 5.95%.



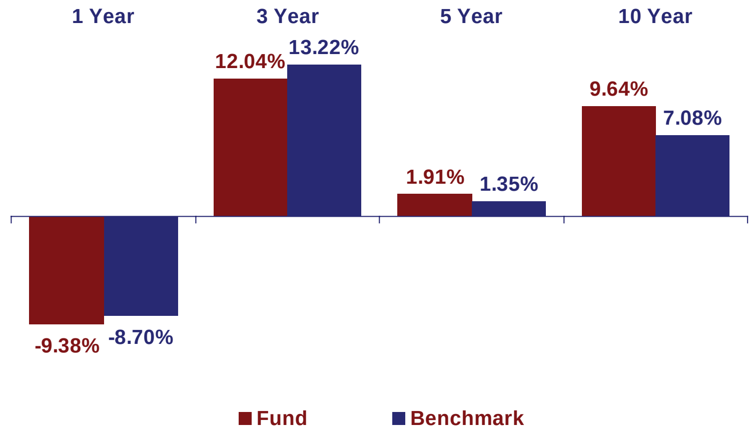
Total Equity

Public equity markets experienced a difficult period in 2011 as most major indices, except the U.S. S&P 500, produced negative returns. All equity categories, except Real Estate and Private Equity. delivered negative returns in 2011. Canadian Equities lost 9.38% versus the (8.70)% benchmark. U.S. Equities declined (0.67)% versus the 4.41% benchmark, and Non-North American fell (10.88)% versus (11.28)% for the benchmark.



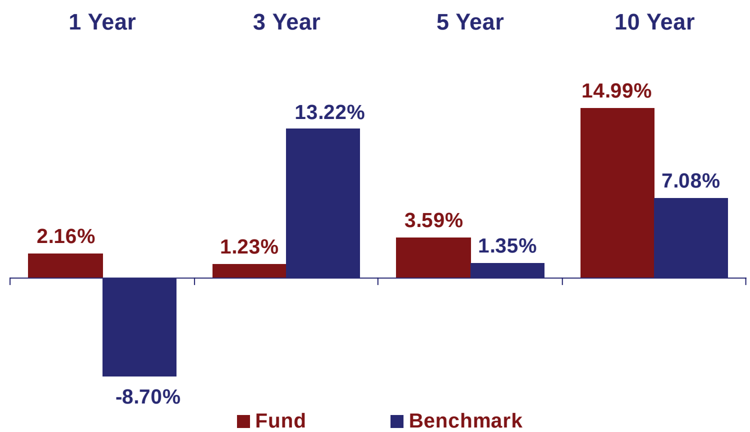
Canadian Equity

The Fund's Canadian Equity investments provided a return of (9.38)% versus a (8.70)% return for the benchmark. All public equity managers underperformed the benchmark, being underweight defensive and/or yield oriented issues that experienced remarkable market recognition during the year. A partial positive offset to this was the positive return generated by private equity, led by the 4.7% return from Superman Resources.



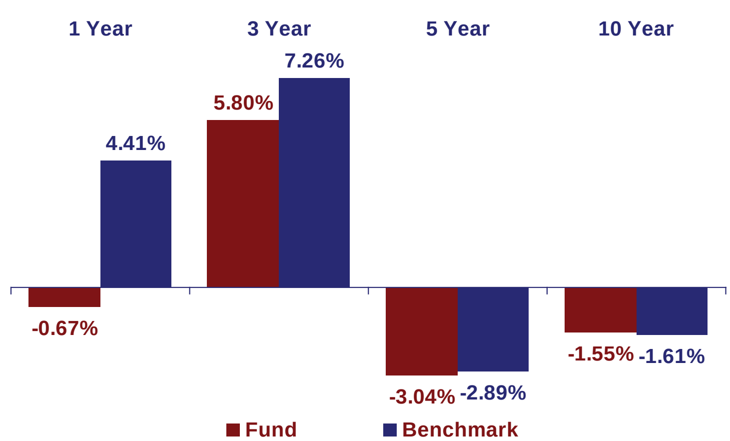
Private Equity

Superman Resources completed a successful year with strong cash flow growth, driven by excellent oil and natural gas liquids production growth. Both oil and natural gas liquids have experienced strong prices, while natural gas has encountered a severe slide in prices, leading Superman's management to allocate most of 2012's capital spending to oil and natural gas liquids projects. Positive drill results late last year and in the first quarter of 2012 point to further strong liquids production growth this year, and the recent closing of the sales of two properties on very favourable terms to Superman provide added financial flexibility to execute an ambitious exploration and development program this year. While Superman was required to write down the value of natural gas reserves last year, these assets do provide exposure to the longer-term recovery of natural gas. Returns from the small positions of other private equity positions remain disappointing.



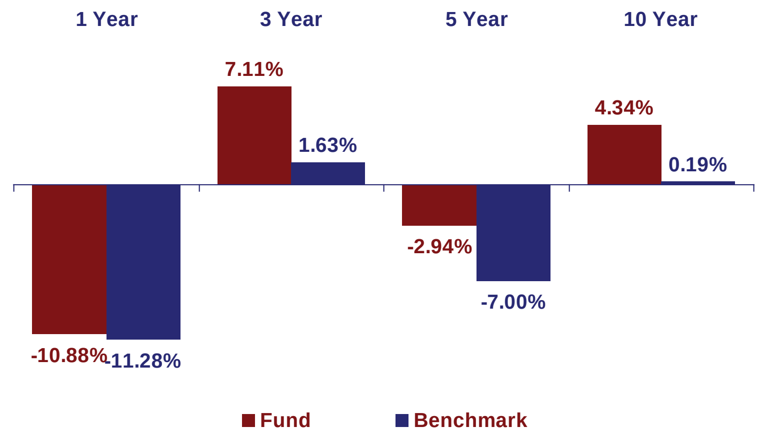
U.S. Equity

In 2011, the U.S. Equity Fund carried a large overweight in financials, particularly in large money centre banks. Concern that the European debt crisis might cause defaults in the U.S. banking system pushed financials down to extremely oversold levels (many were down 40% or more) and were not sold for this reason (which has proven to be the right call so far in 2012). As a consequence, in the second half of 2011, the portfolio underperformed the benchmark by 382 basis points. For the entire year, the portfolio was down 0.67% compared to the index being up 4.41%.



