CSSB The Civil Service Superannuation Board

2014 Annual Report

For more information...

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

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

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

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

The Civil Service Superannuation Board

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Winnipeg MB R3C 3T1

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Cover photo of Churchill coastline courtesy of Travel Manitoba.

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Minister Responsible
for The Civil Service Act

Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

June 9, 2015

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

May It Please Your Honour:

As Minister Responsible, I have the privilege of presenting for the information of Your Honour, the 76th Annual Report of The Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2014.

Respectfully submitted,

Kerri Irvin-Ross

Honourable Kerri Irvin-Ross

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Winnipeg, Manitoba, Canada R3C 3T1
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June 5, 2015

Honourable Kerry Irvin-Ross
Minister of Family Services
Minister Responsible for The Civil Service Superannuation Act

Madam:

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 76th Annual Report of The Civil Service Superannuation Board.

This report covers the period January 1, 2014 to December 31, 2014 and includes a review of the Board's activities for that period as well as the Report of the Office of the Auditor General and attached audited financial statements for that period.

Respectfully submitted,

A Morin

Al Morin, Chair
The Civil Service Superannuation Board

Board and Standing Committee Members

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, f.c.a.
Chartered Accountant

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

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

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

Jim Hrichishen ^
Deputy Minister of Finance
Province of Manitoba

Al Morin ^
Chair
The Civil Service Superannuation Board

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

Bruce Schroeder ^
General Manager
The Civil Service Superannuation Board

The Investment Committee also manages the assets of the Manitoba Hydro Employer Fund and three Centra Gas portfolios. Manitoba Hydro appointed the following person as their representative to those committees in conjunction with the above members.

Manny Schulz
Corporate Treasurer
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

Robert Derksen
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 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 match (to the extent required by legislation) employee contributions, others are obligated to fund their share of benefits paid in the future.

The amount of pension a member will receive is not directly related to investment returns. Good investment returns are necessary to secure the Fund’s ability to continue to meet its current and future obligations to pay benefits, and are the major contributor to surplus.

A member may be eligible to retire as early as age 55. Unless the person is age 60 or older with 10 years of service, or has achieved the Rule of 80 (age plus service), there is a reduction for early retirement. Members who reach age 65 may receive an unreduced pension providing they have at least one year of service.

All employees who are employed full time are required to join the Plan. Seasonal and part-time employees are required to join after meeting an earnings test (when they have earned 25% of the Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan in each of two successive calendar years).

Highlights

		2014 (*)	2013 (*)
Financial	Rate of Return on Investments	9.24%	14.74%
	Investments at Market Value	6,554,875	6,086,952
	Net Investment Income	181,111	146,744
	Current Period Change in Fair Value of Investments	365,731	637,089
	Employee Contributions	150,251	136,390
	Employer Payments	213,957	207,253
	The Province of Manitoba Unfunded Pension Liability Trust Account	1,938,337	1,822,764
	Pension Payments	386,601	364,295
	Refunds and Transfers	62,857	72,252
	General Expenses - Net	1,864	1,774

* $Thousands unless otherwise noted

		2014	2013
Membership	Non-Retired Members	33,952	34,086
	Retired Members and Other Recipients	19,171	18,615
	Total Members	**53,123**	**52,701**

Other Plans Under Administration	Manitoba Telecom Services Inc.^	5,980	6,064
	Money Purchase Accounts Plan	2,935	2,723
	Centra Gas^	796	804
	Winnipeg Child and Family Services^	290	299
	MLA's^	100	103
	Legislative Assembly Pension Plan	80	79
	Total Membership (all Plans)	**63,304**	**62,773**

^ Active and Retired

Message from the Chair

Al Morin

As we reflect back on the past year, there were a couple of unexpected events that occurred that had a negative impact on the financial markets. Following relatively strong economic growth through the first half of 2014, the highly anticipated interest rate hike predicted by investors and economic forecasters never materialized. As it turned out, the opposite occurred, and by the fourth quarter long-term interest rates fell to lows we have not seen in over 50 years.

Canadian markets reached new highs during the summer, and continued to do well as we moved into the third quarter of the year. The oil patch, expected to be an economic leader for Canada in 2014, was dealt an unexpected blow when the price of crude oil started to plummet. The price dropped from $107 a barrel in December 2013, closing at under $55 a barrel by the end of 2014. This sharp decline in oil and gas prices proved to be particularly challenging, especially during the second half of the year. Despite the windfall this created for consumers at the pumps, it completely devastated the energy sector, leading to increased anxiety for investors. While this second unexpected event had a negative impact on the global financial markets, the impact on the Canadian economy was significant.

Following 2013, which was an excellent year for most Canadian pension plans in terms of their financial position, 2014 was mixed. Although returns for most asset classes were attractive, the lower interest rates also meant that liabilities increased. After posting strong gains in 2013, Canadian pension plans saw their funding levels take a hit in 2014.

The Civil Service Superannuation Fund (Fund) produced a 2014 rate of return of 9.24%. This enabled us to exceed the Actuarial rate of return set at 6%. The Actuarial rate of return is the benchmark established to help ensure the Fund is able to continue to meet its future financial obligations.

In the fall of 2014 the Board launched a strategic planning initiative designed to establish a vision for the future direction for the organization. Through the process, the Civil Service Superannuation Board will identify where we are right now, determine where we want to be in the future, and plan how to get there by establishing long-term objectives and operational priorities. A follow up session is scheduled for the spring of 2015.

The Board bid farewell to Board members Monica Girouard and Lynn Romeo in 2014. Monica was first appointed to the Board in 2007 and also served on the Finance & Audit and HR & Compensation Committees. Lynn served on the Board from 2011 to 2014, both sitting on, and serving as the Chair of the Governance Committee. On behalf of the Board, staff and management, we would like to extend our sincere thanks to Monica and Lynn for their dedication and contributions to the Civil Service Superannuation Board. We also would like to take this opportunity to welcome new members Mr. Jody Gillis and Mr. Normand Collet to the Board.

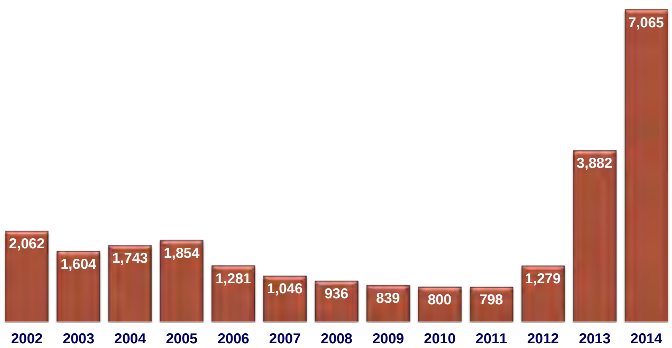
In closing, I would like to once again acknowledge the staff and management of the Civil Service Superannuation Board for their continued hard work and commitment in providing our membership with quality benefits administration.

Message from the General Manager

Bruce Schroeder

In 2014, the Civil Service Superannuation Board (CSSB) focused on improved service delivery to the Fund's stakeholders. We continued to encourage the use of Online Services by adding new features and functions. Online account registrations were up significantly in 2014 with 7,065 new registrations compared to 3,882 in 2013.

Online Services Registrations



The total number of registered members is now over 24,000. Active and retired members can utilize Online Services in a variety of ways. Active members can retrieve their annual pension statements, produce pension and termination estimates, update their profile information, view their group insurance, and register for retirement seminars. Retired members can retrieve their monthly pension statements and tax documents, view a history of their pension payments, update their profile information, and view their retirement insurance.

The Askus feature of our website is becoming a popular way for members to communicate with the CSSB. In 2014 we had just over 4,900 emails asking a variety of questions. Our priority is to reply to the questions received on a timely basis. We aim to answer questions the same day they are received. For those that are more involved, we respond acknowledging that the inquiry has been received and is being investigated.

Starting in September 2014, retiring members were able to complete their retirement forms online. Over 100 members took advantage of this online process, representing more than 10% of the total number of retirements in 2014. As more members are educated about the features and advantages of completing their retirement forms online, we believe this option will become increasingly popular. We continue to encourage the use of the Online Services by notifying members of its advantages through letters, newsletters, website and seminars. Providing information online is environmentally friendly and is a cost savings to the plan, especially in light of the large increase in postal rates in 2014.

The past year was also a year of solid investment returns, the Fund returned 9.24% which exceeds the 6% rate required by the actuary. The rate of return that is required by the actuary is the return on assets that the plan's actuary estimates will be necessary to fund the basic benefit entitlements to members. Although 2014 saw a solid return, the markets were volatile and our team of investment professionals foresees continued volatility into 2015. The drop in the price of oil, while beneficial for consumers does generally not bode well for investment in Canada. This coupled with the declining price of commodities will challenge returns in 2015.

Our investment portfolio is well diversified and contains investments in Canada as well as internationally to help mitigate risk.

In 2014 the Board also met extensively to discuss strategic planning initiatives with an eye towards developing a new mission and values statement. This work will continue into 2015.

In 2015 we plan to develop an employer portal to more fully utilize the advantages of transferring information electronically. The portal will assist employers and the Board by editing information before its transmitted which will reduce questions from Board staff and help alleviate some of the back and forth information requests. This will save time and help us update member accounts on a more efficient basis. We will also continue to grow online registrations. We will be contacting employers to help us communicate with their employees about the benefits of receiving their pension information online and encouraging them to register for our Online Services.

In the coming year, both the CSSB and Online Services websites will be relaunched. Our websites will be more user friendly, easier to navigate, and have more information that members require so they can be more informed about their benefits. At the CSSB we strive to provide personalized service to members so they are satisfied with the information they receive.

