The Civil Service Superannuation Board

Member-focussed

Future-focussed

2016 Annual Report

Our Vision for the future:

A professional, sustainable pension plan, designed for the future of our members.

Our Mission and Purpose is:

To deliver to our plan members their pension entitlements.

We do this by:

- Acting **collaboratively** with each other, with employers and with the plan sponsor, constantly seeking **member-focussed outcomes**
- **Prudently investing and monitoring** plan assets
- Delivering **timely, accurate information** to members, allowing them to make educated, informed decisions
- Fostering a working environment that attracts & retains **motivated, talented people**

Our Values

In our relationships, decisions, words and actions, we are guided by the following values:

- Staying resolutely **member-focussed**; always seeking the **best outcomes** for our members;
- Acting with **integrity, professionalism** and **excellence**;
- Ensuring **transparency** and **accountability** to our members and other stakeholders;
- Pursuing and rewarding **innovation**, in the interests of best outcomes;
- Modelling and fostering **collaboration** and **respectful action** as the means of pursuing best member outcomes.

Contents

MINISTER RESPONSIBLE
FOR THE CIVIL SERVICE SUPERANNUATION ACT

Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

June 14, 2017

The Honourable Janice C. Filmon, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

As Minister Responsible, I have the privilege of presenting for the information of Your Honour, the 78th Annual Report of The Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2016.

Respectfully submitted,

Honourable Cameron Friesen
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 13, 2017

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

Sir:

In conformity with the provisions of The Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for The Civil Service Superannuation Act, the 78th Annual Report of The Civil Service Superannuation Board.

This report covers the period January 1, 2016 to December 31, 2016 and includes a review of the Board's activities for that period as well as the Report of the Office of the Auditor General and attached audited financial statements for that period.

Respectfully submitted,

Al Morin, Chair
The Civil Service Superannuation Board

The Civil Service Superannuation Board

Chair

Al Morin
Retired, President and Chief Executive Officer
Assiniboine Credit Union

Employee Representatives

Paul Desorcy
Manitoba Hydro Representative
Manitoba Hydro-Electric Board

Ray Erb
Civil Service Representative
Retired, Manitoba Government & General Employees Union

Jody Gillis
Civil Service Representative
Red River College

Doug Troke
Civil Service Representative
Department of Finance

Employer Representatives

Ed Balcewich
Investment Advisor, FMA, FSCI.

Andrew Clarke
Financial Planner

Normand Collet

Wayne D. McGimpsey
Chartered Accountant

Finance and Audit Committee

Chair
Doug Troke - Employee Representative

Normand Collet - Employer Representative
Ray Erb - Employee Representative
Wayne McGimpsey - Employer Representative

HR and Governance Committee

Chair
Paul Desorcy - Employee Representative

Ed Balcewich - Employer Representative
Andrew Clarke - Employer Representative
Jody Gillis - Employee Representative

Investment Committee

Chair

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

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

Richard Brownscombe *
President
Montrose Mortgage Corporation Ltd.

Jody Gillis ^
Civil Service Representative

Al Morin ^
Chair
The Civil Service Superannuation Board

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

Bruce Schroeder ^
General Manager
The Civil Service Superannuation Board

Garry Steski ^
Deputy Minister of Finance
Province of Manitoba

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.

Jamie McCallum
Chief Finance and Strategy Officer
Manitoba Hydro-Electric Board

* Appointed based on investment expertise
^ Required by legislation

The Civil Service Superannuation Board

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

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

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

As the Plan trustee, the Board is required to:

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

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

CSSB Management Team

Bruce Schroeder
General Manager

Dale Allen
Director, Management Information Systems

Patti Malbasa
Director, Communications and Client Services

Dawn Prokopowich
Director, Client Services Administration

Rick Wilson
Director, Finance and Investment Communications & Management Services

Peter Josephson, CFA
Chief Investment Officer

Ellement Consulting Group
Consulting Actuary

Fillmore Riley
Legal Counsel

Office of the Auditor General
Auditor

Your Pension Plan

Your Plan is a “defined benefit” plan which means that your pension is based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on your years of service and average salary. While some employers prefund (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).

		2016 (*)	2015 (*)
Financial	Rate of Return on Investments	5.65%	7.63%
	Investments at Market Value	7,077,658	6,885,208
	Net Investment Income	212,221	204,469
	Current Period Change in Fair Value of Investments	156,170	288,405
	Employee Contributions	165,787	157,703
	Employer Payments	251,374	236,356
	The Province of Manitoba Unfunded Pension Liability Trust Account	2,077,951	2,025,703
	Pension Payments	437,233	410,870
	Refunds and Transfers	97,803	88,961
	General Expenses - Net	2,238	1,895

* $Thousands unless otherwise noted

		2016	2015
Membership	Non-Retired Members	34,097	34,393
	Retired Members and Other Recipients	20,793	19,823
	Total Members	**54,890**	**54,216**
Other Plans Under Administration	Manitoba Telecom Services Inc.^	5,663	5,837
	Money Purchase Accounts Plan	3,220	3,121
	Centra Gas^	785	791
	Winnipeg Child and Family Services^	257	269
	MLA's^	97	97
	Legislative Assembly Pension Plan	112	82
	Total Membership (all Plans)	**65,024**	**64,413**

^ Active and Retired

Message from the Chair

Al Morin

On behalf of the members of the board, I am pleased to present the 2016 Annual Report for The Civil Service Superannuation Board (CSSB).

During 2016, the CSSB dealt with a variety of matters that included, but were not limited to:

- Potential Canadian Postal Disruption - With membership requiring information on a timely basis, the CSSB developed a plan to ensure any disruption would have minimal effect on delivery.
- PreRetirement Webinars – In an effort to ensure members throughout the province have access to PreRetirement Planning, the CSSB introduced live webinars in 2016. These were well attended with positive feedback and will continue in 2017.
- Retroactive Pension Payments - With the settlement of union contracts and retroactive salary payments back to 2014, over 700 pensioner accounts were required to be updated and paid retroactively.

For 2016 as a whole, the Civil Service Superannuation Fund (Fund) underperformed its benchmark by 1.74% as it gained 5.65% versus 7.39% for the benchmark. Although the return was below the Fund's benchmark, it is important to remember that the annualized long-term rate of return of the Fund over the last five years is 9.46%, exceeding the 6% benchmark set as the Actuarial required rate of return. The Actuarial rate of return is the benchmark established to help ensure the Fund is able to support the long-term sustainability of the Plan and meet its future financial obligations.

The past year was quite a roller coaster when it came to the Fund's investments and their volatility. Not unlike any other year, the unknowns outshone the knowns:

- The year started out with one of the worst two-week periods with a drop of almost 9% in the U.S. equity markets.
- Oil prices fell to a 13 year low.
- Natural gas prices fell to a 17 year low.
- The United Kingdom's vote to exit from the European Union, commonly called "Brexit".
- The U.S. election of Donald Trump as President.

During 2016, the board, with the help of a consultant, met to review and update the CSSB's existing organizational guiding statements. The culmination of this work was presented to the members of the board and accepted at their November 2016 meeting. During 2017, membership will see the launch of the CSSB's revised Mission, Vision and Value statements at seminars, on the CSSB website, and in its various newsletters.

In late 2016, the CSSB held the election for Employee Representatives. Congratulations to Mr. Ray Erb, Mr. Jody Gillis, and Mr. Doug Troke on being re-elected for three-year terms as Government Employee representatives while Mr. Paul Desorcy was also re-elected as the Manitoba Hydro representative.

In 2017 we look forward to the completion of our Enterprise Risk Management initiative. The board will undertake a comprehensive review of all organizational risks to determine if further action is required to mitigate any current or newly identified risks.

I would like to take this opportunity to express my gratitude to the management and staff of the CSSB for their hard work and dedication throughout the year. Their continued commitment and passion to ensure membership receives timely service and information is second to none.

Message from the General Manager

Bruce Schroeder

Technology is improving the way pension plans communicate and provide services to its stakeholders. The Civil Service Superannuation Board is no exception. We continuously search for methods that will make information easier to obtain and understand for all its stakeholders through self-service options. We strive to make improvements for today and position ourselves for tomorrow. Our goal is to deliver timely valued pension services.

In 2016 we introduced online webinars as a convenient way for members to attend retirement seminars. In the past the traditional method of delivering retirement information to our membership was via an in person seminar that provided the information in a class room setting through a power point presentation format. We continue to offer seminars in this format but felt that a more convenient offering would be beneficial to those members that may not be able to attend in person. The online webinar can be attended by anyone but is directed toward those members who may not be in close proximity to a location where the in person seminars are held. In 2016 we held two online seminars and they were well attended. The feedback we received indicated that they were a success. We will continue to build on this success and will offer additional online webinars in 2017. The online seminar is also posted on our website to enable members to access it at their convenience.

Another web based initiative was developed and launched in 2016 which involved the provision of information to members who have terminated employment prior to their retirement date. When a member terminates employment we provide information concerning their pension benefit. The historical method of communication has been through a letter that was mailed to their last reported address. In 2016, if the member was registered for CSSB Online Services, we began posting these letters to the members Online Services document centre. It is secure and a faster method of delivery of this important information. This method eliminates any concern about the time it takes for a member to receive the letter and allows us to monitor and ensure that the member has the information they require to make an informed decision. In cases where a member has changed addresses between the time they terminate and the time their employer gets us the required information, this method ensures that the member receives the information without delay.

In 2017 we plan to add increased online functionality to our website. We'll be setting up webinars to reach out to employers to enhance their knowledge. A series of employer based webinars will be created to address common reporting and information issues. Once completed the webinars will be posted online so if an employer representative cannot attend the webinar they will be able to view the content at their convenience.

Another initiative for 2017 is a re-design of our member statements, which include employee and pensioner statements. The statements were designed many years ago and it's time for a refresh. The majority of members pick up their statements online so the goal will be to develop the employee statements with that in mind.

In 2016 the Board completed work on its new Vision, Mission and Purpose statements. We will be introducing the new Vision, Mission and Purpose statements in 2017 through our various member newsletters and on our website.

I would like to thank the Board for their support and hard work in 2016 and also would like to thank the CSSB staff for their continued efforts.