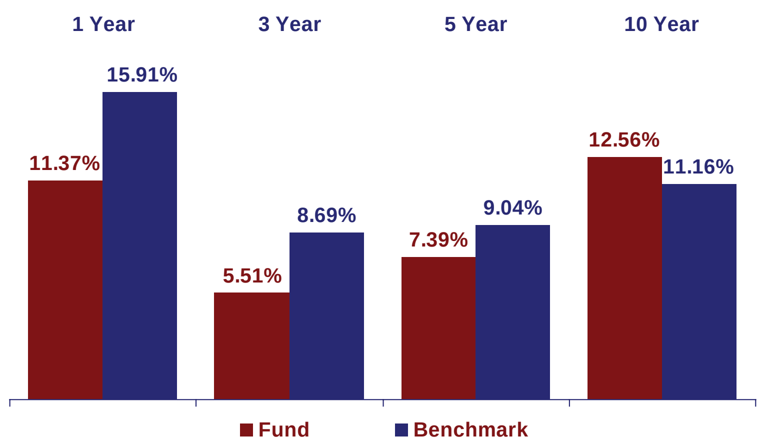
Non-North American Equity

2011 was a year filled with turmoil, most of it originating in Europe. These events affected both developed and emerging markets worldwide. North America, by comparison, was relatively stable. The Fund's Non-North American investments outperformed the benchmark, (10.88)% versus (11.28)%, mostly due to security selection. Underweighting Europe was a positive factor in the relative returns.

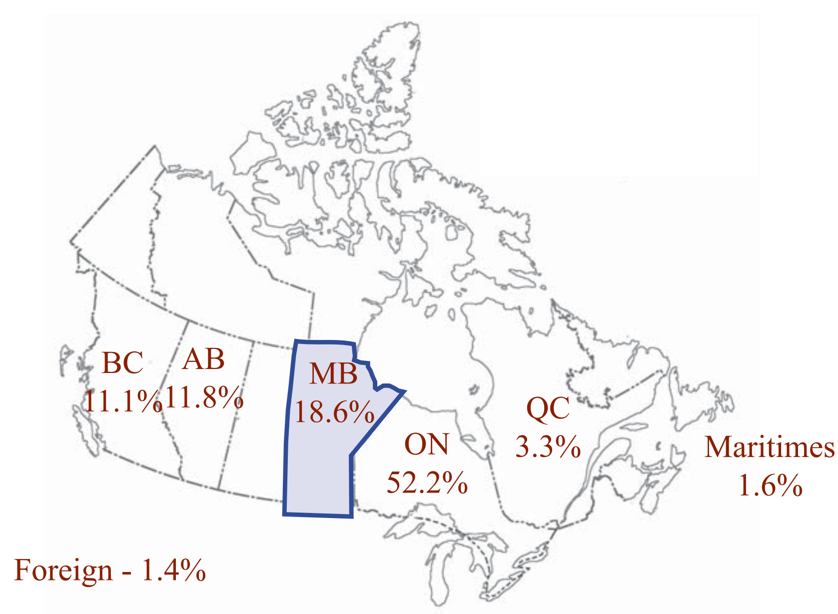


Real Estate

Values continued to grow during the year as many investors are attracted to the high and stable yield offered by real estate. Overall, commercial real estate fundamentals remain sound with the market displaying low vacancies and moderate rent increases. The real estate portfolio returned 11.37% during the year versus 15.91% for the Investment Property Databank, which has a heavy weighting to the best performing sectors of regional shopping malls and high-rise office buildings. It has been a difficult environment in which to acquire additional well priced properties.



Distribution by Geographic Location



Strategy and Outlook

It is our view that many of the significant macro headwinds that challenged global equity markets in 2011 are poised to moderate in 2012. This should allow investors to become somewhat less risk averse and focus more on the fundamental attractiveness of individual equities.

For much of 2011 global capital markets were extremely fearful that the 2-year old European sovereign debt crisis was spiraling out of control and financial Armageddon was imminent. It is our view that the aggressive actions by global central banks and the ECB late in the year were pivotal events in terms of the necessary preliminary steps to resolve the severe financial strains present in Europe. These actions which provided significant liquidity and funding to the European banking system should provide the European governments some time/flexibility to deal with their severe fiscal issues. Thus, while the European sovereign debt crisis is far from resolved, the recent actions by central bankers have set the stage for European policy makers to "muddle through" their fiscal issues over time. As for the European economy, it appears that an economic slowdown is unavoidable. The main issue is the magnitude and duration of a European slowdown and its resultant impact on global economic growth.

Our base case is that, barring a severe policy error in Europe, that global equity markets are poised to recover in 2012. In particular, we see significant opportunities in emerging market equities (which have underperformed over the last few years) where valuations are more compelling. While the U.S. equity market has enjoyed a significant rally since the October lows, we would consider enhancing the fund's exposure on short-term weakness as valuations are attractive and the fundamental outlook is improving. Further, the 10-year rolling total return for the S&P 500 remains at historically depressed levels, suggesting a more optimistic return environment for U.S. equities going forward. Regarding fixed income, we have underestimated the extent to which yields in North America could decline over the last year. However, from the current historic post-war low level of yields, it is hard to envision a further decline without a global recession or a financial system debacle. Thus we do not see value in the fixed income markets and intend to remain underweight our benchmark.

Concerning 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 and have been successful in participating in three pooled funds during 2011 as well as various individual stand alone projects. Total fund cash levels are expected to remain modest over the next year.

Diversification, Growth and Stability

Fund Investments

	2011(*)	2010 (*)
Contractual Investments		
Cash and Short-term	**30,313**	**77,846**
Bonds and Debentures	**1,202,267**	**1,146,595**
Mortgages	**27,681**	**29,642**
Equity Investments		
Canadian Equities	**1,375,619**	**1,543,247**
U.S. Equities	**703,690**	**619,971**
Non-North American Equities	**1,124,870**	**1,156,991**
Real Estate	**380,787**	**341,263**
Total Investments	**4,845,227**	**4,915,555**

* $Thousands

Membership

Member Services

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

1. Individual Meetings

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

2. Pre-Retirement Planning Seminars

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

3. Employee Pension and Insurance Seminars

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

4. Personal and General Inquiries

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

5. Electronic Communications

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

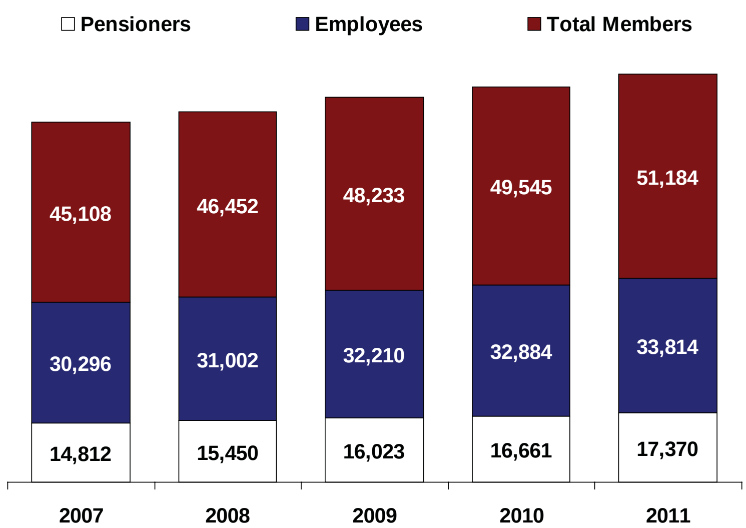
Staff are available to meet your information needs with respect to enrolment, retirement, disability, termination and pension projections for estate and retirement planning.