As always I would like to thank the staff for their hard work, dedication and commitment to the stakeholders. I would also like to thank the Board for their support and vision throughout the year.

Investments

Guidelines and Practices

Policies and Procedures

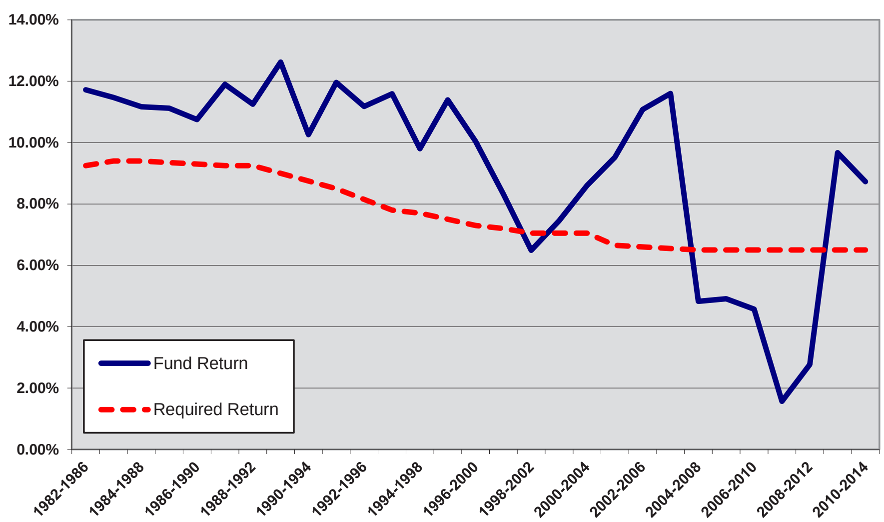
The Fund's Statement of Investment Policies and Procedures (SIP&P) guides the investment decision making process. This document is created by independent consultants and matches the Fund's assets with its liabilities, now and into the future. Upon its approval by the Board, this document is put into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

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

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

Overview

In 2014, global capital market returns (in local currency terms) moderated significantly from their exceptional performance in 2013. The exception was fixed income where returns were unexpectedly solid as yields moved lower over the year. Further, the dispersion of returns across regions, asset class and market capitalization was substantial. Importantly for Canadian investors, the weak Canadian dollar had a material positive impact on foreign holdings, with the exceptions of the Euro area and Japan, where the loonie actually strengthened.

In 2014, the U.S. equity market returned 24.0% (13.7% in USD) while the Canadian market managed to advance 10.6% despite a weak commodity sector and a second half collapse in the oil price. For the major global equity indices, returns (in CAD, price only) were generally anemic over the year. For 2014, the MSCI AW (ex-Canada and the U.S.) index gained 4.8%, MSCI emerging markets rose 6.7%, and MSCI EAFE advanced only 3.7% while the MSCI Europe index was flat. In the Asia Pacific region results were very divergent, the Japan NIKKEI added 3%, and Hong Kong gained 10.8% while the best markets were India and China up 39.3% and 63.3% respectively.

During 2014, global capital markets continued to face significant headwinds. Geopolitical tensions rose with heightened concerns regarding the Russia/Ukraine conflict, the imposition of Russian sanctions, military action in Israel/Gaza and fears that ISIS was gaining ground in their violent attempt to take control of Iraq. There was also a real fear that the Ebola virus may spread beyond West Africa with cases reported in the U.S. and Europe. On balance, world markets were able to absorb these issues and grind modestly higher.

However, over the second half of the year, a significant trend developed in the global economy. Rather than the consensus expectation of firming, synchronized global growth, world economic activity decoupled. U.S. economic activity improved significantly after the first quarter weather-related slowdown with 5% real GDP growth in Q2 and Q3 and an expectation of 3% for Q4.

However, the balance of the major world economies faltered and growth disappointed significantly over the last half of the year. In Europe, the fragile recovery appeared to be at risk of falling back into recession and deflation became a real possibility. Japan technically moved into recession as it has experienced two consecutive quarters of negative real GDP. China's economy continued to experience slower economic activity as the leadership attempted to manage a soft landing as it refocused economic growth towards consumption driven from capital spending dependent. This combined with weak commodity prices and the prospect of rising U.S. interest rates weighed on emerging market economies over the past year. The confluence of these events heightened investor concerns that global economic growth expectations were far too optimistic.

The knock on effects of this were substantial as European and North American yields fell precipitously, the U.S. dollar rose dramatically and the world oil price collapsed.

In summary, over the last half of 2014, markets (with the exception of the U.S.) lost confidence that global central banks stimulus policies were having the desired impact of driving global growth and raising inflation expectations.

The performance of the fixed income market in 2014 was a major surprise as the overwhelming consensus was that rates would gradually rise as the Federal Reserve exited its QE program. While rates were volatile, they peaked at the end of December 2013 and trended lower for most of the year. In 2014, CSSB's custom fixed income benchmark returned 11.6% while the FTSE/TMX Universe Bond gained 8.8% and the FTSE/TMX long index rose 17.5%.

Regarding 2014 returns for CSSB's non–public assets, real estate, private equity and infrastructure, the final quarter is when the portfolios experience the majority of their appraisal or valuation adjustment. Real estate and infrastructure produced positive returns relative to their respective benchmarks for the year. Private equity (Superman Resources) returns were disappointing and underperformed its benchmark as a result of weak natural gas prices.

For 2014, the Total Fund underperformed its policy benchmark by 190 basis points, returning 9.24% versus 11.14%. This relative underperformance was largely due to the underperformance of our North American publicly-traded assets versus their respective benchmarks. Within our asset allocation, returns were negatively impacted by our underweight position in fixed income and exposure to Non-North American equities. In terms of non-public investments, real estate and infrastructure both added value to their respective benchmarks in 2014. However, private equity (Superman Resources) returns lagged significantly due to the negative impact of falling oil and gas prices on the reserve evaluation at year end.

Diversification, Growth and Stability

Fund Investments

	2014(*)	2013(*)
Contractual Investments		
Cash and Short-term	65,204	24,712
Bonds and Debentures	1,364,183	1,195,372
Mortgages	21,757	24,060
Public Equity Investments		
Canadian Equities	1,273,336	1,325,659
U.S. Equities	1,205,639	1,030,425
Non-North American Equities	1,469,517	1,517,853
Non-Public Equity Investments		
Real Estate	665,626	584,597
Private Equity	225,906	214,442
Infrastructure	263,707	169,832
Total Investments	6,554,875	6,086,952

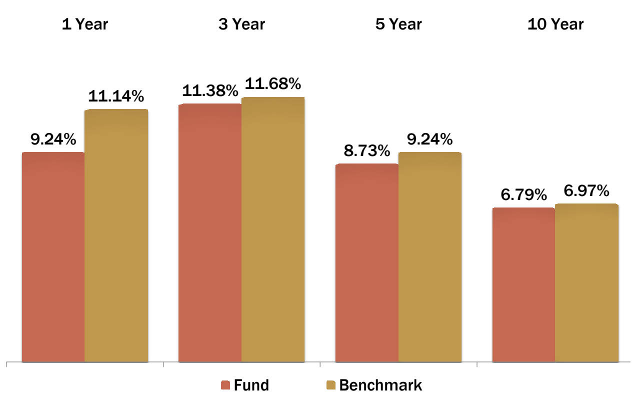
* $Thousands

Performance

Calculation Methodology

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

Total Fund

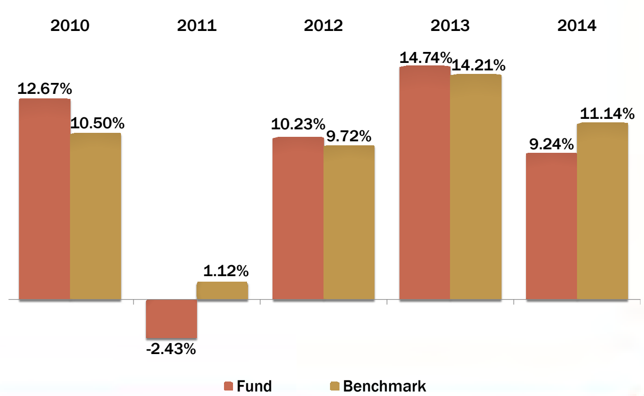


For 2014, the Total Fund returned 9.24% exceeding the actuarial required rate of return by approximately 3%. While this absolute return was significant, the relative return to the Fund's policy benchmark fell short of its objective. This was largely due to the underperformance of our North American publicly traded assets versus their respective benchmarks.

Within our asset allocation, returns were negatively impacted by our underweight position in fixed income and exposure to Non–North American equities.

In terms of non-public investments, real estate and infrastructure both added value to their respective benchmarks in 2014. However, private equity (Superman Resources) returns lagged significantly due to sharp decline in oil and gas prices.

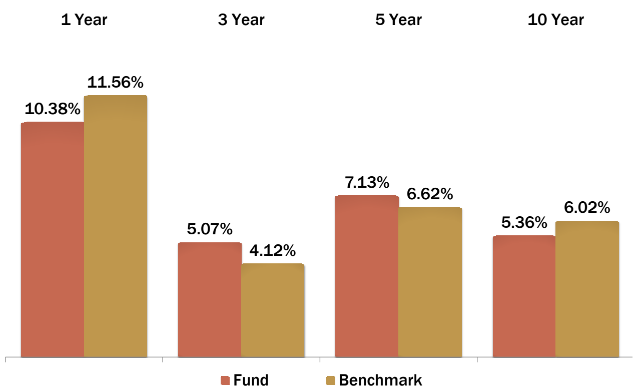
The benchmark return in the graph below reflects what the Fund could expect to return by indexing, or non-active management, versus the actual total fund return. With the exception of 2011 and 2014, the Fund has managed to add value from active management quite consistently.