Investment Information

Policies and Procedures

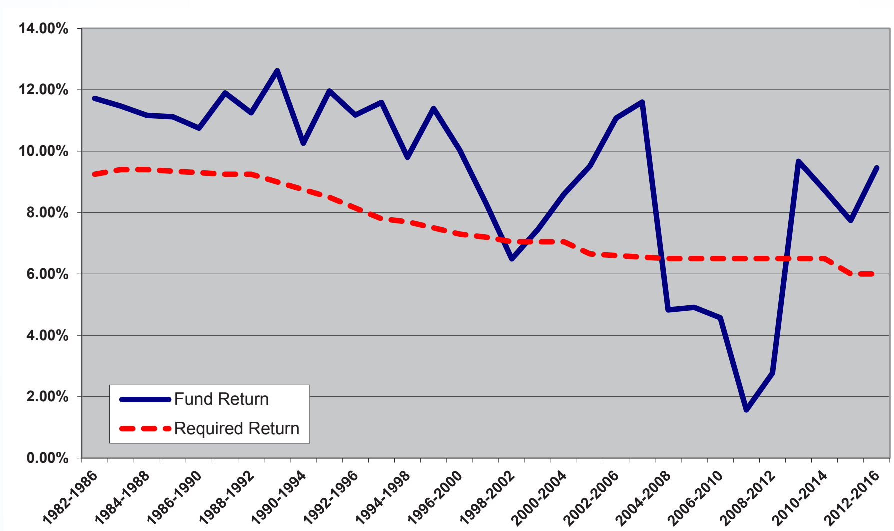
The Fund's Statement of Investment Policies and Procedures (SIP&P) guides the investment decision making process. This document is created by independent consultants and matches the Fund's assets with its liabilities, now and into the future. Upon its approval by the Board, this document is put into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

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

Long-term Success of Investment Policy

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

Five-Year Annualized Return

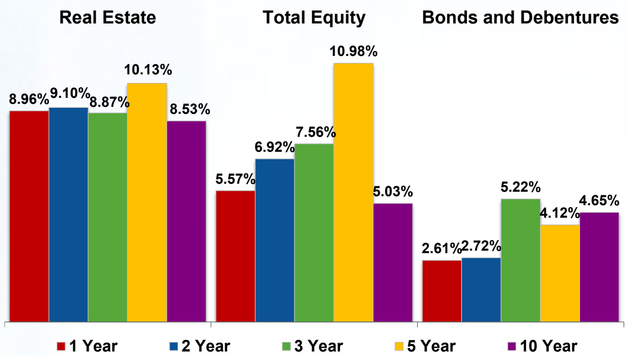


Policies and procedures that continue to guide or impact investment decisions include:

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

During 2016, capital markets continued to be highly sensitive to global macroeconomic data and geopolitical headlines/events. In fact, the path of global capital markets was much like that of a rollercoaster, with macroeconomic concerns causing sharp, breathtaking declines and geopolitical events resulting in severe twists and turns.

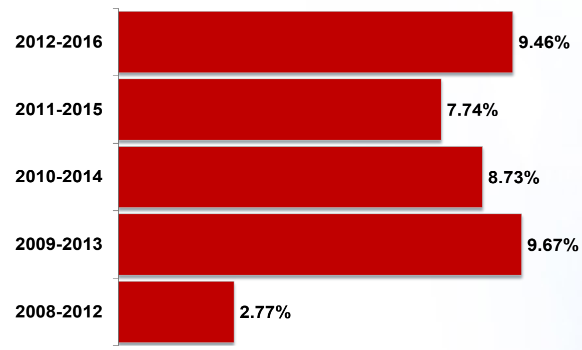
Annualized Rates of Return



Initially, 2016 had the worst start for the S&P 500 in history. In the first 10 days of trading it fell over 12% and global markets plunged 20% from their highs. As equity markets fell, investors rapidly moved into the fixed income area for defensive purposes and by mid-February long treasuries were up by almost 10%. This daunting start to the year was largely driven by heightened fear of a Chinese hard landing, a sharp decline in the Chinese equity market and concerns of further Yuan devaluation. Compounding this was the impact of the Federal Reserve increasing rates in December, weak U.S. economic data and a further swift decline in world oil prices to below $30 USD per barrel, a level not seen in 12 years. These factors, as well as concerns regarding future rate hikes, diverging central bank monetary policies and the persistent strength of the USD led to an ominous start to 2016. However, in mid-February investor sentiment quickly reversed as many of the challenges that concerned investors dissipated. Economic data from China stabilized/improved decreasing fears of a further currency devaluation. Europe and Japan moved to further increase monetary stimulus and the consensus suggested that the Federal Reserve would be unlikely to increase rates four times in 2016, as it had planned. The latter resulted in a break in the persistent strength of the USD, removing a headwind to U.S. corporate profits, emerging markets and oil prices. The confluence of these events set the stage for a dramatic rally in equity markets and, importantly oil prices which rallied 100 % from their January lows.

From this point, global equity markets trended higher while interest rates continued to move modestly lower. This market calm abruptly ended on June 23, 2016 when the population of Britain shocked the world by voting to exit the European Union. The so-called Brexit vote stunned investors causing equity markets to tumble and yields to decline precipitously to historic lows in the U.S. In Japan and Europe yields fell further into negative territory. This severe market reaction was driven by fears that the Brexit outcome would cause the U.K. economy to fall into recession, negatively impacting the fragile European recovery and dampening an already tepid global growth outlook. The initial market reaction proved to be extreme as markets recovered most of their losses prior to the end of the second quarter. Over the summer months, global capital markets were relatively quiet with equity market moves being modest and yields moving up off their lows. This occurred as investors contemplated improving economic data out of Europe, China and the U.S., as well as further Central Bank support in the U.K., Japan and Europe. In addition, there was growing sentiment that the Fed would be reluctant to raise rates further in the U.S.

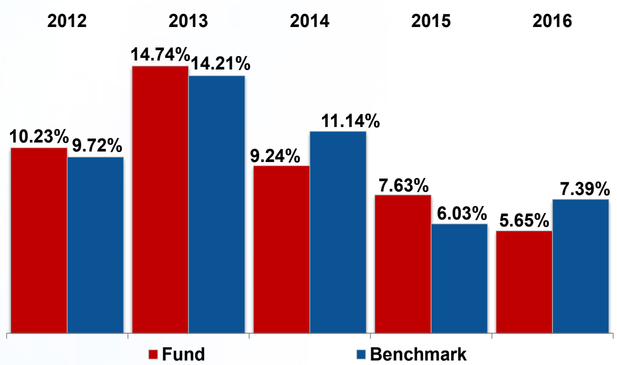
Total Fund Annualized Five-Year Rates of Return



While the summer months were particularly sanguine, September proved to be more interesting and challenging for capital markets. As market participants returned from their summer holidays, there were several events that caused market volatility to spike, equity prices to pull back and bond yields to rise. There were comments by the Chair of the Fed, Janet Yellen, that the Open Market Committee was poised to raise rates, possibly as soon as the September meeting. Further, both the ECB and the Bank of Japan disappointed the market by failing to provide additional stimulus measures at the respective meetings on September 8th and 21st. In fact, there were rumors that the ECB was considering a program to taper their bond purchases in the near future. In addition, the U.S. presidential race was becoming more dysfunctional and the polls were indicating a tight race between the most disliked and distrusted candidates in U.S. presidential election history. Taken together, these events resulted in market participants becoming far more cautious.

Over the last three months of 2016, global equity markets began to once again gain confidence, moving modestly higher and rates were well off their historic July lows. Economic data had continued to improve globally and seemed to be gaining momentum. The main issue facing markets was the upcoming U.S. election, which was widely anticipated to result in a Hillary Clinton victory. Once again polls proved incorrect and markets were shocked at the election of Donald Trump. The initial reaction in overnight futures trading was a 1000 point drop in the Dow with similar negative moves in global equity markets while yields moved lower. However, by the end of the trading day on November 9th, markets were essentially flat and rates were actually higher. It appeared that investors, while surprised at Trump's victory were prepared to positively embrace his platform of cutting taxes, increasing spending and decreasing regulations.

Total Fund Annual Rates of Return Versus Benchmark



Further supporting this more optimistic outlook was the fact that the Republicans won control of Congress, suggesting more effective government policies over the next few years. In fact market participants quickly adjusted their views on potential U.S. growth, inflation and the outlook for corporate profits. By year end, the S&P 500 had gained 4.6% from Election Day and 10 year U.S. yields had moved higher by a shocking 67 basis points (bps). All in all, 2016 proved to be a year of surprises which will likely have a significant impact on global economies and financial markets over the next number of years.

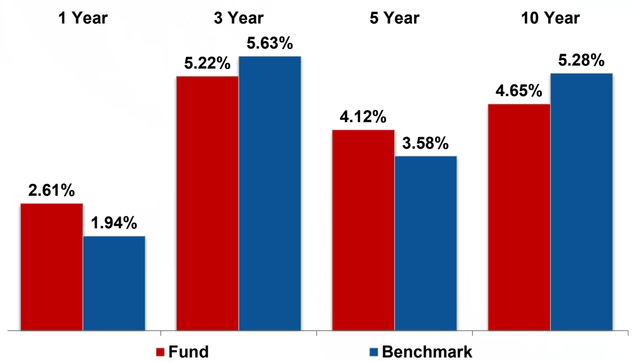
Cash and Cash Equivalents

Cash remains a relatively small portion of the Fund. Active management added 27 bps with a return of 0.78% compared to the FTSE TMX Canada 91 Day T-Bill return of 0.51%.

Bonds and Debentures

In 2016, the Bond portfolio outperformed by 67 bps with a return of 2.61% versus 1.94% for the benchmark. The biggest driver of performance was an overweight position in corporate debt as spreads tightened on average 34 bps for the year.

Annualized Bonds and Debentures Rates of Return



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 6.12% in 2016 compared to 4.42% for the benchmark.

Total Equity

For 2016, global capital market returns were generally strong in local currency terms, with the exception of Europe and Japan. However, for domestic investors, the strength of the Canadian dollar versus the USD and Euro had a negative impact on non-Canadian equity returns. In 2016, the U.S. equity market greatly benefited from the Trump election, in particular the small and mid-cap sectors. The S&P 500 returned 8.5% (all in CAD), the S&P 400 mid-cap index rose 17.4%, while the S&P 600 small cap index surged 23%. It is interesting to note that the majority of these returns occurred in the final quarter of the year. The MSCI Europe Index experienced a loss of 6.2% (CAD), while Japan advanced a modest 3.2% (CAD). In other areas of the Asia Pacific market Hong Kong dropped 2.5%, India lost 3.5% and Australia rose 2.9%. Domestically, the Canadian market produced impressive results advancing 21.1% led by a surge in the oil and materials sectors. The rebound in commodity prices also benefited certain emerging markets, such as Brazil 64% (CAD), while China fell over 20% and Mexico almost 15%. These regional return disparities in emerging markets resulted in modest gains for the MSCI Emerging Markets index of 7.8% (CAD). The MSCI All World Index ex Canada and the U.S. barely moved higher in 2016 returning .15% (CAD).

Fixed income markets were extremely volatile in 2016, dropping steadily over the first six months and ultimately hitting a capitulation historic low in early July at 1.37% for U.S. 10 year treasuries and .95% for Canadian 10 year yields. Both these levels breached the previous historic lows reached at the depths of the European financial crisis in 2012. From this point yields were gradually moving higher as economic data was better than forecast and on expectations of a Fed rate increase. However, fixed income markets reacted swiftly to the election of Donald Trump as President of the United States. November was the worst month for U.S. treasuries in over 20 years with 10 year yields rising 50 bps. In December, they rose a further 20 bps which resulted in wiping out all of the year's gains. This swift reaction was largely due to Trump's expansionary fiscal platform, and plan to cut taxes across the board. Both had negative implications for inflation expectations and deficits. Canadian bonds experienced a similar fate, although the Canadian fixed income market did hold onto some of its previous gains. The Canadian 10 year yield ended the year at 1.7% up .3% from December 31, 2015. The FTSE/TMX Canada Universe was up 1.7% while the FTSE Canada long index rose 2.5% The CSSB's custom fixed income benchmark index advanced 1.9% for 2016 after being up 7% at the end of September.