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

During 2011

- Total members increased by 1,639 to 51,184
- Employees/former employees participating in the Fund increased by 930 to 33,814
- Pensioners/beneficiaries increased by 709 to 17,370

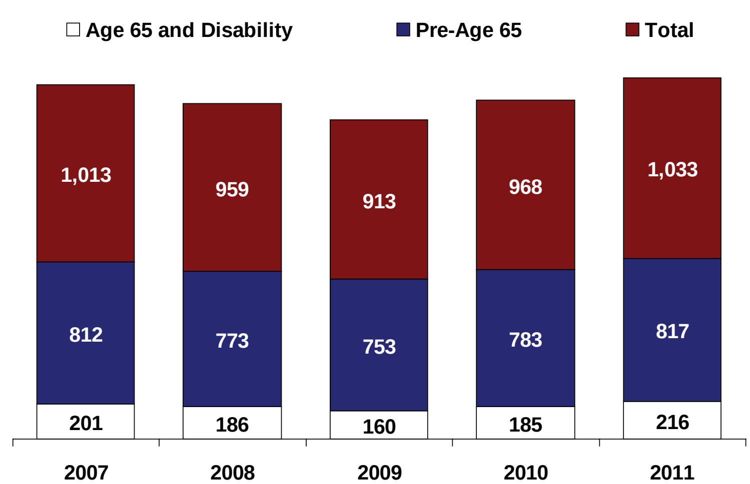
Total Members



Fund Fact
Total membership in the Fund has surpassed 50,000.

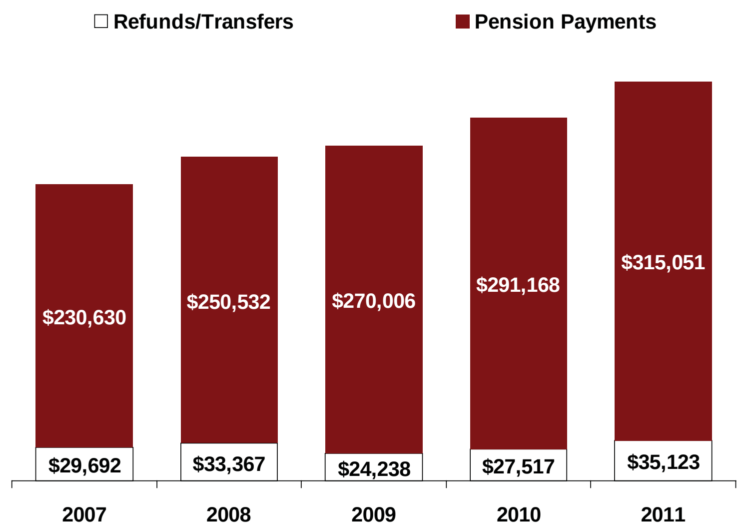
Retirements

Fund Fact
There were a record 1,033 retirements in 2011.



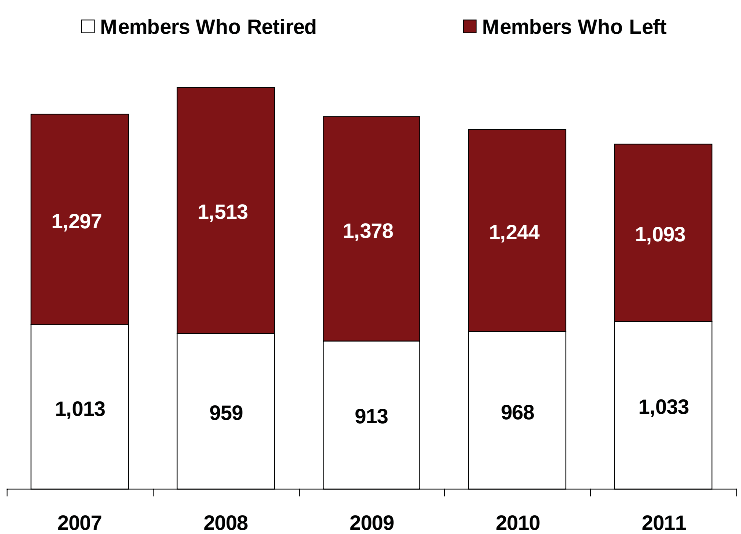
During 2011
- 17,370 pensioners/beneficiaries were receiving pension benefits at the end of the year
- $315.1 million was paid in pensions

Payments From The Fund (Thousands)



Fund Fact
The annual pensioner payroll increased 8.2% while refunds/transfers increased 27.6%.

Former Contributors



Fund Fact
The total number of former contributors continues to decrease.

Employees/Former Employees

The distribution of employees/former employees by employer as at December 31, 2011 was as follows:

Non-Matching Employers	Males	Females	Total
Province of Manitoba Civil Service	7,104	8,304	15,408
Manitoba Hydro-Electric Board	4,455	1,479	5,934
Manitoba Public Insurance	812	1,108	1,920
Red River College	637	705	1,342
Liquor Control Commission	359	354	713
Addictions Foundation of Manitoba	92	249	341
Assiniboine Community College	143	191	334
University College of The North	120	190	310
The Legal Aid Services Society of Manitoba	45	116	161
Diagnostic Services of Manitoba	10	90	100
Manitoba Centennial Centre Corporation	38	17	55
Teachers' Retirement Allowances Fund Board	9	22	31
Communities Economic Development Fund	9	5	14
The Council on Post-Secondary Education	5	8	13
Manitoba Horse Racing Commission	2	0	2
Regional Health Authorities			
Winnipeg	15	144	159
Brandon	30	105	135
Central	2	35	37
Assiniboine	2	30	32
Interlake	4	27	31
Parkland	6	23	29
South Eastman	3	15	18
Nor-Man	0	17	17
North Eastman	1	7	8
Burntwood	1	5	6
Total Non-Matching	**13,904**	**13,246**	**27,150**

Matching Employers	Males	Females	Total
Manitoba Lotteries Corporation	772	767	1,539
Manitoba Housing Authority	281	181	462
CUPE Support Workers	59	222	281
Manitoba Agricultural Services Corporation	66	89	155
Child and Family All Nations Coordinated Network Inc.	16	135	151
Manitoba Crop Insurance Corporation	116	17	133
Manitoba Government and General Employees Union	34	52	86
Manitoba Hydro Utilities Service	63	15	78
The Civil Service Superannuation Board	30	26	56
Manitoba Floodway Expansion Authority Inc.	27	28	55
Gaming Control Commission	28	26	54
Travel Manitoba	11	29	40
Food Development Centre	13	26	39
Industrial Technology Centre	14	7	21
Dairy Farmers of Manitoba	6	14	20
Hams Marketing Services Co-op Inc.	9	7	16
Manitoba Arts Council	0	13	13
Manitoba Pork Council	4	6	10
Manitoba Film and Sound Recording Development Corporation	4	5	9
Manitoba Chicken Producer Board	1	4	5
Crown Corporations Council	1	3	4
MFC Testing and Research Inc.	1	3	4
Sport Manitoba	3	1	4
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
Total Matching	**1,565**	**1,682**	**3,247**

