



The Civil Service Superannuation Board

August 25, 2010

1200 - 444 St. Mary Avenue
Winnipeg, Manitoba R3C 3T1
CANADA

Phone: 204-946-3200
Canada Toll Free: 1-800-432-5134
Fax: 204-945-0237
Website: www.cssb.mb.ca

Mr. Larry Grant, Chair
Employer Advisory Committee
811-155 Carlton Street
Winnipeg, Manitoba
R3C 3H8

Ms. Monica Girouard, Chair
Employee Liaison Committee
C/O MGEU
601-275 Broadway
Winnipeg, Manitoba
R3C 4M6

Dear Sir and Madame:

This letter represents a follow up to the letter from the Civil Service Superannuation Board (Board) dated November 3, 2008 concerning an increase in pension contribution rates. The Board has recently approved the Actuarial Valuation Report dated December 31, 2009 (2009 AVR). The 2009 AVR from the actuary indicates a contribution shortfall which has been identified in previous reports and continues to grow in severity. Page 2 of this letter includes updated information from the Civil Service Superannuation Fund (Fund) actuary, Ellement and Ellement, outlining the magnitude of the issue and a recommended course of action that could assist in correcting the situation.

The Board feels that without changes to the current contribution rates or future pension benefits the shortfall will continue to grow and could have an adverse impact on the sustainability of plan benefits.

Since there are numerous alternatives to address funding issues, the Board strongly recommends that the Employer Advisory Committee and the Employee Liaison Committee enter into discussions to determine the best course of action to resolve the funding issues currently facing the Fund.

The 2009 AVR offers a recommendation to increase contribution rates exclusive of any allocation for recovery of the deficit identified in the 2009 AVR.

In particular, the following recommendation was contained on page 10 of the 2009 AVR:

- *"In respect of future service, it is recommended contribution rates of employees and matching employers to the Basic Account be increased as indicated in the table below, in the near future, to eliminate the current contribution deficiency so that future benefit accruals do not cause an unfunded liability in the Fund. If 10.2% of the contribution increase is allocated to the Indexing Account, then the contribution increase requirements are even higher, as indicated in the table below.*
- *In respect of past service, it is recommended that the Province of Manitoba, the Liaison Committee, and the Advisory Committee be informed that the current going concern deficit of \$272,477,496 could be amortized by 15 annual payments of \$27,245,605 (must be divided by 12 and paid monthly) which is equivalent to 1.59%*

to 1.89% of salary over the next 15 years, as indicated in the table below. Although it is not recommended that deficit recovery occur at this time, the parties must be made aware that it may become a requirement in the future if future excess investment and/or demographic experience is not generated in the Fund.

Possible Contribution Increases to be considered separately for both Employees and Matching Employers	Basic Account Only Without a 10.2% of Contribution Allocation to the Indexing Account			Basic & Indexing Account With a 10.2% of Contribution Allocation to the Indexing Account		
	< CPFE / ≥ CPFE *			< CPFE / ≥ CPFE		
A Future Service > Valuation date						
Recommended Contribution Increase	\$ 33,427,325	1.76%	2.08%	\$ 37,224,193	1.96%	2.32%
B Past Service < Valuation date						
Possible Amortization of Going Concern Deficit of (\$272,477,496) over 15 years	27,245,605	1.43%	1.70%	30,340,317	1.59%	1.89%
C Total Potential Increase	\$ 60,672,930	3.19%	3.78%	\$ 67,564,510	3.55%	4.21%

* Current contributions are represented as a percentage of earnings above/below the Canada Pension Plan Earnings (CPFE).

- Any contribution increase to employees in excess of 9.00% (on a blended basis) of salary will require the approval of the Canada Revenue Agency to ensure continued tax deductibility of such employee contributions."

Please refer to the 2009 AVR for further detail.

We will be pleased to provide any additional information and participate in discussions to review and hopefully arrive at a satisfactory resolution of this issue.

Yours truly,



Al Morin
Chair,
The Civil Service Superannuation Board

cc: Honourable Rosanne Wowchuk, Minister of Finance