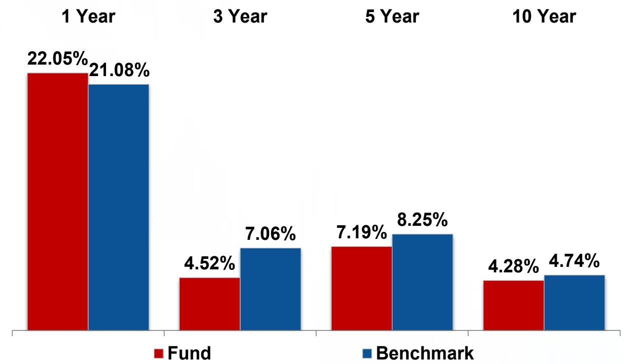
Canadian Equity

Canadian Equity markets posted strong gains in 2016 as improving macro-economic and inflationary conditions buoyed the cyclical components of the indices. The large-capitalization S&P/TSX Composite gained 21% and the mid-tier S&P/TSX Completion added 20%.

Returns were driven by the more cyclical areas of the economy – energy, materials, industrials and banking. Oil prices were saved from the abyss by smooth-talking OPEC officials, rallying nearly $20 a barrel from the lows on a constant stream of production cut promises. Massive credit creation and stabilizing growth trends in China drove big gains in industrials and materials while the big banks posted impressive returns on an improving Canadian economy and an impressive ability to control costs to generate earnings growth.

The Canadian Equity I Fund benefited from the cyclical bias in the portfolio, gaining 25.5% during the year, out-pacing the index by 441 bps. Alternatively, the Canadian Equity II Fund struggled to keep pace with the cyclical rally, returning 15.3% and underperforming its benchmark by 521 bps. In aggregate, Canadian equities generated an impressive 22% return in 2016, beating the benchmark return by 97 bps.

Annualized Canadian Equity Rates of Return



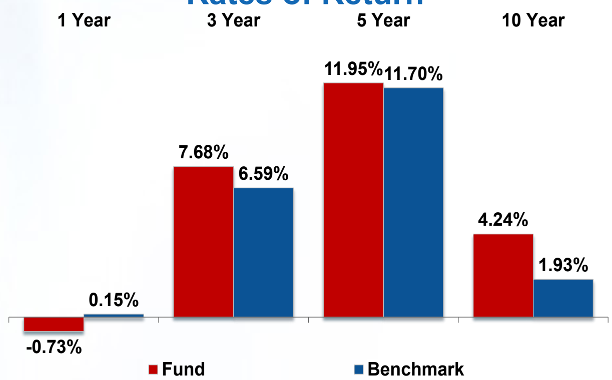
U.S. Equity

2016 was an election year and what an election year it was. President Donald Trump became a symbol of hope as U.S. equities posted almost all of their gains following his surprising win in the U.S. Presidential election. Donald Trump was the second surprise that the polls got wrong in 2016 after England voted in favor of Brexit much to the surprise of equities. That outcome was treated far worse than Trump's shocking victory as concerns over declining growth prospects caused investors to sell equities. When the dust settled, after being flat going into September, the S&P 500 gained 12% for the year, which was only 8.5% in Canadian dollars as the strength in the U.S. dollar pared gains for investors in Canada. Concerns over growth turned to investor hope and euphoria after the Trump election and that caught many investors off guard including CSSB. Once again the median manager underperformed the benchmark by a wide margin and unlike 2015 when the U.S. Equity Fund beat by a healthy 75 bps; it was also one of those that missed the benchmark by 232 bps in 2016.

Non-North American Equity

The Non-North American Equity component of the Fund underperformed by 88 bps, returning -0.73% versus the benchmark return of 0.15%. The external EAFE manager returned -4.89%, underperforming its benchmark by 240 bps. The Asia Pacific manager returned 1.74%, underperforming its benchmark by 133 bps. The EM manager returned 9.45%, outperforming its benchmark by 166 bps. The internal International Equity portfolio returned -1.33%, underperforming its benchmark by 66 bps.

Annualized Non-North American Equity Rates of Return



Private Equity

Private Equity returned -20.5% in 2016 due to the underperformance of the Fund's oil and gas investment, Superman Resources Inc.

While a weak commodity price environment persisted, Superman did outperform its 2016 budget on most metrics. Production grew despite reduced capital expenditures and operating expenses were brought down after a substantial operational review was completed. A prudent capital spending plan during the year has allowed management to create a more robust development plan for the coming year, with the intent of being able to take advantage of improved future commodity prices, while still living within cash flow.

In 2016, as part of the new Private Credit Strategy, a new investment of CAD $144 million in the equity of Antares Capital was initiated. Antares is the largest mid-market lender to private equity firms in the United States. General Electric sold Antares Capital to CPPIB in late 2015 and CSSB, through its strong relationship with Northleaf Capital, managed to obtain a small equity position alongside other select pension funds in Canada.

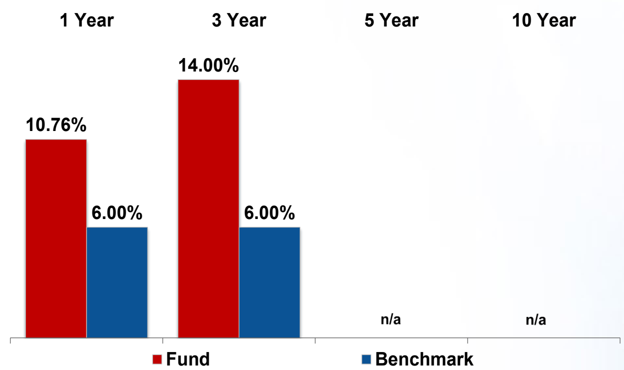
Infrastructure

It was a very busy year in the Infrastructure portfolio. Borealis continues to be the largest holding and it posted another solid return in 2016 of 10.7%. New commitments to Brookfield, InstarAGF and Northleaf Capital were also made in 2016. Commitments as of December 31, 2016 are:

- Borealis
- Northleaf NICP II
- InstarAGF
- Brookfield Infrastructure III

The new programs are in their earlier stages and the commitments will be called over the next two to three years.

Annualized Infrastructure Rates of Return



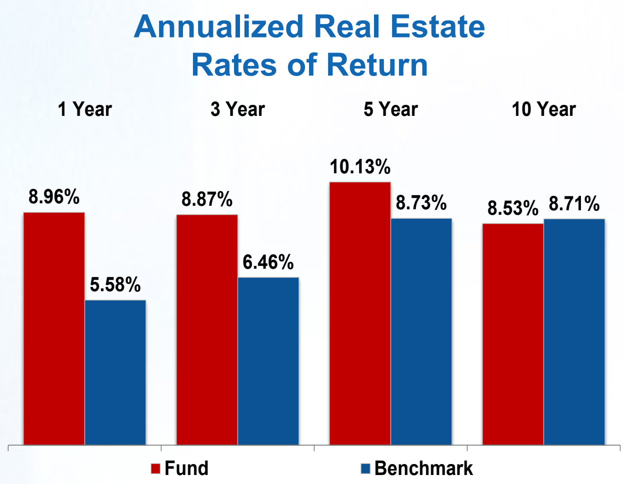
Private Credit

A new Private Credit strategy was presented to the Investment Committee and accepted with the following new commitments in 2016:

- Northleaf Private Credit Fund I
- Brookfield Real Estate Finance Fund V

The new programs are in their earlier stages and the commitments will be called over the next two years.

Real Estate



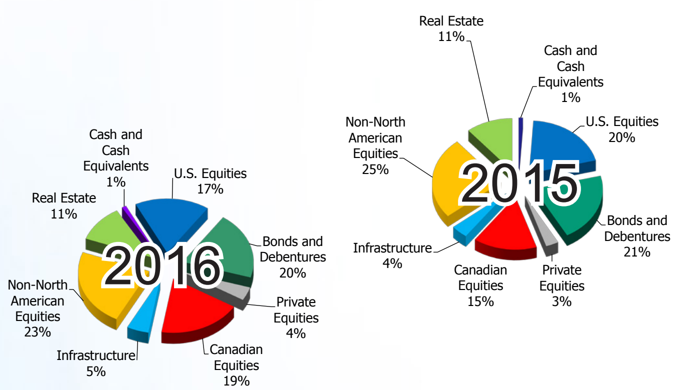
The Real Estate portfolio returned 8.96% during 2016 compared to a 5.58% return on the IPD index. Returns were helped by exposure to the Vancouver and Toronto markets, which lead Canada in growth of real estate values. There remains an abundant supply of capital pursuing a limited amount of quality real estate across all the major asset classes of retail, office, industrial, and multi-residential. Within Alberta we are seeing modest improvements in fundamentals but it's too soon to suggest we are on a strong growth path. Property fundamentals in the rest of Canada remain healthy with low vacancy and steady rental increases. We are focused on off-market transactions as a means to acquire real estate at attractive valuations and undertake select development opportunities where risk adjusted returns are appropriate.

Total Fund

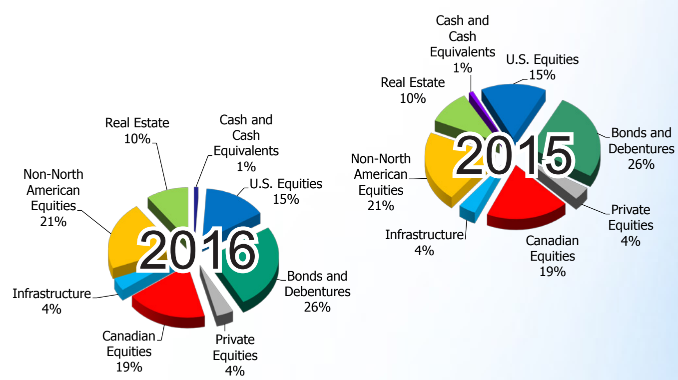
For 2016 as a whole, the Total Fund underperformed its benchmark by 1.7% as it gained 5.7% versus 7.4% for the benchmark. This underperformance relates in part to negative relative performance by some of the Fund's internal and external equity managers. Also, our underweight in Canadian Equities and overweight in Non-North American Equities were a drag on 2016 performance. However, asset allocation which emphasized equities over fixed income benefited relative performance.

In regards to non-public assets, Real Estate and Infrastructure added value to their respective benchmark in 2016. Regrettably, the main driver of the Total Fund shortfall in 2016 was the significant decline in Private Equity. This asset class is primarily our investment in Superman Resources which suffered a substantial write down in reserves despite the recovery in energy prices over the year.