Cash and Cash Equivalents

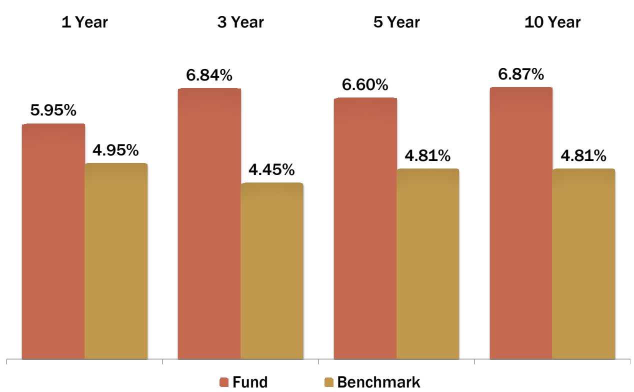
Cash remains a relatively small portion of the Fund. Active management added 24 basis points, 1.15% over the DEX 91 Day T-Bill of 0.91%.

Bonds and Debentures



In 2014, the bond portfolio underperformed with a return of 10.38% versus 11.56% for the benchmark. Performance was driven by a combination of the Fund being short duration relative to the benchmark along with an overweight corporate debt position. During the year, Government of Canada mid and long-term yields decreased close to 100 basis points while corporate spreads widened 12 basis points on average.

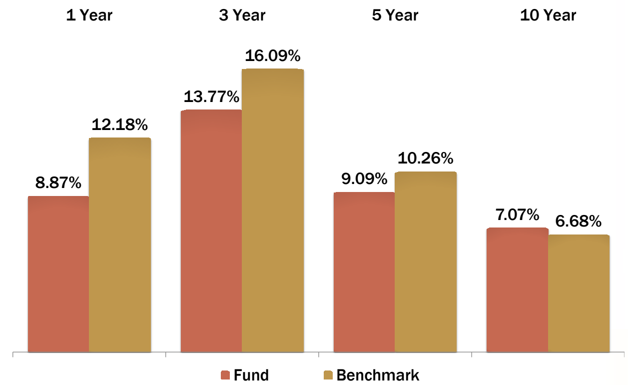
Real Return



Products such as Index-Linked mortgages remain a designated vehicle to fund the Cost-of-Living Account for future benefits. Real return investments earned 5.95% in 2014 compared to its benchmark of 4.95%.

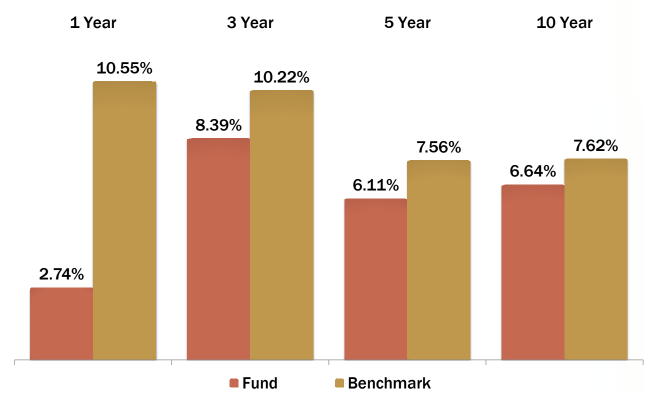
Total Equity

In 2014, global market returns (in local currency terms) moderated significantly from their exceptional performance in 2013. Importantly for Canadian investors, the weak Canadian dollar had a material positive impact on foreign holdings, with the exceptions of the Euro area and Japan, where the loonie actually strengthened. In 2014, the U.S. equity market returned 24.0% (13.7% in USD) while the Canadian market managed to advance 10.6% despite a weak commodity sector and a second half collapse in the oil price.



For the major global equity indices, returns (in CAD, price only) were generally anemic over the year. For 2014, the MSCI AW (ex-Canada and the U.S.) index gained 4.8%, MSCI emerging markets rose 4.3%, and MSCI EAFE advanced only 1.3% while the MSCI Europe index was flat. In the Asia Pacific region results were very divergent, the Japan NIKKEI added 3%, and Hong Kong gained 10.8% while the best markets were India and China up 39.3% and 63.3% respectively.

Canadian Equity



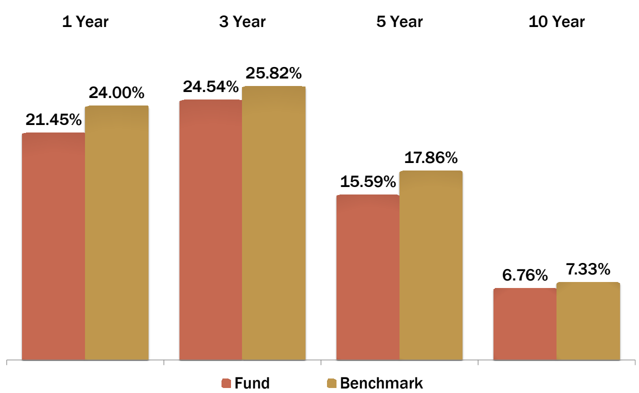
The S&P/TSX followed up on its strong 2013 showing with a further 10.6% gain in 2014. Non-resource sectors performed extremely well during the year while energy and materials were the only sectors to post negative returns. With 40% of the Canadian benchmark sharply underperforming the broader index, returns in the non-resource sectors clearly benefited from a powerful flow of funds. In particular, consumer staples, information technology, consumer discretionary and health care all posted returns in excess of 30%. Even the telecommunications and utilities sectors benefitted from funds flow as both sectors posted returns greater than 15%.

The precipitous 40% drop in crude oil prices stunned forecasters and investors and created a punishing vortex for energy stocks and stocks with exposure to energy end-markets. Alternatively, investors continued to reward companies that engaged in growth through acquisition strategies and continued to seek safety in large cap dividend paying stocks.

The Canadian Equity I Fund returned 1.5% during the year while the Canadian Equity II Fund posted a 5.1% return. Relative returns were hindered largely by stock selection in the energy and industrials sectors as a number of active bets lagged the benchmark return, which was dominated by a handful of large cap names.

U.S. Equity

The S&P 500 gained 24.2% in Canadian dollar terms in 2014. Interestingly, almost 11% of that advance is attributable to the weakness in the Canadian dollar. In U.S. dollars the gain was only 13.7%. Meanwhile it was a difficult year for active management as the average manager underperformed the benchmark by approximately 250 basis points.

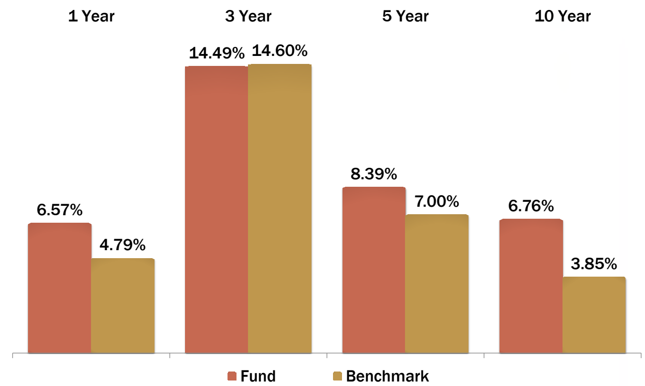


The U.S. Equity Fund performed like the average fund in 2014 with a gain of 21.5% in Canadian dollars. The underperformance relative to the benchmark all occurred in the second half of the year as oil prices collapsed. The fund was actually ahead of the benchmark for the first two quarters. Due to the large percentage gain of the benchmark, cash once again acted as a significant drag even though it only comprised 4% of the portfolio on average.

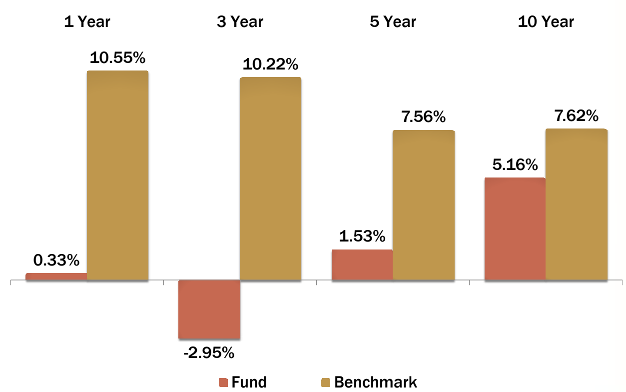
Non-North American Equity

The Non-North American Equity component of the fund outperformed by 178 bps, returning 6.57% versus the benchmark return of 4.79%.

Fund returns were helped by our 8.5% overweight in emerging markets with MSCI Emerging Markets returning 7.14% while MSCI EAFE returned 4.64%. In combination with the U.S. Federal Reserve rate hike being pushed out later and reform announcements, emerging markets performed well with MSCI China posting returns of 18.32% and India posted 36.51%. The underweight bias in Europe also boosted returns as MSCI Europe underperformed the benchmark, up just 3.18%.



Private Equity



In aggregate, private equity, including the Richardson Private Equity funds, returned 0.3% in 2014. Underperformance stemmed predominantly from our largest private equity investment, Superman Resources (SRI).

The dramatic decline of both oil and gas prices in the second half of the year led SRI's independent reserve evaluator, Sproule, to sharply revise downward its commodity price deck at year-end. This in turn resulted in a (4.06)% return for the year. It is important to note that although these price deck revisions caused a negative return, SRI did grow its reserves by 12.8% on a proved plus probable basis, led by both a successful drilling program and two acquisitions made over the course of the year.