Other	Males	Females	Total
Deferred Pension Accounts	1,420	1,728	3,148
L.T.D. Recipients	40	114	154
Manitoba Reciprocal Agreements	70	45	115
Total Other	**1,530**	**1,887**	**3,417**

Total (Non-Matching, Matching, Other)	**16,999**	**16,815**	**33,814**

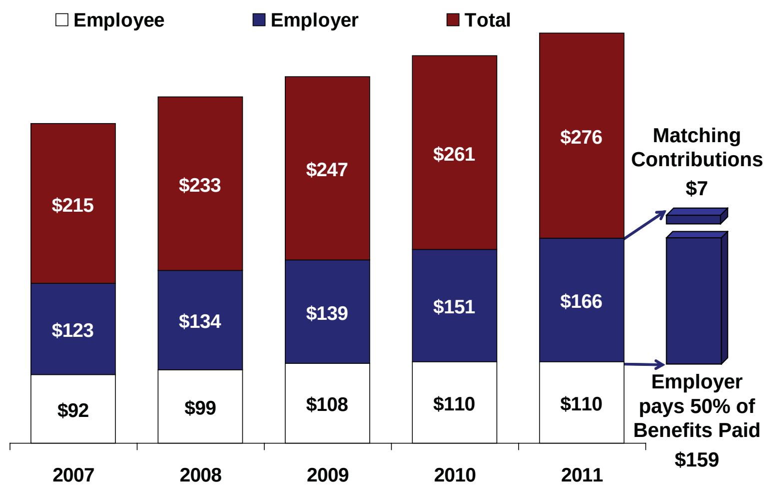
Employee Contributions/Employer Payments

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

During 2011

- Employees contributed $109.7 million to the Fund compared to $109.9 million in 2010
- Employers paid $166.1 million to the Fund compared to $151.3 million in 2010

Contributions and Payments (Millions)



Fund Fact
Total contributions and payments by employees and employers have increased 28% since 2007.

Employees and Employers share the cost of the plan. Each year employees contribute the following:

- 6% on earnings up to Canada Pension Plan maximum earnings ($48,300 in 2011)
- 7% on earnings in excess of that amount

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

The actuarial valuations that estimate whether contributions made to the pension plan are sufficient to pay for future benefits have indicated a growing trend over the past 15 years or so that the contributions paid by employees may not be sufficient to pay for roughly half of future pensions. Based on the assumptions approved by the Board, the actuary has recommended that contributions be increased over a four year period until the contribution rates are 2% higher than today.

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 2012 is $50,100.

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 ⅔ of the increase in the Canadian Consumer Price Index (CPI)
- The COLA paid July 1, 2011 was 1.57%

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 ⅔ 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 ⅔ 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, 2011 are summarized below.

	Fund (*)	Non-Matching Employers (*)	Obligations Total (*)
1. Net Assets Available (Net of Actuarial Reserves)			
Basic Benefits Account	3,103,654		
Indexing Benefits Account	360,882		
Total	**3,464,536**		
2. Actuarial Obligations for Pension Benefits			
Basic Benefits Account (Excluding future benefits)	3,785,350	3,004,205	6,789,555
Indexing Benefits Account	198,317	183,202	381,519
Total	**3,983,667**	**3,187,407**	**7,171,074**
3. Actuarial Position/Funds Available			
Basic Benefits Account	(681,696)	(3,004,205)	(3,685,901)
Indexing Benefits Account (funds available to finance future adjustments)	162,565	(183,202)	(20,637)
Surplus/(Deficit)	**(519,131)**	**(3,187,407)**	(3,706,538)

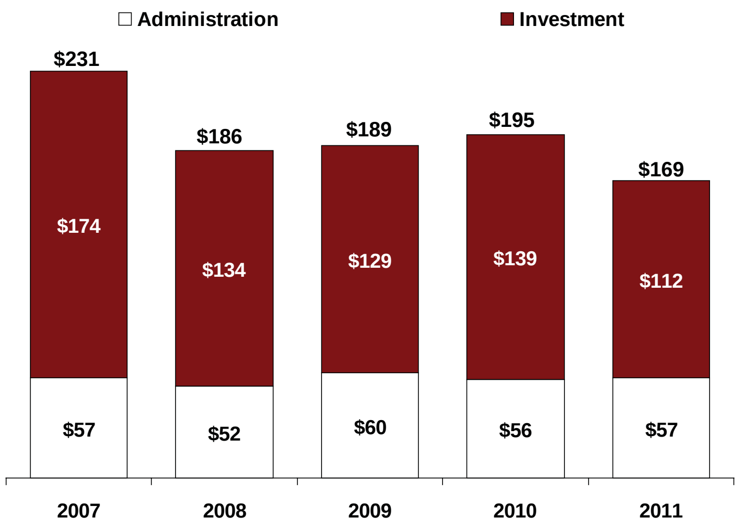
* $Thousands

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 2011 was $169 consisting of $57 for administration and $112 for investment related expenses.

Annual Cost Per Member



Fund Fact
Administrative cost per member remained constant in 2011.

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

		2007 (*)	2008 (*)	2009 (*)	2010 (*)	**2011(*)**
Investments	Rate of Return	3.91%	(17.04)%	14.06%	12.67%	**(2.43)%**
	Market Value	3,973,775	3,302,963	4,001,189	4,915,555	**4,845,227**
Contributions and Payments	Employee Contributions	92,374	98,635	107,593	109,924	**109,736**
	Employer Payments	122,480	133,991	139,556	151,255	**166,062**
	Total	214,854	232,626	247,149	261,179	**275,798**
Payments from the Fund	Pension Benefits Paid	230,630	250,532	270,006	291,168	**315,051**
	Refunds and Transfers	29,692	33,367	24,238	27,517	**35,123**
Expenses	Administrative, net before recoveries from non-matching employers	2,737	2,452	2,858	2,787	**2,846**
	Investment, net	7,902	6,271	6,217	6,883	**5,758**
	* $Thousands unless otherwise noted					

		2007	2008	2009	2010	**2011**
Membership	Non-Retired Members	30,296	31,002	32,210	32,884	**33,814**
	Pensioners and Other Recipients	14,812	15,450	16,023	16,661	**17,370**
	Total Members	45,108	46,452	48,233	49,545	**51,184**
	Refunded/Transferred Members	1,297	1,513	1,378	1,244	**1,093**
	Retirements	1,013	959	913	968	**1,033**

Financial Information

Management Report

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 26, 2012.

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

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

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, 2011 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, 2011, 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.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2(a) of the financial statements which describes the basis of accounting and to the Consolidated Statement of Financial Position which discloses the pension obligations and deficit position of the Fund as at December 31, 2011. For the year ending December 31, 2011, the Civil Service Superannuation Fund adopted Canadian accounting standards for pension plans. This resulted in significant changes to the presentation of the financial statements as compared to the prior year. These standards were applied retrospectively by management to the comparative information in these consolidated statements.