Fund Investments



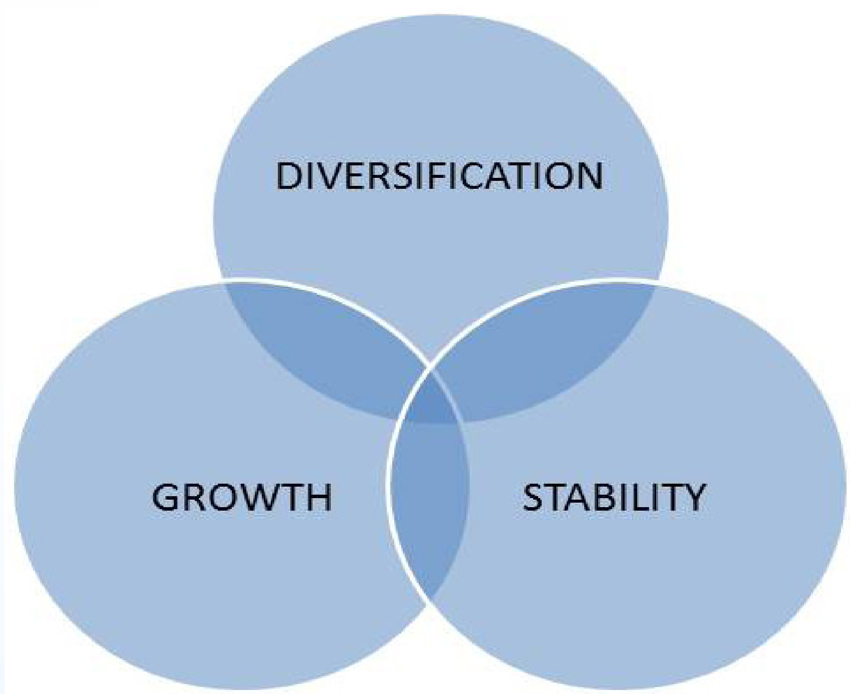
Investment Policy Normal Allocation



Fund Investments

	2016(*)	2015(*)
Contractual Investments		
Cash and Short-term	**72,366**	78,501
Bonds and Debentures	**1,427,965**	1,403,589
Mortgages	**16,933**	19,429
Public Equity Investments		
Canadian Equities	**1,310,756**	1,054,860
U.S. Equities	**1,219,693**	1,354,914
Non-North American Equities	**1,613,588**	1,733,711
Non-Public Equity Investments		
Real Estate	**816,695**	776,293
Private Equity	**254,166**	167,361
Infrastructure	**345,496**	296,550
Total Investments	**7,077,658**	**6,885,208**

* $Thousands



As we enter 2017, we are now in year eight of a global economic recovery that to date has been by all measures, sub-par, fragile, supported by ever evolving, extreme Central Bank policies and highlighted by significant market volatility. Over the past two years, the global economy has struggled to expand consistently and in our view has been in a mid-cycle slowdown since 2015. However, it is our opinion that global economic activity troughed in mid-2016 and gained traction over the balance of the year. Thus, as we enter 2017, the global economy appears to be gaining momentum and geographic breadth of improvement is underway. This raises the possibility that the global economy could be poised to experience synchronized global growth for the first time since 2006. This view has certainly been bolstered by the surprise election of Donald Trump as President of the United States in November. His platform of increased fiscal spending on infrastructure/ defense, lower corporate taxes, deregulation and overall pro-business agenda has created a much more optimistic growth outlook for the U.S. economy.

Currently, the consensus economic forecast is for global growth to be on a more sustainable path, ongoing reflationary monetary policies supporting world economic activity, fiscal policies becoming more stimulative and the risk of recession over the next 12 months is very low. This thesis is supported by various economic indicators which have moved solidly into expansionary territory and are indicative of a more positive growth outlook. These include: the OECD leading economic indicators, global manufacturing indices, global purchasing manager's indices (PMI), global services PMI's and improving global trade. The latter has been bolstered by a recovery in commodity prices and better than expected growth in China. Recently, the IMF released its forecast for 2017 Global GDP indicating an improvement to 3.4% from 3.1% estimated for 2016. Regionally, the IMF raised its forecast for the Eurozone and Europe by 0.1% largely driven by the strong 2016 second half performance. China's growth rate was increased by 0.3% to 6.5% for 2017. Regarding the U.S., the IMF suggested that, although uncertain at this time, the U.S. economy could receive a boost from President-elect Trump's proposed fiscal stimulus policies. For 2017, they raised the U.S. real GDP forecast to 2.3% from 1.6% in 2016.

Given this more optimistic outlook further comment on the regional drivers of economic growth is appropriate. To follow on the IMF's comments on the U.S. economy, it is our view that U.S. economic growth is entering 2017 on a solid foundation and momentum is building. Manufacturing and service PMI's are strengthening, industrial production is recovering, housing remains healthy and auto sales remain strong. Further, the consumer is in good shape with consumer confidence rising, labour markets tightening, unemployment at 4.7%, the participation rate stabilizing, wages up (albeit modestly), and job openings at cycle highs. The one area of disappointment has been business capital spending which could receive a boost from the pro-business Trump platform. We have mentioned Trump's aggressive new policies regarding expansionary fiscal policy, deregulation and fairer taxation and their potential positive impact on U.S. economic growth. However, the main risk we see from Trump's proposed platform, other than his persistent garbled tweets, is the spectre of "protectionism". Trump has made many references to renegotiating world trade agreements such as NAFTA, pulling out of the TPP, imposing tariffs on China and threatening to label China a currency manipulator. One has only to look back at the devastating impact of the protectionist policies of the 1930's and their negative impact on U.S. and global economies. The rise of U.S. protectionism with the potential of a global trade war is the most significant risk to U.S. and global growth in the years to come.

Turning to Europe, economic activity has been tepid and fragile since the financial crisis. Over the last half of 2016 the Euro area growth improved substantially and overall growth for 2016 should come in above expectations at 1.7%. Moving into 2017, Euro area economies should continue to gain momentum as business confidence is strong, manufacturing and service PMI's are well into expansion territory, industrial production is higher and fiscal restraint has peaked. While unemployment is around 10% the trend remains down. The major risk for the Euro area remains the impact of the Brexit on both the U.K. and European economies in terms of trade, confidence and consumer intentions. Further, on the geopolitical front, Europe is facing several significant country general elections in 2017 in Germany, France, the Netherlands and possibly Italy. These elections are extremely contentious given the heightened fears in Europe of rising populist parties on the extreme left and right and their views on remaining part of the EU, rising anti-immigration sentiment, ongoing ISIS terrorist attacks and a backlash against globalization. Lastly, despite lowering QE asset purchases to 60B from 80B EUR starting in March 2017, policy remains very accommodative. Further the Euro area economy will continue to benefit from a lower EUR, oil prices and historically low interest rates.

Over the recent past, the Japanese economy has struggled to mount a sustainable recovery in economic activity. This improved in 2016 with real GDP approaching 1.0% and we would expect only a modest gain in 2017 to just over 1%. The Japanese economy will continue to be supported by aggressive Bank of Japan actions such as further QE, management of the yield curve and outright purchase of Japanese equities. The recent rapid decline in the Yen will also prove beneficial to the export sector and corporate profits. Lastly, it is interesting to note that the labour market is extremely tight in Japan, largely due to the aging demographics.

The second largest economy in the world, China, is fundamental to improving global growth in 2017. As we have stated previously, China had a tough start to 2016, however it defied expectations of a significant slowdown as real GDP stabilized/improved over the year and is expected to report real GDP close to the targeted 6.7% level. This has largely been driven by significant government stimulus programs, substantial credit creation and a sharp rebound in housing. For 2017, we expect China's growth to moderate somewhat to approximately 6.5%, however the Chinese government will be highly focused on economic stability. This is primarily due to the Chinese Communist Party Congress to be held in the fall of 2017, suggesting authorities will stand ready to ensure growth targets are achieved. Longer-term, the main challenges for the Chinese economy remain the extremely high levels of debt, significant misallocation of capital by state owned enterprises and the ongoing rebalancing of the economy towards consumption vs. fixed investment/exports. In the near-term China faces the threat of potential Trump protectionist policies, Trump interference in the One China policy and potential for further Yuan depreciation and the U.S. reaction.

Finally the rebound in commodity prices, a lower U.S. dollar, an improving Chinese economy and a recovery in global trade has supported emerging market and commodity producing countries' economies. In 2017, emerging market economies should benefit from stable Chinese economic growth, stronger global economic activity and growing global trade. The areas of worry would include further strengthening of the USD, rising U.S. interest rates and potential U.S. protectionist policies.

The domestic Canadian economy has recovered somewhat from the impact of Fort McMurray. Improved energy and commodity prices have been a positive for growth over the last year. Should energy and commodity prices strengthen further or at least hold at current levels, Canadian economic growth should remain on a recovery path. Again the main risk for Canada is Trump's trade policies, i.e. renegotiating NAFTA, extremely high consumer debt levels and overheated housing markets in Vancouver and Toronto.

Taken together, our view is that the global economic outlook is improving, and barring any unforeseen dislocations should accelerate over the next six to 12 months. Given this economic landscape, our overall view on capital markets has not changed dramatically. We continue to favour equities over fixed income and look opportunistically to identify alternative investments that generate steady cash returns. On balance, we remain cautiously optimistic on global equity markets over 2017. However, U.S. and global equities are sharply higher since the U.S. election of Donald Trump as President and appear extended near-term. Thus, it would not be a surprise for markets to experience a short-term pull-back of 5 to 10% or at a minimum a period of consolidation prior to resuming its uptrend.

Further, U.S. equity market valuations are not cheap, with very little room to expand further and will require a sharp rebound in earnings to move materially higher in 2017. While European and Japanese equity markets are attractive on a valuation basis, meaningful upside will depend on a strengthening global economy. Emerging markets are in a bottoming phase, have attractive valuations and should benefit from stronger Chinese and global economic growth. Here in Canada, the equity market is coming off an impressive gain in 2016, which will be difficult to repeat in 2017. However, stronger U.S. growth, stable energy and commodity prices and continued low interest rates should suggest a reasonable return outlook.

With respect to fixed income markets, yields moved sharply higher post U.S. election results. Given the magnitude of this move over such a short time period, we would expect a period of consolidation or modest pull-back in yields over the short-term. It is our view that rates may have had a secular low in July of 2016 and are now likely to move modestly higher over the next number of years. This is supported by a Federal Reserve that is planning to normalize rates and has stated it intends to raise the Fed rate three times in 2017. As U.S. and global growth gain momentum, wages will move higher, pushing inflation toward targets. Further, many of President Trump's policies, if implemented, will have negative effects on inflation expectations and deficits. Given this, the fixed income market offers little return potential over the long-term. Further should global/U.S. growth exceed consensus and/or inflation begins to rise, the fixed income market would be vulnerable to a further serious correction.

With respect to non-public assets, our view remains favourable given their risk diversification and stable return profiles. High quality real estate investments will be acquired as opportunities are presented. Infrastructure offers attractive cash flow, relatively stable returns and tends not to be correlated with public equity markets.

Membership Information

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, relationship 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.

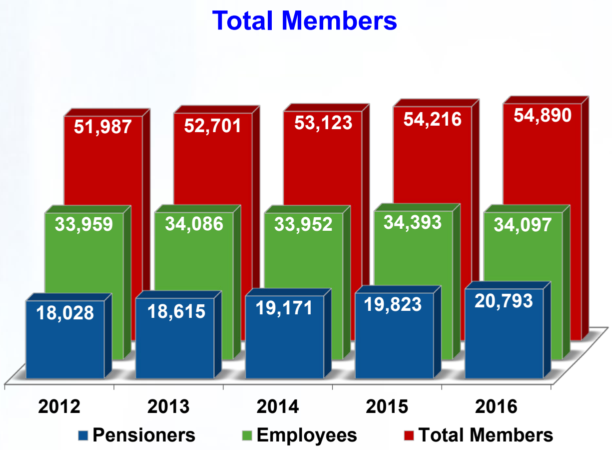
Staff are available to meet your information needs with respect to enrolment, retirement, disability, termination and pension projections for estate and retirement planning.