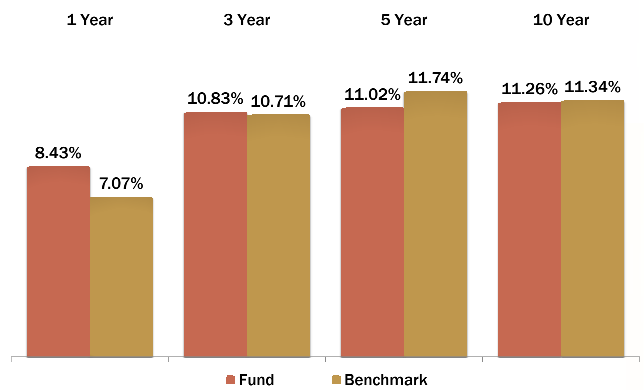
Although production was down 4%, much of this was due to turnarounds at third party processing plants which are now back on-line. The company successfully lowered its operating and finding, development and acquisition costs over the year. Given the current weak commodity price environment, management intends to slow its drilling program post spring break-up and wait for improved pricing. SRI views the current environment as a substantial opportunity to potentially add land and/or quality, focused and scalable properties (oil or gas) at attractive economic metrics.

Infrastructure

The Borealis Infrastructure Fund managed by OMERS, had another strong year. The fund gained 10.3% versus the benchmark of 6%. On June 30, 2014 a new commitment of $100 million was made to the Borealis fund to raise the total commitment to $300 million. As the annual audited financial statements are not concluded by OMERS prior to the CSSB cut off date, the annual return is from September 30, 2013 to September 30, 2014. That will be the consistent methodology every year. At the time of writing, however, the audited statements were complete and the annual return was 13.4% with a large gain in the fourth quarter. That gain will be attributable to the 2015 annual return for CSSB. The cash yield percentage in 2014 was a stellar 9.7%, with the balance of the 3.7% being attributable to market value increases.

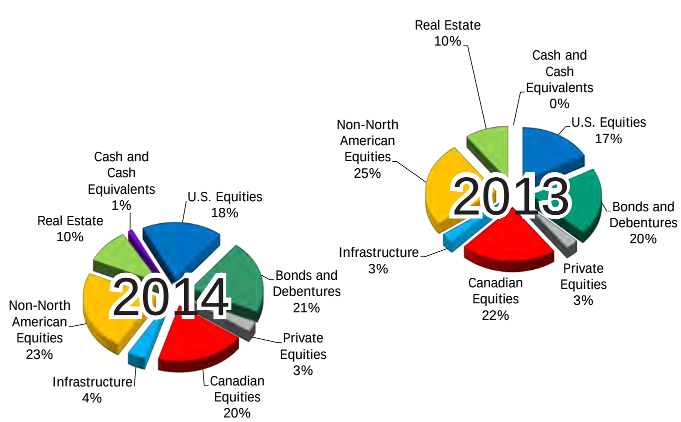
Real Estate

Real estate values posted modest capital gains in 2014 as the cycle in cap rate compression comes to an end. 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. Property fundamentals at the present time remain healthy with low vacancy and steady rental increases. However, there is a growing concern of oversupply in some of Canada's major office markets.

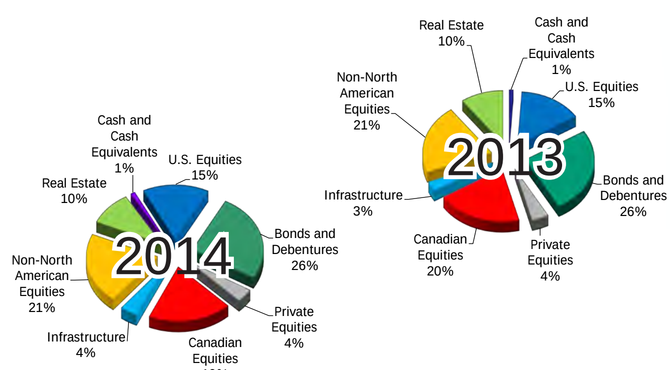


We continue to focus on off-market transactions as a means to acquire real estate at attractive valuations and undertake select development opportunities where risk adjusted returns are appropriate.

Fund Investments



Investment Policy Normal Allocation



Strategy and Outlook

As we move into 2015, it is our view that many of the macro headwinds that challenged global capital markets over the last half of 2014 will diminish. We would expect that oil prices will stabilize /rebound, the USD will advance moderately and the downward pressure on rates will abate as global growth expectations improve. Presently, estimates are for global GDP to average 3.5% in 2015 from less than 3% in 2014. Essential to this is a broadening of global economic activity as the U.S. is currently the only major economy showing positive momentum. The foundation to our cautiously optimistic outlook for global growth is a further ramping up of central bank stimulus outside of the U.S.

Recent statistics suggest that U.S. economic activity remains relatively solid as growth over the last three quarters has averaged an above trend rate of 3%. It appears that the U.S. may have entered a period of sustainable growth without the stimulus from quantitative easing. In fact, the Federal Reserve has indicated that it is inclined to begin raising its benchmark rate during 2015 at a very gradual pace given the improvement in the economy. The consumer and certain corporate sectors should benefit from lower energy prices, employment growth is expected to remain strong, unemployment is at pre-crisis levels and corporate balance sheets are generally healthy. Home sales remain well below previous levels, but they are improving and pent up demand is building. Additionally, auto sales have hit a pre-crisis high and are forecast to remain strong. The one area that will be a drag on U.S. growth is the energy sector as capital expenditures and employment are reduced due to the dramatic decline in oil prices. Taken together, the U.S. economy should grow close to 3% in 2015.

Turning to Europe, economic activity remains fragile with recent statistics raising fears of recession and deflation. While the ECB has lowered rates, moved to negative rates on deposits and implemented various asset-backed and covered bond purchases, it has clearly been insufficient. Mr. Draghi stated in early December that the ECB will not tolerate a sustained period of low inflation and indicated that the ECB would act decisively. It is now widely anticipated that the ECB will implement an aggressive U.S. style QE program at its January 22, 2015 meeting aimed at buying European sovereign debt. Estimates of the size of the program range from increasing the ECB balance sheet by 500 to 1 trillion Euros. It is our view that the larger the better as extraordinary measures/actions are required to rebuild confidence in European growth expectations and boost inflation expectations. As such, it is our expectation that Euro area economic activity will rebound modestly. Further supporting a more positive view on Europe is the impact on exports of a weaker Euro and the benefits of much lower energy prices.

Japan's Abenomic's policy of fiscal and monetary reform has fallen short of expectations. The implementation of the April 14th consumption tax had a far greater impact on growth than anticipated and Japan's economy slipped into recession. In response, Prime Minister Abe delayed a second consumption tax increase scheduled for 2015 to late 2017 and called a snap election to reaffirm public support for his aggressive pro-growth policies and yet to be implemented structural reforms. Abe was successful in the December 14th election and immediately announced a $28 billion USD fiscal stimulus package and a cut in corporate income taxes over two years. The latter is designed to encourage companies to raise wages and increase capital investment. Another policy initiative to stimulate growth and consumer confidence was to have the massive Japanese government pension fund increase its commitment to domestic equities from 12 – 25% to support prices. Given the Abe government's willingness to be ever more aggressive with QE and other bold measures we expect the Japanese economy to recover over the next 12 months.

For China, we expect real GDP to moderate further to the 7.0% level in 2015 from approximately 7.2% in 2014. This is consistent with the Chinese leadership's stated intention to refocus economic growth on domestic consumption and be less reliant on exports and capital investment. Over the long run this is a much more sustainable, albeit slower growth model. The challenge for China's central bank is to balance the need to reduce excesses while remaining adequately accommodative in order to avoid a hard landing. It is our view that Chinese authorities have ample fiscal and monetary policy room to maintain growth at an adequate level. In this regard, they have announced several mini-stimulus packages, recently surprised the market with a central bank rate cut and pulled forward $1.1 trillion (USD) in infrastructure spending to support growth.

Emerging market economies have underperformed over the last few years as Chinese growth has moderated and commodity prices weakened. In 2015, it is expected that emerging market economic activity will diverge. Those dependent on world oil prices to fund fiscal programs will suffer while oil importers should benefit. Overall emerging market growth will be a positive contributor to global growth.

The domestic Canadian economy is likely to be negatively impacted by a generally weak environment for commodities and the magnitude of the decline in oil prices. Growth may be buffeted by the weak currency, strength of the U.S. economy and the impact of lower gasoline prices on the consumer. However, as the energy and commodity sectors are significant in the Canadian context the ramifications for employment, housing and government spending may be material if oil prices remain depressed for an extended period of time.

From a geopolitical risk perspective, the decline in world oil prices may act as a destabilizing force on countries in the Middle East and Africa that are highly dependent on oil revenues. The ongoing war with ISIS and Al Qaeda will remain a significant concern as will the Russia/Ukraine conflict. The recent terrorist attacks by “Lone Wolf” Muslim radicals in Canada, the U.S. and Paris are disturbing and highlight the difficulty in defending such events. A new concern has emerged as cyber-attacks on various financial institutions, corporations and governments have added a new dimension to terrorism.

While the global economic outlook faces some significant headwinds it is our view the global central bankers and governments will do whatever it takes to boost growth and avoid deflation. Currently global central banks are implementing divergent monetary policies. The U.S. and UK having exited QE have suggested the benchmark rates will move up in 2015. While Europe and Japan are aggressively implementing QE, China is injecting fiscal stimulus. It would be our view that the central bankers in the UK and U.S. will be very careful not to raise rates while other parts of the global economy are struggling to recover.

This macro-economic backdrop is supportive of further gains in equity markets. However, returns will be more in line with the long-term historical trend of 8-10%. For global equity markets, volatility will increase in 2015, corrections could be more severe and regional returns are likely to diverge.