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

April 26, 2012
Winnipeg, Manitoba

Consolidated Statement of Financial Position

as at December 31, 2011

	2011	2010
($) Thousands		
Assets		
Investments, Schedule 1, Notes 2(b) and 4	$4,845,227	$4,915,555
Equipment	51	5
Prepaid expenses	184	205
Debt due from the Province of Manitoba, Note 5	1,826	1,826
Receivables, Note 6	2,756	2,937
Accrued dividends and interest	13,203	12,056
Total assets	**4,863,247**	**4,932,584**
Liabilities		
Accounts payable and accrued liabilities	9,693	10,089
The Province of Manitoba Unfunded Pension Liability Trust Account, Note 7	1,304,271	1,201,935
Correctional Officers' Trust Account, Note 8	4,737	4,792
Employer Trust Accounts, Note 9	58,334	59,356
Money Purchase Accounts Plan, Note 10	21,676	20,631
Total liabilities	**1,398,711**	**1,296,803**
Net assets available for benefits, Exhibit B	**$3,464,536**	**$3,635,781**
Accrued Pension Obligations and Deficit		
Actuarial value of pension obligations, Exhibit C, Note 11	**$7,171,074**	**$6,987,987**
Deficit, Exhibit D, Note 1(b), 12 and 20	**(3,706,538)**	**(3,352,206)**
Accrued pension obligations and deficit	**$3,464,536**	**$3,635,781**

Approved on behalf of the Board

Chairperson of the Board

Chairperson, Finance and Audit Committee

Consolidated Statement of Changes in Net Assets Available for Benefits

for the Year Ended December 31, 2011

($) Thousands	2011 Basic Benefits Account	2011 Indexing Benefits Account	2011 Total	2010 Total
Increase in assets				
Contributions, Schedule 2, Note 1(b) and 13				
Employees	$ 98,568	$ 11,168	**$ 109,736**	**$ 109,924**
Employers	165,298	764	**166,062**	**151,255**
Total contributions	263,866	11,932	**275,798**	**261,179**
Net investment income, Schedule 3	137,780	(7,253)	**130,527**	**122,516**
Current period change in fair value of investments, Note 14	-	-	**-**	**417,440**
Other	78	-	**78**	**79**
Total increase in assets	**401,724**	**4,679**	**406,403**	**801,214**
Decrease in assets				
Current period change in fair value of investments, Note 14	258,761	-	**258,761**	**-**
Benefits paid, Note 15	294,784	20,267	**315,051**	**291,168**
Refunds and transfers, Note 16	35,123	-	**35,123**	**27,517**
Administrative expenses, net, Note 17	1,563	-	**1,563**	**1,540**
Transfer to employer trust accounts	570	-	**570**	**591**
Interest (charged) allocations to various trust accounts and Money Purchase Accounts Plan, Note 18	(33,420)	-	**(33,420)**	**135,308**
Total decrease in assets	**557,381**	**20,267**	**577,648**	**456,124**
(Decrease) increase in net assets	**(155,657)**	**(15,588)**	**(171,245)**	**345,090**
Net assets available for benefits, beginning of year	3,259,311	376,470	**3,635,781**	**3,290,691**
(Decrease) increase in net assets	(155,657)	(15,588)	**(171,245)**	**345,090**
Net assets available for benefits, end of year, Exhibit A	**$ 3,103,654**	**$ 360,882**	**$ 3,464,536**	**$ 3,635,781**

Consolidated Statement of Changes in Pension Obligations

for the Year Ended December 31, 2011

($) Thousands	2011 Matching Employers	2011 Non-Matching Employers	2011 Total	2010 Total
Basic Benefits Account				
Pension obligations, beginning of year	$3,685,171	$2,951,414	**$6,636,585**	**$5,766,586**
Change in pension obligations during the year				
Experience (gain) loss	(128,980)	(112,387)	**(241,367)**	**458,071**
Benefits accrued	131,163	104,712	**235,875**	**239,075**
Benefits paid	(165,179)	(149,118)	**(314,297)**	**(285,288)**
Interest accrued on benefits	212,351	169,009	**381,360**	**372,093**
Change in actuarial reserves	50,824	40,575	**91,399**	**86,048**
	100,179	52,791	**152,970**	**869,999**
Pension obligations, end of year	**$3,785,350**	**$3,004,205**	**$6,789,555**	**$6,636,585**
Indexing Account				
Pension obligations, beginning of year	$ 178,825	$ 172,577	**$ 351,402**	**$ 302,203**
Change in pension obligations during the year				
Experience (gain) loss	(7,384)	(12,127)	**(19,511)**	**23,861**
Benefits accrued	31,126	24,849	**55,975**	**30,593**
Benefits paid	(20,267)	(16,180)	**(36,447)**	**(33,988)**
Interest accrued on benefits	10,584	9,746	**20,330**	**18,681**
Change in actuarial reserves	5,433	4,337	**9,770**	**10,052**
	19,492	10,625	**30,117**	**49,199**
Pension obligations, end of year	**$ 198,317**	**$ 183,202**	**$ 381,519**	**$ 351,402**
Combined				
Pension obligations, beginning of year	$3,863,996	$3,123,991	$6,987,987	$6,068,789
Change in pension obligations during the year	119,671	63,416	183,087	919,198
Pension obligations, end of year, Exhibit A	**$3,983,667**	**$3,187,407**	**$7,171,074**	**$6,987,987**

Consolidated Statement of Changes in Deficit

for the Year Ended December 31, 2011

($) Thousands	2011 Matching Employers	2011 Non-Matching Employers	2011 Total	2010 Total
Deficit, beginning of year, restated, Note 19	$ (228,215)	$ (3,123,991)	**$ (3,352,206)**	**$ (2,778,098)**
(Decrease) increase in net assets	(171,245)	-	**(171,245)**	**345,090**
Change in pension obligations during the year	(119,671)	(63,416)	**(183,087)**	**(919,198)**
	(290,916)	(63,416)	**(354,332)**	**(574,108)**
Deficit, end of year, Exhibit A, Note 20	**$ (519,131)**	**$ (3,187,407)**	**$ (3,706,538)**	**$ (3,352,206)**

1. Description of Plan

The following description of the Civil Service Superannuation Plan (the "Plan") is a summary only. For more complete information reference should be made to the Civil Service Superannuation Act (the "Act").

(a) General

The Civil Service Superannuation Board (the "Board") and the Civil Service Superannuation Fund (the "Fund") were established under the Act in May 1939. The Board is responsible for administering the Act. The Act defines the basis of funding and the operation of the Plan as a defined benefit plan, which provides pension benefits to employees of the Government of the Province of Manitoba and its agencies participating in the Plan.

(b) Funding

The Act requires that employees contribute 6% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 7% of pensionable earnings above that maximum each year. 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 at 5.1% on pensionable earnings up to the CPP maximum pensionable earnings and 7% of pensionable earnings above that maximum each year.

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 11, 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.