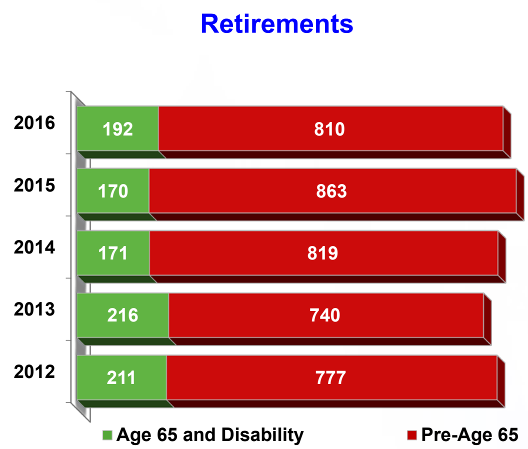
We ask that you have your personal identification number (PIN), social insurance number (SIN), or employee number ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

Membership Information

Members/Retirements

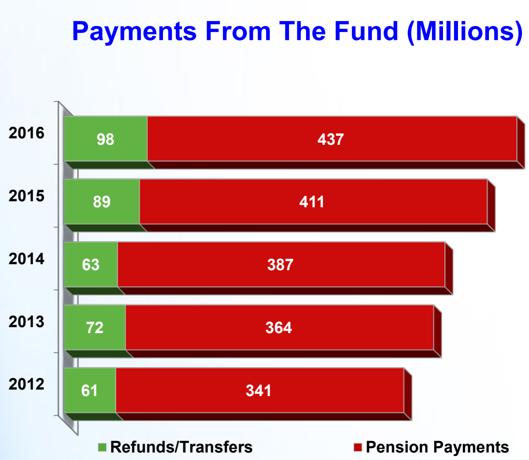
During 2016
- Total members increased by 674 to 54,890
- Employees/former employees participating in the Fund decreased by 296 to 34,097
- Pensioners/beneficiaries increased by 970 to 20,793

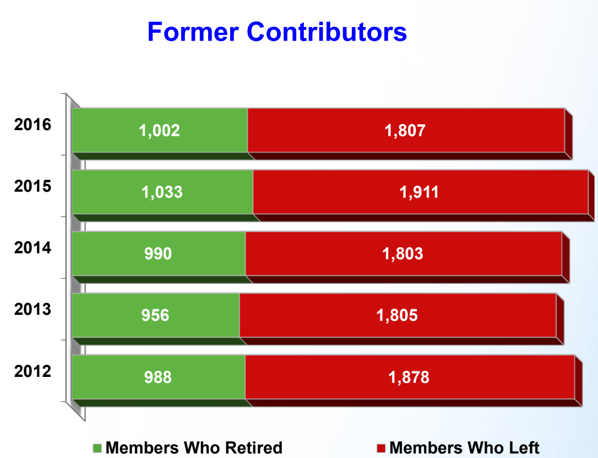




Paying Your Benefits

During 2016
- 20,793 pensioners/beneficiaries were receiving pension benefits at the end of the year
- $437 million was paid in pensions





Membership Information

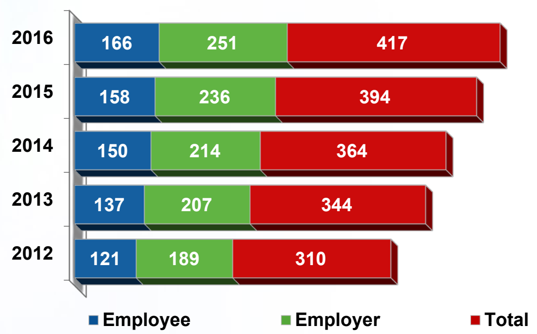
Employee Contributions/Employer Payments

During 2016
- Employees contributed $166 million to the Fund compared to $158 million in 2015
- Employers paid $251 million to the Fund compared to $236 million in 2015

Employees and Employers share the cost of the plan.
- 89.8% of your contributions fund basic pension and beneficiary benefits
- 10.2% of your contributions are allocated for cost-of-living benefits

Employer payments include:
- Approximately 50% of pensions paid and Transfer Values for terminations, relationship separations, and deaths for payment funding employers
- Payments made by prefunding employers

Contributions and Payments (Millions)



An employee contributes to the pension plan at one rate on salary up to his or her Canada pensionable earnings, and at a different rate on salary over of his or her Canada pensionable earnings. Canada pensionable earnings is the salary an employee receives in a year that does not exceed the Yearly Maximum Pensionable Earnings under the Canada Pension Plan. The Yearly Maximum Pensionable Earnings for 2017 is $55,300.

Cost-of-Living Adjustment (COLA)

- 10.2% of employee contributions and prefunding 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, 2016 was 1.07%

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 prefunding employers. The majority of employers are payment funding 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 prefunding 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, 2016 are summarized below.

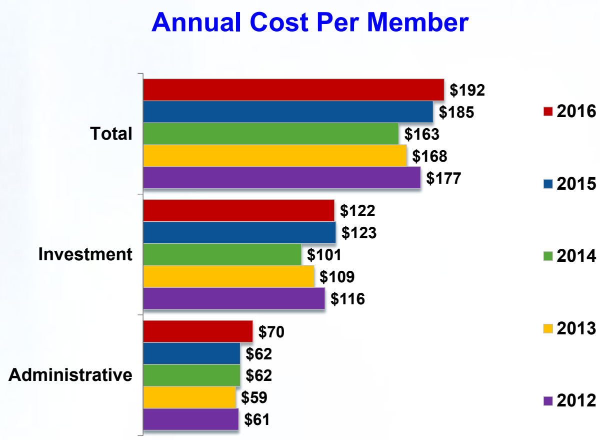
	Fund (*)	Payment Funding Employers (*)	Obligations Total (*)
1. Net Assets Available (Net of Actuarial Reserves)			
Basic Benefits Account	4,323,872		
Indexing Benefits Account	516,199		
Total	**4,840,071**		
2. Actuarial Obligations for Pension Benefits			
Basic Benefits Account (Excluding future benefits)	4,883,337	3,666,741	8,550,078
Indexing Benefits Account	293,809	271,444	565,253
Total	**5,177,146**	**3,938,185**	**9,115,331**
3. Actuarial Position/Funds Available			
Basic Benefits Account	(559,465)	(3,666,741)	(4,226,206)
Indexing Benefits Account (funds available to finance future adjustments)	222,390	(271,444)	(49,054)
Surplus/(Deficit)	**(337,075)**	**(3,938,185)**	**(4,275,260)**

* $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 2016 was $192 consisting of $70 for administration and $122 for investment related expenses.



Governance

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

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

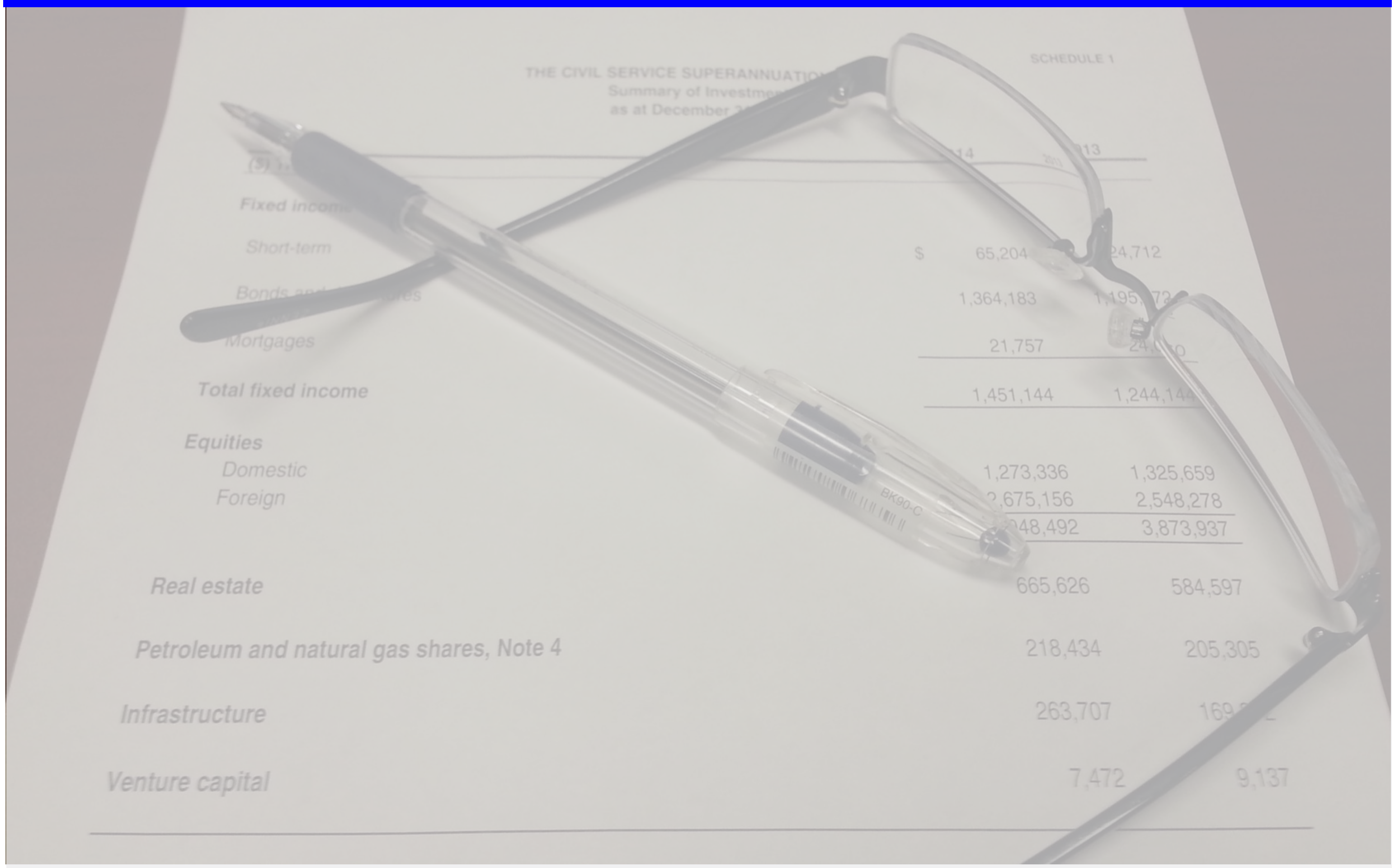
FIVE-YEAR COMPARATIVE STATISTICS

		2012 (*)	2013 (*)	2014 (*)	2015 (*)	**2016 (*)**
Investments	Rate of Return	10.23%	14.74%	9.24%	7.63%	**5.65%**
	Market Value	5,450,922	6,086,952	6,554,875	6,885,208	**7,077,658**
Contributions and Payments	Employee Contributions	120,358	136,390	150,251	157,703	**165,787**
	Employer Payments	189,218	207,253	213,957	236,356	**251,374**
	Total	309,576	343,643	364,208	394,059	**417,161**
Payments from the Fund	Pension Benefits Paid	340,558	364,295	386,601	410,870	**437,233**
	Refunds and Transfers	60,847	72,252	62,857	88,961	**97,803**
Expenses	Administrative, net before recoveries from payment funding employers	3,051	3,128	3,268	3,345	**3,867**
	Investment, net	6,023	5,724	5,382	6,665	**6,708**

* $Thousands unless otherwise noted

		2012	2013	2014	2015	**2016**
Membership	Non-Retired Members	33,959	34,086	33,952	34,393	**34,097**
	Pensioners and Other Recipients	18,028	18,615	19,171	19,823	**20,793**
	Total Members	51,987	52,701	53,123	54,216	**54,890**
	Refunded/Transferred Members	1,878	1,805	1,803	1,911	**1,807**
	Retirements	988	956	990	1,033	**1,002**

Financial Information



MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Civil Service Superannuation Fund are the responsibility of management and have been prepared in accordance with Canadian accounting standards for pension plans, as stated in the notes to the financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to April 27, 2017.