The outlook for the U.S. markets remains favorable and is expected to grind higher over the year. Returns are expected to moderate from the previous 3 years as valuations have little room to expand further and market gains will have to be supported by earnings growth. The latter is somewhat clouded as the impact of the decline in oil will hit energy earnings, but that should also have a significant positive impact on the overall consumer and corporate sectors. The general view is that the fall in energy prices should be a net benefit to the economy in 2015.

The Canadian market will remain under pressure until the world oil price stabilizes and overall commodity demand improves. As the global economy regains traction, the Canadian equity markets will, at some point, offer an attractive opportunity as it has underperformed the U.S. for a number of years.

The European and Japanese markets are attractive on a valuation basis, although earnings are highly dependent on a reacceleration of economic activity. The real drive of European and Japanese equities is likely to be the implementation of aggressive QE that drives asset prices and valuations higher.

Finally, emerging markets continue to be attractive over the long-term given their demographic profile and long-term growth prospects. In 2015, we expect emerging market performances to be quite bifurcated with those dependent on oil exports suffering (Russia, Brazil, Columbia), while oil importing countries (China, India) should benefit.

In summary, we would look to opportunities to increase our exposure to Non-North American equities selectively (Europe and Japan) and to reduce our Canadian equity position on strength. Currently we intend to remain overweight in U.S. equities.

Turning to the outlook for fixed income markets, we were surprised that rates resumed their downtrend in 2014. Over the year, it appears that domestic interest rates decoupled from the North American economy. Essentially, domestic interest rates have been driven by the actions of European and Japanese central bankers to drive their rates and currencies down. These efforts have seen European and Japanese yields fall to historic lows and their currencies weaken considerably. Given this, U.S. Treasuries were viewed as a high yield option and money flows moved massively into North American debt markets. Other related structural issues that drove rates lower were pension fund demand, banks adapting to stricter capital regulations requiring safe government bonds and geopolitical risks pushing investors to safety.

While interest rates may be pushed lower over the short-term as money flows and momentum suggest, we do not see value in the fixed income sector over the medium to long-term. One fears that fixed income markets are nearing extreme levels and when rates eventually turn it could be disruptive to all capital markets.

Thus, we are continuing to underweight fixed income in our asset mix as we feel there is more risk than return being priced in. It is important to note that we are not expecting a dramatic increase in the interest rate environment. Rates are likely to remain low for longer. The current levels appear inconsistent with improving U.S. and global growth and a Fed that is moving to gradually normalize rates.

Concerning non-public assets, we continue to view these assets favorably in terms of risk diversification and stable returns. High quality real estate investments will be added as opportunities arise over the year. Infrastructure continues to offer attractive cash flow, relatively stable returns and tends not to be correlated with public equity markets. Finally, total fund cash reserves are expected to remain modest in 2015.

Membership

Member Services

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

1. Individual Meetings

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

2. Pre-Retirement Planning Seminars

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

3. Employee Pension and Insurance Seminars

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

4. Personal and General Inquiries

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

5. Electronic Communications

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

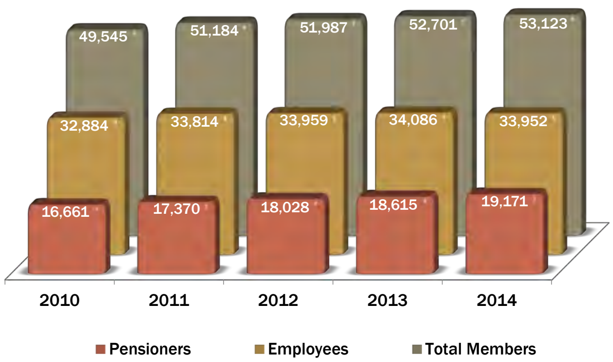
Staff are available to meet your information needs with respect to enrolment, retirement, disability, termination and pension projections for estate and retirement planning.

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

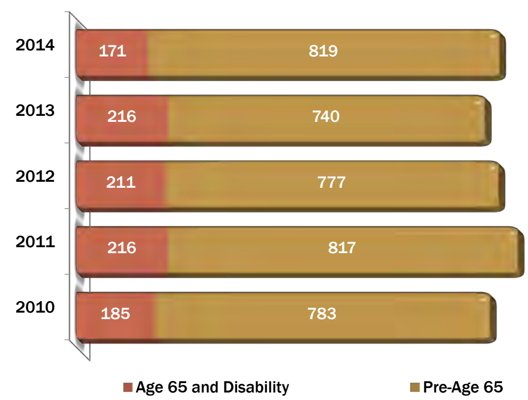
Members/Retirements

During 2014
- Total members increased by 422 to 53,123
- Employees/former employees participating in the Fund decreased by 134 to 33,952
- Pensioners/beneficiaries increased by 556 to 19,171

Total Members



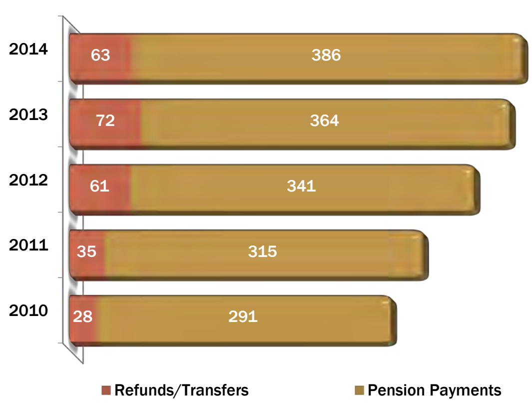
Retirements



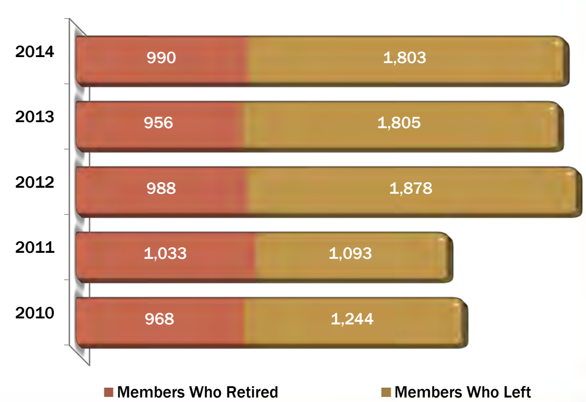
Paying Your Benefits

During 2014
- 19,171 pensioners/beneficiaries were receiving pension benefits at the end of the year
- $386 million was paid in pensions

Payments From The Fund (Millions)



Former Contributors



Employee Contributions/Employer Payments

During 2014

- Employees contributed $150 million to the Fund compared to $137 million in 2013
- Employers paid $214 million to the Fund compared to $207 million in 2013

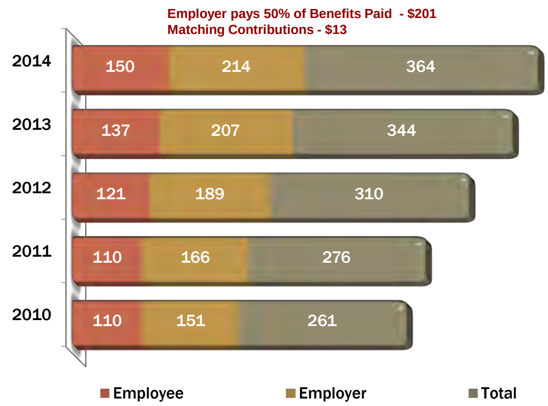
Employees and Employers share the cost of the plan.

- 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, marriage separations, and deaths for non-matching employers
- Payments made by matching employers

Contributions and Payments (Millions)



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

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

An employee contributes to the pension plan at one rate on salary up to his or her Canada pensionable earnings, and at a different rate on salary over of his or her Canada pensionable earnings. Canada pensionable earnings is the salary an employee receives in a year that does not exceed the Yearly Maximum Pensionable Earnings under the Canada Pension Plan. The Yearly Maximum Pensionable Earnings for 2015 is $53,600.

Cost-of-Living Adjustment (COLA)

- 10.2% of employee contributions and matching employer payments go to a separate account to fund COLA
- The account funds approximately half the COLA increase while employers pay their share
- Pensioners and beneficiaries receive an annual increase to a maximum of ⅔ of the increase in the Canadian Consumer Price Index (CPI)
- The COLA paid July 1, 2014 was 0.83%

Cost-of-Living Account

The Board is concerned with the future viability of COLA. COLA is limited to the extent that the COLA account is, in the opinion of our actuary, able to pay for approximately one half of the increases. The employer pays for the remainder of the increases. The Board is concerned that the COLA account will not be able to continue to provide increases of ⅔ of the increase in the Canadian Consumer Price Index. Concerned members should contact the Pension and Insurance Liaison Committee.

Funding of Pension Benefits

The Fund’s net assets available for benefits are primarily funded by:

- Investment income
- Employee contributions
- Employer payments

These assets are used to finance the payment of the Fund’s portion of the basic pension, the indexing benefits, and the employers’ share for several matching employers. The majority of employers are non-matching and defer payment of their share of pension benefits until the benefit is paid.

The Fund consists of two separate accounts:

1. Basic Benefits Account

- Finances the Fund's share of the basic pension benefit calculated as at a specific date (i.e. retirement, termination or death)

2. Indexing Benefits Account

- Has been specifically established to finance the Fund's share of cost-of-living benefits paid to members
- 10.2% of employee contributions and matching employer payments are credited annually to this account

The cost-of-living benefit payments are limited to the extent that the Indexing Benefits Account is able to finance its share of each increase. Legislation limits the maximum annual cost-of-living adjustment to ⅔ of the increase in the CPI until the account can prefund anticipated adjustments for the next 20 years.