(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, which were adopted for the year ending December 31, 2011,

the statement of net assets available for benefits is replaced by the statement of financial position, which now includes the net assets available for benefits and accrued pension obligations and deficit. In prior years, the accrued pension obligations and deficit were disclosed in the notes to the financial statements. The statement of changes in net assets available for benefits remains unchanged, while the statement of changes in pension obligations and the statement of changes in deficit have been added. Comparative figures have been restated in accordance with these standards (see Note 19).

(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.

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 26% (2010 – 26%) of its assets in fixed income securities as at December 31, 2011 which generated a rate of return of +10.49% (2010 – +10.13%). The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. As at December 31, 2011, 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 $103,902 (2010 - $95,576). 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, 2011, the Fund's maximum credit risk exposure relates to bonds and debentures, cash and short term investments and mortgages totaled $1,260,261 (2010 - $1,254,083), receivables of $2,756 (2010 - $2,937) and accrued interest of $8,033 (2010 - $8,279) totaled $1,271,050 (2010 - $1,265,299). 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	**2011 Fair Value**		**2010 Fair Value**	
AAA	$ 345,177	31.3%	$ 326,337	31.0%
AA	234,637	21.3	177,304	16.9
A	383,748	34.8	328,490	35.0
BBB+	53,044	4.8	43,026	4.1
BBB and lower	85,859	7.8	136,885	13.0
	1,102,465	100.0%	1,052,042	100.0%
Cash and short-term	99,802		94,553	
Total pooled bond fund	$1,202,267		$1,146,595	

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 2011 or 2010.

(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, 2011 external fund managers had entered into forward foreign exchange contracts valued at $2,010 (2010 - $3,984) that resulted in unrealized gains on these foreign exchange contracts totalling $38 (2010 - $105 losses).

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

As at December 31, 2011	**Actual Currency Exposure**	**Percentage**
Canadian	$ 2,919,625	60.3%
US dollar	1,174,491	24.2
Japanese yen	132,435	2.7
Hong Kong dollar	109,173	2.3
Pound sterling	69,833	1.4
Euro	64,069	1.3
Australian dollar	61,746	1.3
South Korean won	60,200	1.2
Taiwan new dollar	45,703	1.0
Other currencies	207,952	4.3
Total investments	$ 4,845,227	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 $192,560.

(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 $358,497.

(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	**2011**	**2010**
Less than one year	$ 159,422	$ 153,980
One to five years	260,737	260,515
Over five years	840,102	839,488
Total fixed income investments	$ 1,260,261	$ 1,254,083

(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, 2011 and 2010 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 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**

	Level 1 Quoted Prices in Active Markets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total 2010
Assets				
Cash equivalents - short term	$ -	$ 316,736	$ -	**$ 316,736**
Fixed Income				
Pooled bond fund	-	1,052,042	-	**1,052,042**
Mortgages	-	29,642	-	**29,642**
	-	1,081,684	-	**1,081,684**
Pooled equity funds	2,927,708	4	-	**2,927,712**
Real estate				
Participating bonds	-	-	83,818	**83,818**
Shares	-	-	257,445	**257,445**
	-	-	341,263	**341,263**
Petroleum and natural gas	-	-	197,023	**197,023**
Venture capital	-	-	23,724	**23,724**
Total assets	2,927,708	1,398,424	562,010	**4,888,142**
Cash	27,413	-	-	**27,413**
Total investments, Schedule 1	$ 2,955,121	$ 1,398,424	$ 562,010	**$ 4,915,555**

All securities in Level 1 can be traded in an active market. During the year ended December 31, 2011, no equity investments and no bonds were transferred from Level 1 to Level 2.

During the year ended December 31, 2011, 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	$ 341,263	$ 197,023	$ 23,724	$ 562,010
Purchases	18,342	34,288	186	52,816
Sales and withdrawals	(5,369)	-	-	(5,369)
Realized (gains)/losses	(139,441)	-	-	(139,441)
Return of capital	(3,870)	-	(191)	(4,061)
Change in unrealized appreciation/(depreciation)	167,593	13,553	(8,031)	173,115
Ending balance	$ 378,518	$ 244,864	$ 15,688	$ 639,070

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, 2011, the Fund held the following investments that met this classification:

Canada Government bonds 4.0%, maturing June 1, 2041	$ 74,585
Canada Government bonds 3.5%, maturing June 1, 2013	$ 58,679
Superman Resources Inc. – unitized shares	$ 244,864

(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.

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% (2010 – 74.42%) share in its subsidiary Superman Resources Inc., as at December 31, is as follows:

	2011	2010
Assets		
Cash	$ 5,559	$ 4,590
Accounts receivable	6,330	5,675
Assets held for sale	19,130	-
	31,019	10,265
Investment-Wembley Resources Ltd.	880	1,017
Deposit for future acquisition	-	3,163
Exploration and evaluation assets	8,209	13,372
Property, plant and equipment	142,486	112,707
	182,594	140,524
Liabilities		
Accounts payable and accrued liabilities	16,463	6,964
Losses on risk management activities	10	-
Liabilities related to assets held for sale	786	-
	17,259	6,964
Fair value of future administration fee payable	5,653	3,217
Asset retirement obligation	15,826	12,457
	38,738	22,638
Net investment in petroleum and natural gas - cost	143,856	117,886
Market value adjustment	101,008	79,137
Net investment in petroleum and natural gas - fair value, Schedule 1	$244,864	$197,023

(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:

	2011	2010
Revenue		
Oil and gas sales	$ 47,150	$ 25,309
Less: Royalties net of Alberta Royalty Tax Credits	(7,184)	(3,852)
	39,966	21,457
Equity in earnings of Wembley Resources Ltd.	92	94
Interest income	73	48
Losses on risk management activities	(10)	-
	40,121	21,599
Expenses		
Operating	15,600	8,718
Transportation	507	706
Asset administration fee	5,893	5,484
Finance charges	460	505
General and administrative	501	284
Gain on property dispositions	(1,085)	(4,395)
Recovery of bad debts	-	(6)
Depletion and depreciation	25,857	18,776
	47,733	30,072
Net loss	(7,612)	(8,473)
Deficit, beginning of year	(21,155)	(12,682)
Dividends – petroleum and natural gas, Schedule 3	-	-
Deficit, end of year	$ (28,767)	$ (21,155)

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

	2011	2010
Contributions receivable		
Employer	$ 1,312	$ 1,342
Employee	286	249
	1,598	1,591
Other receivables	1,158	1,346
	$ 2,756	$ 2,937

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:

	2011	2010
Contributions received	$ 243,153	$ 530,772
Interest earned/(charged)	(32,105)	126,006
Pension and refund payments made	(106,262)	(97,054)
Investment management fees charged	(2,450)	(1,555)
Change during the year	102,336	558,169
Balance, beginning of year	1,201,935	643,766
Balance, end of year	$1,304,271	$1,201,935

8. 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:

	2011	2010
Contributions received	$ 973	$ 899
Interest earned/(charged)	(124)	541
Pension and refund payments made	(897)	(792)
Expenses paid fees charged	(7)	(1)
Change during the year	(55)	647
Balance, beginning of year	4,792	4,145
Balance, end of year	$ 4,737	$ 4,792

9. 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:

	2011	2010
Contributions received	$ 592	$ 613
Interest earned/(charged)	(1,548)	6,757
Billing credits made to employers	(66)	(71)
Change during the year	(1,022)	7,299
Balance, beginning of year	59,356	52,057
Balance, end of year	$ 58,334	$ 59,356

10. 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:

	2011	2010
Contributions received	$ 1,503	$ 1,282
Interest earned	357	2,004
Refunds and administration fees paid	(807)	(1,562)
Annuities made	(8)	(570)
Change during the year	1,045	1,154
Balance, beginning of year	20,631	19,477
Balance, end of year	$ 21,676	$ 20,631

11. 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, 2010 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, 2011. 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, 2010 and the estimate at December 31, 2011 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, 2010 Valuation and in the determination of the December 31, 2011 present value of the accrued basic pension benefit obligations were:

	2011	2010
Annual rate of return		
(i) inflation component	2.00%	2.00%
(ii) real rate of return	4.00%	4.00%
	6.00%	6.00%
Annual salary escalation rates		
(i) general increases		
a) inflation component	2.00%	2.00%
b) productivity component	0.75%	0.75%
	2.75%	2.75%
(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, 2010. The actuarial present value of the accrued indexing pension benefit obligations was estimated by the actuary as at December 31, 2011 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%.

12. 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:

	2011	2010
Province of Manitoba, Note 7	$ 1,304,271	$ 1,201,935
Manitoba Hydro, Note 21	723,727	754,036
Manitoba Liquor Control Commission, Note 21	51,203	52,328
Total funds managed	$ 2,079,201	$ 2,008,299

13. Contributions

	2011	2010
Employee		
Required contributions	$ 104,840	$ 101,909
Voluntary contributions	177	158
Past service contributions	2,189	2,695
Special contributions	2,530	5,162
	109,736	109,924
Employer		
Required contributions	7,488	7,169
Special contributions[1]	158,574	144,086
	166,062	151,255
	$ 275,798	$ 261,179

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

14. Current Period Change in Fair Value of Investments

	2011	2010
Net realized gain on the sale of investments	$ 22,806	$ 112,990
Net unrealized market (loss) gain	(281,567)	304,450
	$ (258,761)	$ 417,440

15. Benefits Paid

	2011	2010
Pension benefit payments	$ 306,713	$ 283,114
Disability benefit payments	8,338	8,054
	$ 315,051	$ 291,168

16. Refunds and Transfers

	2011	2010
Termination refund payments	$ 24,758	$ 20,223
Death refund payments	7,628	4,028
Marriage break up refund payments	2,496	2,928
Reciprocal transfers out - matching employers	241	338
	$ 35,123	$ 27,517

17. Administrative Expenses, Net

	2011	2010
Actuary fees	$ 131	$ 140
Audit fees	52	54
Legal fees	36	53
Consulting fees	27	1
Professional fees	246	248
Salaries and fringe benefits	3,255	3,129
Office and administration	915	950
Gross administrative expenses	4,416	4,327
Less: Recoveries		
From other administered funds - regular administration	(1,520)	(1,534)
From other administered fund - special administration	(50)	(6)
From non-matching employers	(1,283)	(1,247)
Administrative expenses, net	$ 1,563	$ 1,540

18. 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:

	2011	2010
The Province of Manitoba Unfunded Pension Liability Trust Account	$ (32,105)	$ 126,006
Correctional Officers' Trust Account	(124)	541
Employer Trust Accounts	(1,548)	6,757
Money Purchase Accounts Plan	357	2,004
	$ (33,420)	$ 135,308

19. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation. The change in accounting standards for pension plans has resulted in the inclusion of the actuarial value of pension obligations and the resulting deficit, excluding any actuarial asset value adjustment, and the change in the actuarial value of pension obligations in the body of the financial statements. The change in the balance of the beginning balance of deficit is as follows:

	Fund	Non-Matching Employers	Total 2011
(Deficit) surplus, beginning of year			
Basic Benefits Account			
As originally disclosed	$ (437,277)	$ -	$ (437,277)
Non-matching employers' deficit	-	(3,008,461)	(3,008,461)
Exclusion of net future service liabilities	70,866	57,047	127,913
Exclusion of actuarial asset value adjustment	(59,449)	-	(59,449)
As restated	(425,860)	(2,951,414)	(3,377,274)
Indexing Account			
As originally disclosed	45,945	-	45,945
Non-matching employers	-	(172,577)	(172,577)
Exclusion of net future service liabilities	142,009	-	142,009
Exclusion of actuarial asset value adjustment	9,691	-	9,691
As restated	197,645	(172,577)	25,068
(Deficit) surplus, beginning of year, restated	$ (228,215)	$ (3,123,991)	$ (3,352,206)

	Fund	Non-Matching Employers	Total 2010
(Deficit) surplus, beginning of year			
Basic Benefits Account			
As originally disclosed	$ (28,696)	$ -	$ (28,696)
Non-matching employers' deficit		(2,612,633)	(2,612,633)
Exclusion of net future service liabilities	65,137	52,561	117,698
Exclusions of actuarial asset value adjustment	(294,814)	-	(294,814)
As restated	(258,373)	(2,560,072)	(2,818,445)
Indexing Account			
As originally disclosed	67,902	-	67,902
Non-matching employers' deficit	-	(148,680)	(148,680)
Exclusion of reserve for future indexing benefits	133,595	-	133,595
Exclusion of actuarial asset value adjustment	(12,470)	-	(12,470)
As restated	189,027	(148,680)	40,347
(Deficit) surplus, beginning of year, restated	$ (69,346)	$ (2,708,752)	$ (2,778,098)

20. Deficit

	Fund	Non-Matching Employers	Total 2011	Total 2010
(Deficit) surplus, beginning of year, restated, Note 19				
Basic Benefits	$ (425,860)	$ (2,951,414)	$ (3,377,274)	$ (2,818,445)
Indexing Benefits	197,645	(172,577)	25,068	40,347
	(228,215)	(3,123,991)	(3,352,206)	(2,778,098)
Change in net assets available for benefits, Exhibit B				
Basic Benefits	(155,657)	-	(155,657)	311,170
Indexing Benefits	(15,588)	-	(15,588)	33,920
	(171,245)	-	(171,245)	345,090
Change in pension obligations during the year, Exhibit C				
Basic Benefits	(100,179)	(52,791)	(152,970)	(869,999)
Indexing Benefits	(19,492)	(10,625)	(30,117)	(49,199)
	(119,671)	(63,416)	(183,087)	(919,198)
(Deficit) surplus, end of year, Exhibit D				
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)

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:

	2011	2010
The Manitoba Hydro Pension Fund	$ 723,727	$ 754,036
Joint Board of Trustees of The Municipal Employees Benefits Program	453,896	462,121
The Public Service Group Insurance Fund	124,923	135,296
Centra Gas Manitoba Inc.	80,142	81,907
Manitoba Liquor Control Commission	51,203	52,328
Winnipeg Child and Family Services Employee Benefits Retirement Plan	21,730	23,734
Workers Compensation Board of Manitoba	17,669	18,918
Legislative Assembly Pension Plan	13,960	13,200
	$ 1,487,250	$ 1,541,540

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, 2011, the Fund's share of the outstanding commitment is $63.8 million (2010 - $30.3 million).