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

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

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

The Board has reviewed and approved these financial statements.

On behalf of Management,

Bruce Schroeder General Manager	Rick Wilson Director, Finance

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Civil Service Superannuation Fund, which comprise the statement of financial position as at December 31, 2016 and the statements of changes in net assets available for benefits, changes in pension obligations and changes in surplus (deficit) for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Civil Service Superannuation Fund as at December 31, 2016, and the changes in net assets available for benefits, the changes in pension obligations and the changes in surplus (deficit) for the year then ended in accordance with Canadian accounting standards for pension plans.

April 27, 2017
Winnipeg, Manitoba

Norm Ricard, CPA, CA
Auditor General

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

EXHIBIT A

THE CIVIL SERVICE SUPERANNUATION FUND
Statement of Financial Position
as at December 31, 2016

($) Thousands		2016		2015
Assets				
Investments, Schedule 1, Notes 2(b) and 4	$	7,077,658	$	6,885,208
Capital assets		274		97
Prepaid expenses		249		237
Debt due from the Province of Manitoba, Note 5		1,826		1,826
Receivables, Note 6		3,770		3,271
Accrued dividends and interest		12,519		14,647
Total assets		7,096,296		6,905,286
Liabilities				
Accounts payable and accrued liabilities		12,270		12,204
The Province of Manitoba Unfunded Pension Liability Trust Account, Note 7		2,077,951		2,025,703
Manitoba Hydro Enhanced Benefit Trust Account, Note 8		26,874		23,809
Correctional Officers' Trust Account, Note 9		10,424		9,097
Employer Trust Accounts, Note 10		92,088		86,899
Money Purchase Accounts Plan, Note 11		36,618		34,233
Total liabilities		2,256,225		2,191,945
Net assets available for benefits, Exhibit B	**$**	**4,840,071**	**$**	**4,713,341**
Pension Obligations and Deficit				
Actuarial value of pension obligations, Exhibit C, Note 12	$	9,115,331	$	8,616,171
Deficit, Exhibit D, Note 1(b), 12, 13 and 20		(4,275,260)		(3,902,830)
Pension obligations and deficit	**$**	**4,840,071**	**$**	**4,713,341**

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

Approved on behalf of the Board

Chairperson of the Board

Chairperson, Finance and Audit Committee

EXHIBIT B

THE CIVIL SERVICE SUPERANNUATION FUND
Statement of Changes in Net Assets Available for Benefits
for the Year Ended December 31, 2016

($) Thousands	Basic Benefits Account	Indexing Benefits Account	2016 Total	2015 Total
Increase in assets				
Contributions, Schedule 2, Note 1(b) and 14				
Employees	$ 149,009	$ 16,778	$ 165,787	$ 157,703
Employers	224,362	27,012	251,374	236,356
Total contributions	373,371	43,790	417,161	394,059
Net investment income, Schedule 3	185,351	26,870	212,221	204,469
Current period change in fair value of investments, Note 15	156,170	-	156,170	288,405
Other	79	-	79	79
Total increase in assets	714,971	70,660	785,631	887,012
Decrease in assets				
Benefits paid, Note 16	384,527	52,706	437,233	410,870
Refunds and transfers, Note 17	97,803	-	97,803	88,961
Administrative expenses, net, Note 18	2,238	-	2,238	1,895
Transfer to employer trust accounts	575	-	575	594
Interest allocations to various trust accounts and Money Purchase Accounts Plan, Note 19	121,052	-	121,052	156,293
Total decrease in assets	606,195	52,706	658,901	658,613
Increase in net assets	108,776	17,954	126,730	228,399
Net assets available for benefits, beginning of year	4,215,096	498,245	4,713,341	4,484,942
Increase in net assets	108,776	17,954	126,730	228,399
Net assets available for benefits, end of year, Exhibit A	**$ 4,323,872**	**$ 516,199**	**$ 4,840,071**	**$ 4,713,341**

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

EXHIBIT C

THE CIVIL SERVICE SUPERANNUATION FUND
Statement of Changes in Pension Obligations
for the Year Ended December 31, 2016

($) Thousands	Fund	Payment Funding Employers	2016 Total	2015 Total
Basic Benefits Account				
Pension obligations, beginning of year	$ 4,607,505	$ 3,480,763	$ 8,088,268	$ 7,810,919
Change in pension obligations				
Experience (gain) loss	64,011	59,095	123,106	(65,207)
Benefits accrued	147,957	108,555	256,512	243,908
Benefits paid	(257,968)	(224,362)	(482,330)	(450,132)
Interest accrued on benefits	277,821	209,341	487,162	463,663
Change in actuarial assumptions	44,011	33,349	77,360	85,117
	275,832	185,978	461,810	277,349
Pension obligations, end of year	**$ 4,883,337**	**$ 3,666,741**	**$ 8,550,078**	**$ 8,088,268**
Indexing Account				
Pension obligations, beginning of year	$ 274,429	$ 253,474	$ 527,903	$ 444,406
Change in pension obligations				
Experience (gain) loss	796	804	1,600	(809)
Benefits accrued, Note 12(b)	29,990	27,707	57,697	103,126
Benefits paid	(27,396)	(25,310)	(52,706)	(49,699)
Interest accrued on benefits	15,990	14,769	30,759	26,036
Change in actuarial assumptions	-	-	-	4,843
	19,380	17,970	37,350	83,497
Pension obligations, end of year	**$ 293,809**	**$ 271,444**	**$ 565,253**	**$ 527,903**
Combined				
Pension obligations, beginning of year	$ 4,881,934	$ 3,734,237	$ 8,616,171	$ 8,255,325
Change in pension obligations	295,212	203,948	499,160	360,846
Pension obligations, end of year, Exhibit A	**$ 5,177,146**	**$ 3,938,185**	**$ 9,115,331**	**$ 8,616,171**

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

EXHIBIT D

THE CIVIL SERVICE SUPERANNUATION FUND
Statement of Changes in Surplus (Deficit)
for the Year Ended December 31, 2016

($) Thousands	Fund	Payment Funding Employers	2016 Total	2015 Total
Basic Benefits Account				
Deficit, beginning of year,	$ (392,409)	$ (3,480,763)	$ (3,873,172)	$ (3,797,076)
Increase in net assets	108,776	-	108,776	201,253
Change in pension obligations	(275,832)	(185,978)	(461,810)	(277,349)
	(167,056)	(185,978)	(353,034)	(76,096)
Deficit, end of year	**$ (559,465)**	**$ (3,666,741)**	**$ (4,226,206)**	**$ (3,873,172)**
Indexing Account				
Surplus (deficit), beginning of year,	$ 223,816	$ (253,474)	$ (29,658)	$ 26,693
Increase in net assets	17,954	-	17,954	27,146
Change in pension obligations	(19,380)	(17,970)	(37,350)	(83,497)
	(1,426)	(17,970)	(19,396)	(56,351)
Surplus (deficit), end of year	**$ 222,390**	**$ (271,444)**	**$ (49,054)**	**$ (29,658)**
Combined				
Deficit, beginning of year,	(168,593)	(3,734,237)	(3,902,830)	(3,770,383)
Change during the year	(168,482)	(203,948)	(372,430)	(132,447)
Deficit, end of year, Exhibit A, Note 20	**$ (337,075)**	**$ (3,938,185)**	**$ (4,275,260)**	**$ (3,902,830)**

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

($) Thousands

1. Description of Plan

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

(a) General

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

(b) Funding

The Act requires that employees contribute 8.0% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 9.0% of pensionable earnings above that maximum. In accordance with the Act, 89.8% of the employee contributions are allocated to the Basic Benefits Account and 10.2% are allocated to the Indexing Benefits Account. The prefunding employer contribution rate is .9% less than the employee on pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and the same as the employee on Pensionable Earnings above that maximum.

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

The Fund's net assets available for benefits are primarily comprised of investments derived from contributions from employees and prefunding 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 payment funding employers' portion of the obligation for pension benefits, as shown on Exhibit C and disclosed in Note 12, is unfunded.

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

(c) Pension Calculation

The lifetime pension calculation equals:

(i) 2% of a member's best five-year average pensionable earnings multiplied by pensionable service.

(ii) minus .4% of the average CPP maximum pensionable earnings for the same period multiplied by pensionable service since January 1, 1966.

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

($) Thousands

(d) **Excess Contributions**

On termination, retirement or death, if a member's contributions plus interest (less 10.2% allocated to the Indexing Benefits Account) exceed 50% of the commuted value of the pension for service after December 31, 1984, the excess contributions are payable to the member or the member's estate.

(e) **Retirement**

A member is eligible to retire as early as age 55.
All members must commence pension benefits no later than the last day of the calendar year in which the member attains 71 years of age.
Eligible members of the Province of Manitoba's Corrections Component may retire as early as age 50 if age plus years of qualifying service is greater than or equal to 75.

(f) **Disability Pensions**

A member with ten or more years of qualifying service is eligible to apply for a disability pension.

(g) **Death Benefits Pre-retirement**

Upon the death of an active member, a survivor's benefit is payable to a spouse or partner or the member's estate when there is no survivor.

(h) **Death Benefits Post-retirement**

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the member's contributions plus interest.

(i) **Withdrawal Refunds**

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

(j) **Income Taxes**

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

(k) **Money Purchase Accounts Plan**

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

($) Thousands

2. Significant Accounting Policies

The significant accounting policies are summarized below:

(a) Basis of Presentation

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

(b) Investments

Investments are presented on a non-consolidated basis even when an investment is in an entity over which the Plan has control or can exercise significant influence.

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

Fixed Income

(i) Short-term investments are valued at cost, which approximates market and short term equivalents are valued at market by independent sources.

(ii) Bonds and debentures are valued at market by independent sources.

(iii) Index-linked mortgages are valued at amortized cost, which approximates fair value.

Equities

(i) Publicly traded securities are valued at year end market prices as listed on the appropriate stock exchange.

(ii) Pooled equity funds are valued at market by the external manager based on the fair value of the underlying assets.

Other Investments

(i) Real estate and Infrastructure investments are valued at fair value based on the most recent appraisals or external managers' valuations of the underlying properties.

(ii) Petroleum and natural gas shares are valued at fair value based on the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost, which approximates fair value, until such information is available.

(iii) Venture capital investments are valued at the fair value of the underlying investments as established by the external managers or at cost, which approximates fair value, when no valuation has been prepared.

(c) Use of Estimates

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

($) Thousands

(d) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on the dates of the transactions. The foreign currency translation of these transactions (except for any foreign currency translation related to the acquisition of investments) is included in investment income or the current period change in fair value of investments (net realized gains or losses on the sale of investments) or administrative expenses.