The net assets available to finance pension benefits, the obligations for pension benefits, and any surplus in the Basic Benefits Account and the funds available to finance future cost-of-living adjustments as at December 31, 2014 are summarized below.

	Fund (*)	Non-Matching Employers (*)	Obligations Total (*)
1. Net Assets Available (Net of Actuarial Reserves)			
Basic Benefits Account	4,013,843		
Indexing Benefits Account	471,099		
Total	**4,484,942**		
2. Actuarial Obligations for Pension Benefits			
Basic Benefits Account (Excluding future benefits)	4,441,511	3,369,408	7,810,919
Indexing Benefits Account	231,501	212,905	444,406
Total	**4,673,012**	**3,582,313**	**8,255,325**
3. Actuarial Position/Funds Available			
Basic Benefits Account	(427,668)	(3,369,408)	(3,797,076)
Indexing Benefits Account (funds available to finance future adjustments)	239,598	(212,905)	26,613
Surplus/(Deficit)	**(188,070)**	**(3,582,313)**	**(3,770,383)**

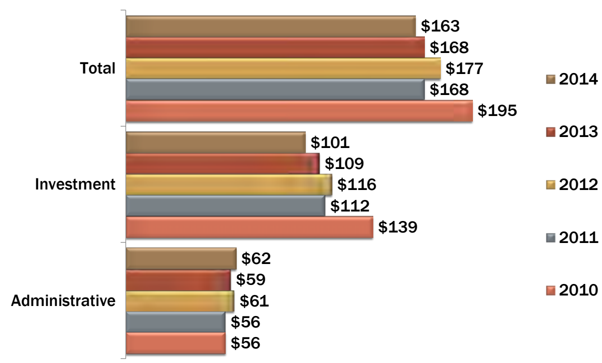
* $Thousands

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 2014 was $163 consisting of $62 for administration and $101 for investment related expenses.

Annual Cost Per Member



Governance

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

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

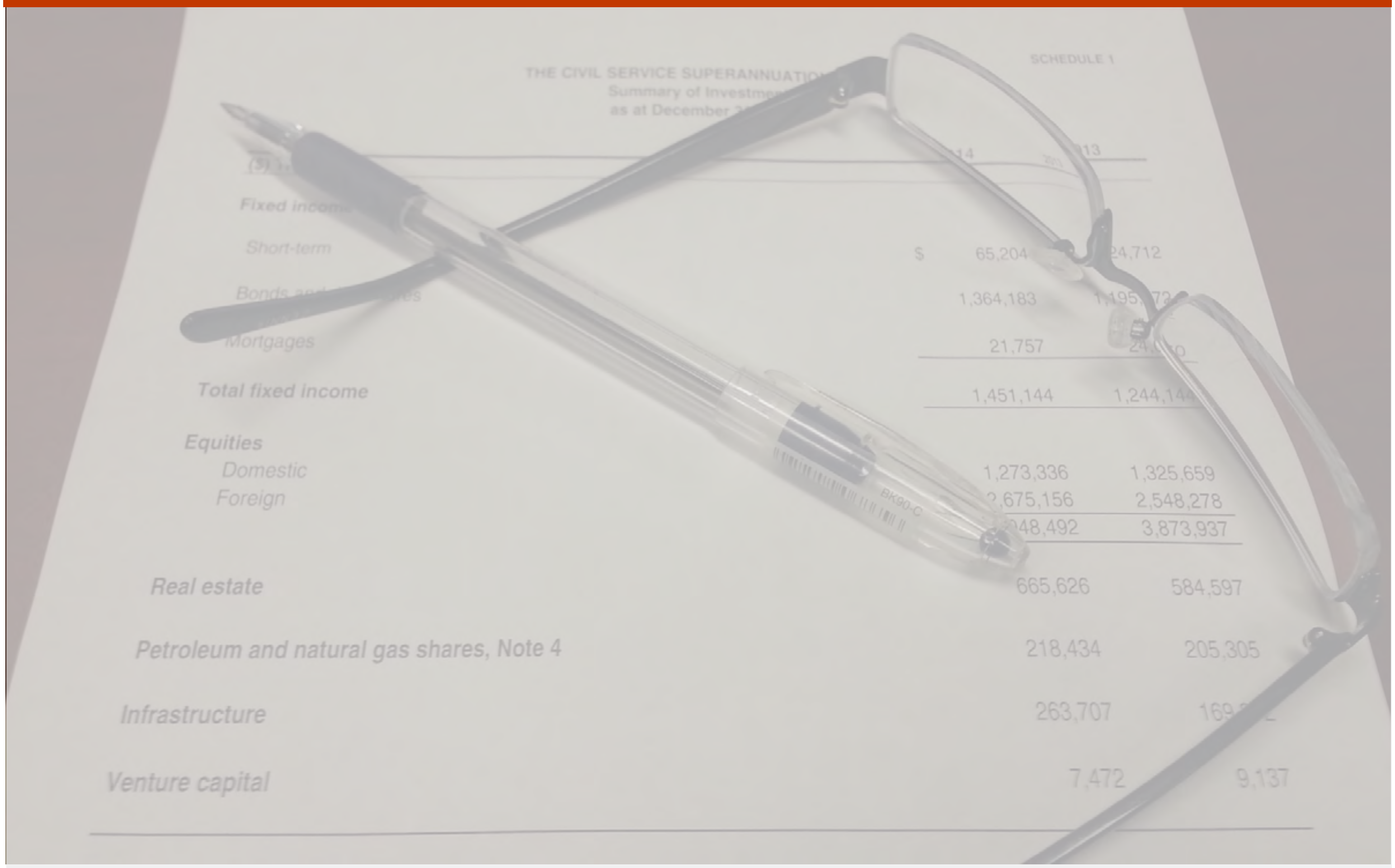
Five-Year Comparative Statistics

		2010 (*)	2011 (*)	2012 (*)	2013 (*)	**2014 (*)**
Investments	Rate of Return	12.67%	(2.43)%	10.23%	14.74%	**9.24%**
	Market Value	4,915,555	4,845,227	5,450,922	6,086,952	**6,554,875**
Contributions and Payments	Employee Contributions	109,924	109,736	120,358	136,390	**150,251**
	Employer Payments	151,255	166,062	189,218	207,253	**213,957**
	Total	261,179	275,798	309,576	343,643	**364,208**
Payments from the Fund	Pension Benefits Paid	291,168	315,051	340,558	364,295	**386,601**
	Refunds and Transfers	27,517	35,123	60,847	72,252	**62,857**
Expenses	Administrative, net before recoveries from non-matching employers	2,787	2,846	3,051	3,128	**3,268**
	Investment, net	6,883	5,758	6,023	5,724	**5,382**

* $Thousands unless otherwise noted

		2010	2011	2012	2013	**2014**
Membership	Non-Retired Members	32,884	33,814	33,959	34,086	**33,952**
	Pensioners and Other Recipients	16,661	17,370	18,028	18,615	**19,171**
	Total Members	49,545	51,184	51,987	52,701	**53,123**
	Refunded/Transferred Members	1,244	1,093	1,878	1,805	**1,803**
	Retirements	968	1,033	988	956	**990**

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 30, 2015.

The firm of Ellement has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual 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, 2014 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, 2014, 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.

Original document signed by:
Norm Ricard

April 30, 2015
Winnipeg, Manitoba

Norm Ricard, CA
Auditor General (Acting)

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, 2014

	2014	2013
($) Thousands		
Assets		
Investments, Schedule 1, Notes 2(b) and 4	$6,554,875	$6,086,952
Equipment	197	297
Prepaid expenses	246	204
Debt due from the Province of Manitoba, Note 5	1,826	1,826
Receivables, Note 6	4,728	3,554
Accrued dividends and interest	14,774	13,060
Total assets	**6,576,646**	**6,105,893**
Liabilities		
Accounts payable and accrued liabilities	10,908	10,805
The Province of Manitoba Unfunded Pension Liability Trust Account, Note 7	1,938,337	1,822,764
Correctional Officers' Trust Account, Note 9	7,823	6,800
Employer Trust Accounts, Note 10	81,963	74,492
Money Purchase Accounts Plan, Note 11	32,154	30,272
Manitoba Hydro Enhanced Benefit Trust Account, Note 8	20,519	16,937
Total liabilities	**2,091,704**	**1,962,070**
Net assets available for benefits, Exhibit B	**$4,484,942**	**$4,143,823**
Pension Obligations and Deficit		
Actuarial value of pension obligations, Exhibit C, Note 12	**$8,255,325**	**$7,804,696**
Deficit, Exhibit D, Note 1(b), 12, 13 and 20	**(3,770,383)**	**(3,660,873)**
Pension obligations and deficit	**$4,484,942**	**$4,143,823**

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, 2014

($) Thousands	2014 Basic Benefits Account	2014 Indexing Benefits Account	2014 Total	2013 Total
Increase in assets				
Contributions, Schedule 2, Note 1(b) and 14				
Employees	$ 135,025	$ 15,226	**$ 150,251**	**$ 136,390**
Employers	194,514	19,443	**213,957**	**207,253**
Total contributions	329,539	34,669	**364,208**	**343,643**
Net investment income, Schedule 3	143,075	38,036	**181,111**	**146,744**
Current period change in fair value of investments, Note 15	365,731	-	**365,731**	**637,089**
Employer liability funding, Note 23	50,243	9,429	**59,672**	**-**
Other	79	-	**79**	**78**
Total increase in assets	**888,667**	**82,134**	**970,801**	**1,127,554**
Decrease in assets				
Benefits paid, Note 16	344,047	42,554	**386,601**	**364,295**
Refunds and transfers, Note 17	62,857	-	**62,857**	**72,252**
Administrative expenses, net, Note 18	1,864	-	**1,864**	**1,774**
Transfer to employer trust accounts	568	-	**568**	**358**
Interest allocations to various trust accounts and Money Purchase Accounts Plan, Note 19	177,792	-	**177,792**	**254,031**
Total decrease in assets	**587,128**	**42,554**	**629,682**	**692,710**
Increase in net assets	**301,539**	**39,580**	**341,119**	**434,844**
Net assets available for benefits, beginning of year	3,712,304	431,519	**4,143,823**	**3,708,979**
Increase in net assets	301,539	39,580	**341,119**	**434,844**
Net assets available for benefits, end of year, Exhibit A	**$4,013,843**	**$ 471,099**	**$4,484,942**	**$4,143,823**