Schedule 1 - The Civil Service Superannuation Fund

Consolidated Summary of Investments

as at December 31, 2011

($) Thousands	2011	2010
Fixed income investments		
Cash and Short-term		
Major banks, corporations and bonds	$ 30,313	$ 77,846
Bonds and debentures		
Pooled fund	1,202,267	1,146,595
Mortgages		
Other	-	160
Index-linked	27,681	29,482
Total fixed income investments	**1,260,261**	**1,254,083**
Equity investments		
Pooled funds		
Domestic	1,115,067	1,322,500
Foreign	1,828,560	1,776,962
Real estate		
Participating bonds	-	83,818
Shares	-	257,445
Units of pooled real estate	380,787	-
Petroleum and natural gas shares, Note 4	244,864	197,023
Venture capital	15,688	23,724
Total equity investments	**3,584,966**	**3,661,472**
Investments, Exhibit A	**$4,845,227**	**$4,915,555**

Consolidated Schedule of Contributions

For The Year Ended December 31, 2011

	2011			2010
($) Thousands	Employers	Employees	Total	Total
Non-Matching Employers, Note 1 (b)				
Province of Manitoba Civil Service	$109,805	$50,476	$160,281	$148,650
Manitoba Hydro-Electric Board	37,871	25,531	63,402	59,907
Manitoba Public Insurance Corporation	6,460	6,547	13,007	12,352
Red River College	-	4,852	4,852	4,730
Liquor Control Commission	3,057	1,795	4,852	4,516
Addictions Foundation of Manitoba	1,008	953	1,961	1,711
Community Colleges				
Assiniboine Community College	73	1,172	1,245	1,160
University College of the North	-	1,195	1,195	1,173
Regional Health Authorities				
Winnipeg	-	717	717	768
Brandon	-	628	628	693
Central	-	148	148	177
Assiniboine	-	134	134	152
Interlake	-	126	126	142
Parkland	-	125	125	124
South Eastman	-	93	93	102
Nor-Man	-	75	75	79
North Eastman	-	46	46	53
Burntwood	-	32	32	37
The Legal Aid Services Society of Manitoba	-	697	697	688
Manitoba Centennial Centre Corporation	331	139	470	441
Diagnostic Services of Manitoba	-	415	415	451
Teachers' Retirement Allowances Fund Board	101	149	250	246
Communities Economic Development Fund	47	56	103	126
The Council on Post Secondary Education	-	48	48	45
Manitoba Horse Racing Commission	16	8	24	72
Workers Compensation Board	1	-	1	3
Total Non-Matching Employers	**$158,770**	**$96,157**	**$254,927**	**$238,598**

Consolidated Schedule of Contributions

For The Year Ended December 31, 2011

	2011			2010
($) Thousands	Employers	Employees	Total	Total
Total Non-Matching Employers, continued	**$158,770**	**$ 96,157**	**$254,927**	**$238,598**
Matching Employers, Note 1 (b)				
Manitoba Lotteries Corporation	3,350	3,803	7,153	6,931
Manitoba Housing Authority	988	1,134	2,122	1,969
Manitoba Agricultural Services Corporation	776	557	1,333	1,329
Manitoba Government and General Employees' Union	417	453	870	854
CUPE Support Workers	385	498	883	803
All Nations Coordinated Response Network	390	447	837	716
Civil Service Superannuation Board	294	318	612	582
Gaming Control Commission	176	198	374	378
Manitoba Crop Insurance Corporation	153	178	331	316
Manitoba Floodway Authority	185	207	392	307
National Agri-Food Technology Centre	114	130	244	261
Travel Manitoba	135	142	277	256
Manitoba Hydro Utilities Service	131	154	285	250
Industrial Technology Centre	72	81	153	146
Dairy Farmers of Manitoba	57	64	121	118
Hams Marketing Services Co-op Inc.	44	50	94	88
Manitoba Arts Council	34	39	73	76
Manitoba Pork Council	44	39	83	75
Manitoba Film and Sound	35	39	74	73
Crown Corporations Council	22	22	44	49
Manitoba Chicken Producers	20	23	43	41
Manitoba Cattle Enhancement Council	11	13	24	28
Manitoba Turkey Producers	7	7	14	11
MFC Testing and Research Inc.	12	13	25	9
Economic Innovation and Technology Council	3	-	3	-
Total Matching Employers	**$ 7,855**	**$ 8,609**	**$ 16,464**	**$ 15,666**
Total Employers, Non-Matching and Matching	**$166,625**	**$104,766**	**$271,391**	**$254,264**

Consolidated Schedule of Contributions

For The Year Ended December 31, 2011

($) Thousands	2011 Employers	2011 Employees	2011 Total	2010 Total
Total Employers, Non-Matching and Matching, continued	**$166,625**	**$104,766**	**$271,391**	**$254,264**
Other				
Employees on loan	1	1	2	2
Employees on workers compensation	-	29	29	11
Reciprocal agreement - transfers in	-	3,171	3,171	6,004
Reciprocal agreement - transfers out	(564)	(649)	(1,213)	(2,603)
Repayment of contributions previously refunded	-	74	74	89
Contributions based on prior non-pensionable employment	-	2,336	2,336	2,842
Transfer from Money Purchase Accounts Plan	-	8	8	570
Total Other	**$ (563)**	**$ 4,970**	**$ 4,407**	**$ 6,915**
Total contributions, Exhibit B	**$166,062**	**$109,736**	**$275,798**	**$261,179**

Schedule 3 - The Civil Service Superannuation Fund

Consolidated Schedule of Investment Income

For The Year Ended December 31, 2011

($) Thousands	2011	2010
Fixed income		
Short term	$ 696	$ 976
Bonds and debentures	45,975	50,126
Mortgages	1,891	1,789
Total fixed income	**48,562**	**52,891**
Equity income		
Pooled funds	72,102	60,279
Real estate	12,389	13,218
Petroleum and natural gas shares, Note 4	-	-
Venture capital	-	8
Total equity income	**84,491**	**73,505**
Other investment income		
Security lending revenue	3,388	3,140
Gross investment income	**136,441**	**129,536**
Less:		
Investment management expenses, net, Note 21	5,758	6,883
Interest allocated to employee future benefits obligations	156	137
	5,914	**7,020**
Net investment income, Exhibit B	**$130,527**	**$122,516**

The Civil Service Superannuation Board
1200-444 St. Mary Avenue
Winnipeg, Manitoba, Canada R3C 3T1
Phone: 204-946-3200 Fax: 204-945-0237