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year-end and the resulting change from the translation at acquisition (or the prior year end) is included in the current period change in fair value of investments (net unrealized market gains or losses).

(e) Equipment

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

3. Risk Management

The fair value of investments is exposed to market risk (interest rate risk, currency risk and price risk), credit risk, and liquidity risk.

(a) Market Risk

Interest Rate Risk

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

The Fund's exposure to interest rate risk is concentrated in its investments in bonds and debentures. To properly manage the Fund's interest rate risk, appropriate guidelines on the weighting and duration for bonds and debentures are set and monitored by the Fund's Investment Committee.

The Fund has invested approximately 21% (2015 – 22%) of its assets in fixed income securities as at December 31, 2016 which generated a rate of return of 2.61% (2015 – 2.83%). The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. As at December 31, 2016, 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 $139,249 (2015 - $131,849). The Fund's interest rate sensitivity was determined based on portfolio weighted duration.

Currency Risk

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at December 31, 2016 external fund managers had no open forward foreign exchange contracts (as at December 31, 2015 - $0). As a result there were no unrealized gains / (losses) on foreign exchange contracts in 2016 (2015 - $0).

($) Thousands

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

As at December 31, 2016		Actual Currency Exposure	Percentage
Canadian dollar	$	3,909,896	55.2%
US dollar		1,909,518	27.0
Euro		271,047	3.8
Japanese yen		240,686	3.4
Pound sterling		153,895	2.2
Hong Kong dollar		123,455	1.7
Australian dollar		82,522	1.2
South Korean Won		76,466	1.1
Indian Rupee		70,876	1.0
Taiwan new dollar		43,519	0.6
Other currencies		195,778	2.8
Total investments	$	7,077,658	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 $316,776 (2015 - $324,281).

Price Risk

Price risk is the risk that the value of an investment will fluctuate as a result of a change in market conditions (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's equity and private market investments are sensitive to market fluctuations. To assist in mitigating the impact of price risk, the Board has established appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks which they monitor on a regular basis. A decline or increase of 10 percent in fair values of equities and private market investments, with all other variables held constant, will impact the Fund's investments by an approximate loss or gain of $556,039 (2015 - $538,369).

(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, 2016, the Fund's maximum credit risk exposure relating to bonds and debentures, cash and short-term investments and mortgages totaled $1,517,264 (2015 - $1,501,519), receivables of $3,770 (2015 - $3,271) and accrued interest of $5,819 (2015 - $7,840) totaled $1,526,853 (2015 - $1,512,630). The Fund's Investment Committee limits credit risk by concentrating on high quality securities and adhering to a Statement of Investment Policies and Procedures. The Policy establishes investment ownership limits and acceptable credit ratings. In the case of bonds and debentures, all bonds must be rated BBB- or higher at the time of purchase.

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

($) Thousands

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

Credit Rating		2016 Fair Value			2015 Fair Value	
AAA	$	482,158	35.9%	$	202,260	15.8%
AA		220,768	16.4		217,547	17.0
A		599,290	44.6		690,904	53.9
BBB+		27,612	2.1		124,197	9.7
BBB and lower		13,077	1.0		46,819	3.6
		1,342,905	100.0%		1,281,727	100.0%
Cash and short-term		85,060			121,862	
Total bonds and debentures	$	1,427,965		$	1,403,589	

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 2016 or 2015.

(c) Liquidity Risk

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

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

Term to Maturity		2016		2015
Less than one year	$	176,371	$	201,855
One to five years		419,920		325,617
Over five years		920,973		974,047
Total fixed income investments	$	1,517,264	$	1,501,519

($) Thousands

(d) Fair Value

The following is a summary of the inputs used in the measurement of the fair value of the Fund's investments based on the fair value hierarchy:

	Level 1 Quoted Prices in Active Markets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total 2016
Assets				
Cash	$ 17,046	$ -	$ -	$ 17,046
Short-Term	-	290,723	-	290,723
Bonds and Debentures		1,325,424	-	1,325,424
Mortgages	-	16,932	-	16,932
Equities	3,417,128	598,483	-	4,015,611
Real Estate	-		812,259	812,259
Infrastructure	-		345,496	345,496
Petroleum and natural gas	-		104,226	104,226
Venture Capital	-	-	149,941	149,941
Total investments, Schedule 1	$ 3,434,174	$ 2,231,562	$ 1,411,922	$ 7,077,658

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

All securities in Level 1 can be traded in an active market. During the year ended December 31, 2016, no equity investments were transferred from Level 1 to Level 2.

During the year ended December 31, 2016, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

($) Thousands

	Infrastructure	Real Estate	Petroleum & Natural Gas	Venture Capital	Total
Beginning Balance	$ 296,550	$ 774,263	$ 159,436	$ 7,925	$ 1,238,174
Purchases	59,086	18,389	7,913	144,001	229,389
Sales and withdrawals	-	(40,938)	-	-	(40,938)
Write-off	-	-		(12,186)	(12,186)
Capitalized income	-	46,802	-	-	46,802
Return of capital	(16,190)	-	-	(1,859)	(18,049)
Change in unrealized appreciation/					-
(depreciation)	6,050	13,743	(63,123)	12,060	(31,270)
Ending Balance	$ 345,496	$ 812,259	$ 104,226	$ 149,941	$ 1,411,922

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, 2016, the Fund held the following investments that met this classification:

ISHARES MSCI Japan ETF	$ 106,472
Superman Resources Inc. – unitized shares	$ 104,225
Borealis Infrastructure Fund	$ 298,850
Government of Canada bond 65,521,548 12/45 3.5%	$ 81,455
Northleaf Star Investor Corp.	$ 143,895
Marathon M-L Investment Fund	$ 595,249

(e) Securities Lending

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

4. Investment in Petroleum and Natural Gas

The Plan invests in petroleum and natural gas, through its 79.82% (2015 – 79.86%) share in its subsidiary, Superman Resources Inc. The fair value of the investment is $104,226 (2015 - $159,436).

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 (2015 - $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.

($) Thousands

6. Receivables

		2016		2015
Contributions receivable				
Employers	$	1,199	$	964
Employees		462		375
		1,661		1,339
Other receivables		2,109		1,932
	$	3,770	$	3,271

7. The Province of Manitoba Unfunded Pension Liability Trust Account

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

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

The Trust Agreement was amended effective December 31, 2008, to make the trust irrevocable. Accordingly, the assets in the Trust Account can not be used for any purposes other than to fund the payment of pension benefits for which the Province is responsible and to pay the costs and expenses that are directly attributable to the administration of the Trust Account.

In October 2007, The Financial Administration Act was amended to allow for withdrawals from the fund to pay, or fund the payment of, pension benefits for which the Province is responsible.

A continuity schedule of this trust account is as follows:

		2016		2015
Contributions received	$	98,361	$	92,319
Interest earned		113,585		146,471
Pension and refund payments made		(155,668)		(147,290)
Investment management fees charged		(4,030)		(4,134)
Change during the year		52,248		87,366
Balance, beginning of year		2,025,703		1,938,337
Balance, end of year	$	2,077,951	$	2,025,703

($) Thousands

8. Manitoba Hydro Enhanced Benefit Trust Account

Effective January 1, 2012, Manitoba Hydro employees with pensionable service after May 31, 2006 are eligible for an additional benefit. The Enhanced Hydro Benefit Plan enhances the formula used in calculating pension benefits from 1.6% to 1.7% of earnings up to the Canada Pension Plan average Yearly Maximum Pensionable Earnings at the time of retirement. Manitoba Hydro will fund the enhanced pension benefit through contributions to a trust account that will be used to fund the additional benefit to employees. A continuity schedule of this trust account is as follows:

		2016		2015
Contributions received	$	2,385	$	2,303
Interest earned		1,395		1,627
Pension and refund payments made		(666)		(594)
Investment management fees charged		(49)		(46)
Change during the year		3,065		3,290
Balance, beginning of year		23,809		20,519
Balance, end of year	$	26,874	$	23,809

9. Correctional Officers' Trust Account

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

		2016		2015
Contributions received	$	1,389	$	1,316
Interest earned		515		621
Pension and refund payments made		(567)		(656)
Expenses paid		(10)		(7)
Change during the year		1,327		1,274
Balance, beginning of year		9,097		7,823
Balance, end of year	$	10,424	$	9,097

($) Thousands

10. Employer Trust Accounts

The Fund is responsible for providing enhanced benefits enacted in the 1992 legislation agreed to by the Employee Liaison Committee and the Employer Pension Advisory Committee. These benefits are 100% financed from the Fund's net assets available for benefits. To facilitate this funding, trust accounts were established for payment funding 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:

	2016	2015
(Withdrawals) / Contributions	$ 591	$ (1,084)
Interest earned	4,723	6,134
Billing credits made to employers	(125)	(114)
Change during the year	5,189	4,936
Balance, beginning of year	86,899	81,963
Balance, end of year	$ 92,088	$ 86,899

11. Money Purchase Accounts Plan

Effective January 2, 1985 a separate Money Purchase Accounts Plan was established to enhance the portability of pensions. Contributors include employees, recipients of superannuation allowances, annuities or pensions payable under the Act, or persons on whose behalf the Board is required or requested to transfer moneys to this Plan. Refunds are made upon written request by the contributor. Administrative costs are recovered by the Board. A continuity schedule of this liability account is as follows:

	2016	2015
Contributions received	$ 5,223	$ 3,205
Interest earned	834	1,440
Refunds and administration fees paid	(2,682)	(2,088)
Annuities made	(990)	(478)
Change during the year	2,385	2,079
Balance, beginning of year	34,233	32,154
Balance, end of year	$ 36,618	$ 34,233

($) Thousands

12. Obligations for Pension Benefits

(a) Basic Benefits Account

In accordance with the Pension Benefits Act of the Province of Manitoba, actuarial valuations are required every three years. The stated purpose of the actuarial valuation is to:

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

Actuarial valuations (going concern basis) for the Fund and Payment Funding Employers' pension obligations were prepared as at December 31, 2015 by Ellement Consulting Group. The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was extrapolated by the actuary to December 31, 2016. The principal components of the changes in pension obligations during the year are presented in Exhibit C.

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

Significant long-term actuarial assumptions used in the December 31, 2015 and 2014 valuations of the present value of the accrued basic pension benefit obligations were:

	2015	2014
Discount rate:		
(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%		
Mortality rates:		
(i) mortality	CPM 2014 Public	CPM 2014 Public
(ii) mortality improvements	Scale B	Scale B

The extrapolations to December 31, 2016 were based on the assumptions used in the 2015 actuarial valuations and also used the CPM 2014 Composite Mortality rate projected using Scale B for the calculation of the commuted values of lump sum withdrawals from the Plan.

The next actuarial valuations for Basic Benefits will be prepared as at December 31, 2016 and will be completed by the fall of 2017.

($) Thousands

(b) Indexing Benefits Account

Under section 33(6) of the Act, the Board must approve a cost-of-living adjustment before it is in effect. The 2016 financial statements reflect the pension obligations for cost-of-living adjustments up to the change in the Consumer Price Index for 2016.

A 1.00% cost-of-living adjustment for the year ended December 31, 2016 at a cost of $57,697 (Fund - $29,990, Payment Funding Employers - $27,707) was approved March 23, 2017, with payment commencing July 2017.

These pension obligations are reported in the 2016 statement of changes in pension obligations (Exhibit C).