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, 2014

($) Thousands	Fund	Non-Matching Employers	2014 Total	2013 Total
Basic Benefits Account				
Pension obligations, beginning of year	$4,109,834	$3,268,008	**$7,377,842**	**$7,180,036**
Change in pension obligations during the year				
Experience (gain) loss	38,173	(6,378)	**31,795**	**(182,867)**
Benefits accrued	140,688	110,625	**251,313**	**251,046**
Benefits paid	(212,390)	(194,514)	**(406,904)**	**(394,376)**
Interest accrued on benefits	246,729	193,181	**439,910**	**415,529**
Change in actuarial reserves	64,643	52,320	**116,963**	**108,474**
MLCC - change to matching employer (Note 23)	53,834	(53,834)	**-**	**-**
	331,677	101,400	**433,077**	**197,806**
Pension obligations, end of year	**$4,441,511**	**$3,369,408**	**$7,810,919**	**$7,377,842**
Indexing Account				
Pension obligations, beginning of year	$ 217,833	$ 209,021	**$ 426,854**	**$ 422,980**
Change in pension obligations during the year				
Experience (gain)	(6,800)	(5,784)	**(12,584)**	**(11,344)**
Benefits accrued	19,494	15,328	**34,822**	**21,432**
Benefits paid	(24,382)	(18,172)	**(42,554)**	**(42,529)**
Interest accrued on benefits	12,008	11,521	**23,529**	**23,673**
Change in actuarial reserves	8,602	5,737	**14,339**	**12,642**
MLCC - change to matching employer (Note 23)	4,746	(4,746)	**-**	**-**
	13,668	3,884	**17,552**	**3,874**
Pension obligations, end of year	**$ 231,501**	**$ 212,905**	**$ 444,406**	**$ 426,854**
Combined				
Pension obligations, beginning of year	$4,327,667	$3,477,029	$7,804,696	$7,603,016
Change in pension obligations during the year	345,345	105,284	450,629	201,680
Pension obligations, end of year, Exhibit A	**$4,673,012**	**$3,582,313**	**$8,255,325**	**$7,804,696**

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, 2014

($) Thousands	2014 Fund	2014 Non-Matching Employers	2014 Total	2013 Total
Basic Benefits Account				
Deficit, beginning of year,	$(397,530)	$(3,268,008)	**$(3,665,538)**	**$(3,857,411)**
Increase in net assets	301,539	-	**301,539**	**389,679**
Change in pension obligations during the year	(331,677)	(101,400)	**(433,077)**	**(197,806)**
	(30,138)	(101,400)	**(131,538)**	**191,873**
Deficit, end of year	**$(427,668)**	**$(3,369,408)**	**$(3,797,076)**	**$(3,665,538)**
Indexing Account				
Surplus (deficit), beginning of year,	$ 213,686	$ (209,021)	**$ 4,665**	**$ (36,626)**
Increase in net assets	39,580	-	**39,580**	**45,165**
Change in pension obligations during the year	(13,668)	(3,884)	**(17,552)**	**(3,874)**
	25,912	(3,884)	**22,028**	**41,291**
Surplus (deficit), end of year	**$ 239,598**	**$ (212,905)**	**$ 26,693**	**$ 4,665**
Combined				
Deficit, beginning of year,	$(183,844)	$(3,477,029)	**$ (3,660,873)**	**$(3,894,037)**
Change during the year	(4,226)	(105,284)	**(109,510)**	**233,164**
Deficit, end of year, Exhibit A, Note 20	**$(188,070)**	**$(3,582,313)**	**$ (3,770,383)**	**$(3,660,873)**

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

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

Effective January 1, 2014, the Act required that employees contribute 7.5% of pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and 8.5% of pensionable earnings above that maximum. The corresponding contribution rates increase .5% in 2015. In accordance with the Act, 89.8% of the employee contributions are allocated to the Basic Benefits Account and 10.2% are allocated to the Indexing Benefits Account. The matching employer contribution rate is .9% less than the employee on pensionable earnings up to the Canada Pension Plan (CPP) maximum pensionable earnings and the same as the employee on Pensionable Earnings above that maximum.

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

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

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

(c) Pension Calculation

The lifetime pension calculation equals:

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

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

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

(d) Excess Contributions

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

(e) Retirement

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

(f) Disability Pensions

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

(g) Survivor's Benefits
A survivor's benefit is payable to a spouse or estate upon an active member's death.

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

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

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

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

2. Significant Accounting Policies

The significant accounting policies are summarized below:

(a) Basis of Presentation
The 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 the most recent appraisals or external manager's valuations of the underlying properties.
(ii) Petroleum and natural gas shares are valued based upon the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost until such information is made available.
(iii) Venture capital investments are based on values established by the external managers or at cost where no valuation has been prepared.

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

(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 22% (2013 – 20%) of its assets in fixed income securities as at December 31, 2014 which generated a rate of return of 10.38% (2013 – -1.36%). The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. As at December 31, 2014, 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 $125,880 (2013 - $93,717). 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, 2014 external fund managers had no open forward foreign exchange contracts (as at December 31, 2013 - $0). As a result there were no unrealized gains/(losses) on foreign exchange contracts in 2014 (2013 - $0).

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

As at December 31, 2014	Actual Currency Exposure	Percentage
Canadian dollar	$3,751,828	57.2%
US dollar	1,699,451	25.9
Japanese yen	189,974	2.9
Euro	188,535	2.9
Hong Kong dollar	136,599	2.1
Pound sterling	130,856	2.0
South Korean won	74,054	1.1
Australian dollar	72,450	1.1
Taiwan new dollar	58,246	0.9
Other currencies	252,882	3.9
Total investments	$6,554,875	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 $280,305 (2013 - $269,920).

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), 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 $510,373 (2013 - $484,281).

(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, 2014, the Fund's maximum credit risk exposure relating to bonds and debentures, cash and short-term investments and mortgages totaled $1,451,144 (2013 - $1,244,144), receivables of $4,728 (2013 - $3,554) and accrued interest of $8,324 (2013 - $6,420) totaled $1,464,196 (2013 - $1,254,118). 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, 15% can be rated BBB+ or lower, with some temporary latitude in the event of the down rating of a security.

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

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

Credit Rating	2014 Fair Value		2013 Fair Value	
AAA	$ 337,926	25.4%	$ 347,070	31.5%
AA	418,150	31.5	206,589	18.8
A	519,914	39.1	470,727	42.7
BBB+	8,148	0.6	49,844	4.5
BBB and lower	45,669	3.4	27,998	2.5
	1,329,807	100.0%	1,102,228	100.0%
Cash and short-term	34,376		93,144	
Total bonds and debentures	$1,364,183		$1,195,372	

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 2014 or 2013.

(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	2014	2013
Less than one year	$ 101,059	$ 119,306
One to five years	398,005	354,562
Over five years	952,080	770,276
Total fixed income investments	$1,451,144	$1,244,144

(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 2014
Assets				
Cash	$ 40,496	$ -	$ -	**$ 40,496**
Short-term	-	224,484	-	**224,484**
Bonds and debentures	-	1,329,807	-	**1,329,807**
Mortgages	-	21,757	-	**21,757**
Equities	3,300,823	484,946	-	**3,785,769**
Real estate	-	-	662,949	**662,949**
Infrastructure	-	-	263,707	**263,707**
Petroleum and natural gas	-	-	218,434	**218,434**
Venture capital	-	-	7,472	**7,472**
Total investments, Schedule 1	$3,341,319	$2,060,994	$1,152,562	**$6,554,875**

	Level 1 Quoted Prices in Active Markets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total 2013
Assets				
Cash	$ 27,518	$ -	$ -	**$ 27,518**
Short-term	-	308,772	-	**308,772**
Bonds and debentures	-	1,102,221	-	**1,102,221**
Mortgages	-	24,060	-	**24,060**
Equities	3,450,143	261,385	-	**3,711,528**
Real estate	-	-	528,579	**528,579**
Infrastructure	-	-	169,832	**169,832**
Petroleum and natural gas	-	-	205,305	**205,305**
Venture capital	-	-	9,137	**9,137**
Total investments, Schedule 1	$3,477,661	$1,696,438	$ 912,853	**$6,086,952**

All securities in Level 1 can be traded in an active market. During the year ended December 31, 2014, no equity investments were transferred from Level 1 to Level 2.

During the year ended December 31, 2014, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Infrastructure	Real Estate	Petroleum & Natural Gas	Venture Capital	Total
Beginning balance	$ 169,832	$ 528,579	$ 205,305	$ 9,137	$ 912,853
Purchases	81,263	117,745	21,417	68	220,493
Sales and withdrawals	-	(32,568)	-	(1,291)	(33,859)
Capitalized Income	-	21,800	-	-	21,800
Return of capital	-	-	-	(1,063)	(1,063)
Change in unrealized appreciation/ (depreciation)	12,612	27,393	(8,288)	621	32,338
Ending balance	$ 263,707	$ 662,949	$ 218,434	$ 7,472	$ 1,152,562

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, 2014, the Fund held the following investments that met this classification:

iShares MSCI Japan ETF	$ 87,116
Royal Bank of Canada shares	$ 69,171
Superman Resources Inc. – unitized shares	$ 218,434
Borealis	$ 263,707

(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 79.74% (2013 - 75.11%) share in its subsidiary, Superman Resources Inc. The fair value of the investment is $218,434 (2013 - $205,305).