The December 31, 2015 and 2016 actuarial valuations for the Fund's Indexing Benefits Account and the Payment Funding Employers' liability for indexing benefits were prepared by Ellement Consulting Group. The actuarial assumptions were the same as those used for the December 31, 2015 actuarial valuations for basic benefits, except the discount rate used was 5.50%.

The next actuarial valuations on the Indexing Benefits Account and the Payment Funding Employers' indexing benefits liability will be prepared as at December 31, 2017 and will be completed during 2018.

13. Employer Assets Provided for Pension Obligations

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

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

	2016	2015
Province of Manitoba, Note 7	$ 2,077,951	$ 2,025,703
Manitoba Hydro, Note 21	987,998	962,458
Total funds managed	$ 3,065,949	$ 2,988,161

The funds from the Province of Manitoba are included in both the assets (investments) and liabilities in the statement of financial position (Exhibit A) and thus have no impact on the net assets available for benefits and deficit. The funds managed for Manitoba Hydro are managed separately and are excluded from the statement of financial position.

($) Thousands

14. Contributions

		2016		2015
Employees				
Required contributions	$	161,668	$	154,128
Voluntary contributions		191		178
Past service contributions		2,085		1,651
Special contributions		1,843		1,746
		165,787		157,703
Employers				
Required contributions		16,842		15,736
Voluntary contributions		3		1
Special contributions [1]		234,529		220,619
		251,374		236,356
	$	417,161	$	394,059

[1] includes payment funding employers' pay-as-you-go portion of benefit payments

15. Current Period Change in Fair Value of Investments

		2016		2015
Net realized gains on the sale of investments	$	159,476	$	265,940
Net unrealized market gains (losses)		(3,306)		22,465
	$	156,170	$	288,405

16. Benefits Paid

		2016		2015
Pension benefit payments	$	427,705	$	401,571
Disability benefit payments		9,528		9,299
	$	437,233	$	410,870

17. Refunds and Transfers

		2016		2015
Termination refund payments	$	85,193	$	74,641
Death refund payments		8,060		10,980
Relationship separation refund payments		4,301		2,530
Reciprocal transfers out – prefunding employers		249		810
	$	97,803	$	88,961

($) Thousands

18. Administrative Expenses, Net

		2016		2015
Actuary fees	$	210	$	186
Audit fees		64		63
Legal fees		58		85
Consulting fees		9		14
Professional fees		341		348
Salaries and fringe benefits		3,934		3,678
Office and administration		1,137		977
Gross administrative expenses		5,412		5,003
Less: Recoveries				
From other administrated funds – regular administration		(1,543)		(1,577)
From other administrated fund – special administration		(2)		(81)
From payment funding employers		(1,629)		(1,450)
Administrative expenses, net	$	2,238	$	1,895

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

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

		2016		2015
The Province of Manitoba Unfunded Pension Liability Trust Accounts	$	113,585	$	146,471
Manitoba Hydro Enhanced Benefit Trust Account		1,395		1,627
Correctional Officers' Trust Account		515		621
Employer Trust Accounts		4,723		6,134
Money Purchase Plan Account		834		1,440
	$	121,052	$	156,293

($) Thousands

20. Deficit

	Fund	Payment Funding Employers	Total 2016	Total 2015
(Deficit) surplus, beginning of year,				
Basic Benefits	$ (392,409)	$ (3,480,763)	$ (3,873,172)	$ (3,797,076)
Indexing Benefits	223,816	(253,474)	(29,658)	26,693
	(168,593)	(3,734,237)	(3,902,830)	(3,770,383)
Change in net assets available for benefits, Exhibit B				
Basic Benefits	108,776	-	108,776	201,253
Indexing Benefits	17,954	-	17,954	27,146
	126,730	-	126,730	228,399
Change in pension obligations during the year, Exhibit C				
Basic Benefits	(275,832)	(185,978)	(461,810)	(277,349)
Indexing Benefits	(19,380)	(17,970)	(37,350)	(83,497)
	(295,212)	(203,948)	(499,160)	(360,846)
(Deficit) surplus, end of year, Exhibit D				
Basic Benefits	(559,465)	(3,666,741)	(4,226,206)	(3,873,172)
Indexing Benefits	222,390	(271,444)	(49,054)	(29,658)
	$ (337,075)	$ (3,938,185)	$ (4,275,260)	$ (3,902,830)

21. Managed Investment Funds

The Board acts as investment manager for other funds, which are separate and have been excluded from the statement of financial position (Exhibit A).

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

	2016	2015
The Manitoba Hydro Pension Fund	$ 987,998	$ 962,458
Joint Board of Trustees of The Municipal Employees Benefits Program	656,231	631,227
The Public Service Group Insurance Fund	204,938	191,926
Centra Gas Manitoba Inc.	125,795	123,302
Manitoba Liquor & Lotteries Corporation	5,008	4,733
Winnipeg Child and Family Services Employee Benefits Retirement Plan	25,012	25,196
University of Winnipeg	21,571	19,562
Legislative Assembly Pension Plan	28,696	26,675
	$ 2,055,249	$ 1,985,079

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.

($) Thousands

22. Future Commitments

The Fund has contractual obligations for future real estate investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2016, the Fund's share of the outstanding commitment is $194.9 million (2015 - $109.9 million).

23. Capital Disclosures

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

24. Comparative Figures

Certain of the 2015 comparative figures have been reclassified to conform with the presentation adopted for 2016.

SCHEDULE 1

THE CIVIL SERVICE SUPERANNUATION FUND
Summary of Investments
as at December 31, 2016

($) Thousands	2016	2015
Fixed income		
Short-term	$ 72,366	$ 78,501
Bonds and debentures	1,427,965	1,403,589
Mortgages	16,933	19,429
Total fixed income	1,517,264	1,501,519
Equities		
Domestic	1,310,756	1,054,860
Foreign	2,833,280	3,088,625
	4,144,036	4,143,485
Real estate	816,695	776,293
Petroleum and natural gas, Note 4	104,226	159,436
Infrastructure	345,496	296,550
Venture capital	149,941	7,925
Investments, Exhibit A	**$ 7,077,658**	**$ 6,885,208**

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

SCHEDULE 2

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Contributions
for the Year Ended December 31, 2016

($) Thousands	Employers	Employees	2016 Total	2015 Total
Payment Funding employers, Note 1 (b)				
Province of Manitoba Civil Service	$ 159,850	$ 75,580	$ 235,430	$ 222,858
Manitoba Hydro-Electric Board	60,655	39,743	100,398	96,413
Manitoba Public Insurance Corporation	11,763	10,120	21,883	20,235
Red River College	59	8,594	8,653	8,275
Addictions Foundation of Manitoba	1,813	1,460	3,273	3,121
Community Colleges				
Assiniboine Community College	3	1,958	1,961	1,907
University College of the North	1	1,804	1,805	1,762
Regional Health Authorities				
Winnipeg	-	699	699	714
Prairie Mountain Health	-	848	848	876
Southern Health	-	213	213	220
Interlake - Eastern	-	136	136	151
Northern	-	87	87	104
The Legal Aid Services Society of Manitoba	-	960	960	963
Manitoba Centennial Centre Corporation	512	212	724	668
Diagnostic Services of Manitoba	-	345	345	354
Teachers' Retirement Allowances Fund Board	281	235	516	406
Communities Economic Development Fund	82	83	165	158
Manitoba Horse Racing Commission	17	9	26	29
Workers Compensation Board	1	-	1	1
Total payment funding employers	**$ 235,037**	**$ 143,086**	**$ 378,123**	**$ 359,215**

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

SCHEDULE 2

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Contributions
for the Year Ended December 31, 2016

($) Thousands	Employers	Employees	2016 Total	2015 Total
Total payment funding employers, continued	**$ 235,037**	**$ 143,086**	**$ 378,123**	**$ 359,215**
Prefunding employers, Note 1 (b)				
Manitoba Liquor & Lotteries Corporation	8,568	9,258	17,826	16,899
Manitoba Housing	1,991	2,058	4,049	3,623
Manitoba Agricultural Services Corporation	1,477	1,062	2,539	2,293
CUPE Support Workers	1,166	1,313	2,479	2,304
All Nations Coordinated Response Family Services	691	762	1,453	1,374
Manitoba Government and General Employees' Union	690	733	1,423	1,338
Liquor and Gaming Authority of Manitoba	512	542	1,054	926
Civil Service Superannuation Board	397	423	820	778
Teranet Manitoba LP	551	605	1,156	1,136
Manitoba Floodway Authority	413	414	827	760
Food Development Centre	253	259	512	455
Manitoba Hydro Utilities Services	167	188	355	326
Travel Manitoba	160	172	332	334
Industrial Technology Centre	106	116	222	202
Dairy Farmers of Manitoba	104	114	218	194
Hams Marketing Services Co-op Inc.	50	55	105	117
Manitoba Pork Council	64	59	123	132
Manitoba Arts Council	59	67	126	121
Manitoba Film and Sound	56	64	120	119
Manitoba Health Research Council	67	66	133	112
Manitoba Chicken Producers	38	45	83	59
Crown Corporations Council	35	30	65	65
Horizon Lab Ltd.	24	26	50	46
Manitoba Turkey Producers	8	9	17	16
Economic Innovation and Technology Council	5	-	5	4
Total prefunding employers	**$ 17,652**	**$ 18,440**	**$ 36,092**	**$ 33,733**
Total employers, payment funding and prefunding	**$ 252,689**	**$ 161,526**	**$ 414,215**	**$ 392,948**

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

SCHEDULE 2

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Contributions
for the Year Ended December 31, 2016

($) Thousands	Employers	Employees	2016 Total	2015 Total
Total employers, payment funding and prefunding	**$ 252,689**	**$ 161,526**	**$ 414,215**	**$ 392,948**
Other				
Employees on loan	1	1	2	-
Employees on workers compensation	-	23	23	1
Reciprocal agreement - transfers in	-	2,332	2,332	4,269
Reciprocal agreement - transfers out	(1,319)	(1,480)	(2,799)	(5,575)
Repayment of contributions previously refunded	-	142	142	109
Contributions based on prior non-pensionable employment	3	2,252	2,255	1,829
Transfer from Money Purchase Accounts Plan	-	991	991	478
Total other	**$ (1,315)**	**$ 4,261**	**$ 2,946**	**$ 1,111**
Total contributions, Exhibit B	**$ 251,374**	**$ 165,787**	**$ 417,161**	**$ 394,059**

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

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Investment Income
for the Year Ended December 31, 2016

($) Thousands	2016	2015
Fixed income		
Short-term	$ 588	$ 783
Bonds and debentures	42,194	43,268
Mortgages	1,135	1,407
	43,917	45,458
Equities		
Domestic	33,005	33,496
Foreign	82,100	87,998
	115,105	121,494
Real estate	28,634	19,957
Venture capital	108	633
Infrastructure	27,707	20,430
Security lending revenue	3,649	3,363
Gross investment income	219,120	211,335
Less:		
Investment management expenses, net, Note 21	6,708	6,665
Interest allocated to employee future benefits obligations	191	201
	6,899	6,866
Net investment income, Exhibit B	**$ 212,221**	**$ 204,469**

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

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, relationship 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 - Winnipeg skyline courtesy of Travel Manitoba.

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