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 (2013 - $1,826) for its employees and pensioners as at May 1, 1939. The Province of Manitoba pays semi-annual interest at 4% per annum on this amount.

6. Receivables

	2014	2013
Contributions receivable		
Employers	$ 2,331	$ 869
Employees	397	343
	2,728	1,212
Other receivables	2,000	2,342
	$ 4,728	$ 3,554

7. The Province of Manitoba Unfunded Pension Liability Trust Account

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

Under the terms of a March 6, 2001 agreement between the Province and the Board, the Province established a fund with the Board and the Province is making the required payments to this fund. As well, the Province is making 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:

	2014	2013
Contributions received	$ 86,547	$ 80,370
Interest earned	166,948	238,670
Pension and refund payments made	(134,565)	(133,429)
Investment management fees charged	(3,357)	(3,161)
Change during the year	115,573	182,450
Balance, beginning of year	1,822,764	1,640,314
Balance, end of year	$1,938,337	$1,822,764

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:

	2014	2013
Contributions received	$ 2,320	$ 2,144
Interest earned	1,654	2,063
Pension and refund payments made	(359)	(278)
Investment management fees charged	(33)	(29)
Change during the year	3,582	3,900
Balance, beginning of year	16,937	13,037
Balance, end of year	$ 20,519	$ 16,937

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:

	2014	2013
Contributions received	$ 1,292	$ 1,253
Interest earned	634	836
Pension and refund payments made	(899)	(782)
Expenses paid	(4)	(5)
Change during the year	1,023	1,302
Balance, beginning of year	6,800	5,498
Balance, end of year	$ 7,823	$ 6,800

10. Employer Trust Accounts

The Fund is responsible for providing enhanced benefits enacted in the 1992 legislation agreed to by the Employee Liaison Committee and the Employer Pension Advisory Committee. These benefits are 100% financed from the Fund's net assets available for benefits. To facilitate this funding, trust accounts were established for non-matching employers participating in the Fund for their share of the actuarial valuation of these future benefit enhancements. Specific contributions from eligible employees are being transferred to the applicable trust account. A continuity schedule of this trust account is as follows:

	2014	2013
Contributions received	$ 726	$ 375
Interest earned	6,787	9,478
Billing credits made to employers	(42)	(27)
Change during the year	7,471	9,826
Balance, beginning of year	74,492	64,666
Balance, end of year	$ 81,963	$ 74,492

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:

	2014	2013
Contributions received	$ 2,820	$ 3,851
Interest earned	1,769	2,984
Refunds and administration fees paid	(2,133)	(1,735)
Annuities made	(574)	(368)
Change during the year	1,882	4,732
Balance, beginning of year	30,272	25,540
Balance, end of year	$ 32,154	$ 30,272

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 Non-Matching Employers' pension obligations were prepared as at December 31, 2013 by Ellement, consulting actuaries. The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was extrapolated by the actuary to December 31, 2014. The principal components of the changes in pension obligations during the year are presented in Exhibit C.

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

Significant long-term actuarial assumptions used in the December 31, 2013 and 2012 valuations of the present value of the accrued basic pension benefit obligations were:

			2013	2012
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		UP 2013 Generational	UP 1994 Generational
(ii)	mortality improvements		Scale B	Scale AA

The extrapolations to December 31, 2014 were based on the assumptions used in the 2013 actuarial valuations. However, the actuary has phased-in some additional reserves in the 2014 extrapolations to provide for possible future adverse deviations and anticipated changes in the mortality assumptions.

The next actuarial valuations for Basic Benefits will be prepared as at December 31, 2014 and will be completed by the fall of 2015.

(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. As a result, the 2014 financial statements reflect only the pension obligations for cost-of-living adjustments up to the change in the Consumer Price Index for 2013. The 0.83% cost-of-living adjustment for the year ended December 31, 2013 at a cost of $34,822 (Fund - $19,494, Non-Matching Employers - $15,328) was approved April 24, 2014, with payment commencing July 2014, and is reported in the 2014 statement of changes in pension obligations (Exhibit C).

The December 31, 2013 actuarial valuations for the Fund's Indexing Benefits Account and the Non-Matching Employers' liability for indexing benefits were prepared by Ellement, consulting actuaries. The actuarial assumptions were the same as those used for the extrapolation of pension obligations for basic benefits to December 31, 2013, except the discount rate used was 5.50%.

The next actuarial valuations on the Indexing Benefits Account and the Non-Matching Employers' indexing benefits liability will be prepared as at December 31, 2014 and will be completed during 2015.

13. Employer Assets Provided for Pension Obligations

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

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

	2014	2013
Province of Manitoba, Note 7	$1,938,337	$1,822,764
Manitoba Hydro, Note 21	914,994	857,659
Manitoba Liquor Control Commission, Note 21	-	67,708
Total funds managed	$2,853,331	$2,748,131

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 and Manitoba Liquor Control Commission are managed separately and are excluded from the statement of financial position. In 2014, Manitoba Liquor Control Commission, after its amalgamation with Manitoba Lotteries Corporation, became a matching employer and paid to the Fund its unfunded employer benefit obligations.

14. Contributions

	2014	2013
Employees		
Required contributions	$ 144,670	$ 131,624
Voluntary contributions	189	217
Past service contributions	1,950	1,777
Special contributions	3,442	2,772
	150,251	136,390
Employers		
Required contributions	12,480	10,049
Voluntary contributions	6	-
Special contributions[1]	201,471	197,204
	213,957	207,253
	$ 364,208	$ 343,643

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

15. Current Period Change in Fair Value of Investments

	2014	2013
Net realized gains on the sale of investments	$430,328	$104,273
Net unrealized market (losses) gains	(64,597)	532,816
	$365,731	$637,089

16. Benefits Paid

	2014	2013
Pension benefit payments	$377,552	$355,434
Disability benefit payments	9,049	8,861
	$386,601	$364,295

17. Refunds and Transfers

	2014	2013
Termination refund payments	$ 49,555	$ 55,542
Death refund payments	10,618	13,084
Marriage break up refund payments	2,174	3,400
Reciprocal transfers out - matching employers	510	226
	$ 62,857	$ 72,252

18. Administrative Expenses, Net

	2014	2013
Actuary fees	$ 183	$ 186
Audit fees	60	63
Legal fees	55	16
Consulting fees	-	2
Professional fees	298	267
Salaries and fringe benefits	3,552	3,254
Office and administration	960	939
Gross administrative expenses	4,810	4,460
Less: Recoveries		
From other administered funds - regular administration	(1,509)	(1,332)
From other administered fund - special administration	(33)	-
From non-matching employers	(1,404)	(1,354)
Administrative expenses, net	$ 1,864	$ 1,774

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

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

	2014	2013
The Province of Manitoba Unfunded Pension Liability Trust Accounts	$166,948	$238,670
Manitoba Hydro Enhanced Benefit Trust Account	1,654	2,063
Correctional Officers' Trust Account	634	836
Employer Trust Accounts	6,787	9,478
Money Purchase Plan Account	1,769	2,984
	$177,792	$254,031

20. Deficit

	Fund	Non-Matching Employers	Total 2014	Total 2013
(Deficit) surplus, beginning of year,				
Basic Benefits	$(397,530)	$(3,268,008)	$(3,665,538)	$(3,857,411)
Indexing Benefits	213,686	(209,021)	4,665	(36,626)
	(183,844)	(3,477,029)	(3,660,873)	(3,894,037)
Change in net assets available for benefits, Exhibit B				
Basic Benefits	301,539	-	301,539	389,679
Indexing Benefits	39,580	-	39,580	45,165
	341,119	-	341,119	434,844
Change in pension obligations during the year, Exhibit C				
Basic Benefits	(331,677)	(101,400)	(433,077)	(197,806)
Indexing Benefits	(13,668)	(3,884)	(17,552)	(3,874)
	(345,345)	(105,284)	(450,629)	(201,680)
(Deficit) surplus, end of year, Exhibit D				
Basic Benefits	(427,668)	(3,369,408)	(3,797,076)	(3,665,538)
Indexing Benefits	239,598	(212,905)	26,693	4,665
	$(188,070)	$(3,582,313)	$(3,770,383)	$(3,660,873)

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:

	2014	2013
The Manitoba Hydro Pension Fund	$ 914,994	$ 857,659
Joint Board of Trustees of The Municipal Employees Benefits Program	595,176	546,692
The Public Service Group Insurance Fund	177,094	159,821
Centra Gas Manitoba Inc.	119,160	109,799
Manitoba Liquor & Lotteries Corporation	13,736	-
Manitoba Liquor Control Commission	-	67,708
Winnipeg Child and Family Services Employee Benefits Retirement Plan	24,824	24,420
Workers Compensation Board of Manitoba	12,375	12,015
University of Winnipeg	18,559	-
Legislative Assembly Pension Plan	23,733	21,068
	$1,899,651	$1,799,182

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

22. Future Commitments

The Fund has 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, 2014, the Fund's share of the outstanding commitment is $166.8 million (2013 - $210.1 million).

23. Employer Liability Funding

In 2014, the Manitoba Liquor Control Commission (MLCC) and the Manitoba Lotteries Corporation amalgamated. After the amalgamation, MLCC became a matching employer and funded the actuarial present value of its prior accrued basic and indexing pension obligations.

24. 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.

25. Comparative Figures

Certain of the 2013 comparative figures have been reclassified to conform with the presentation adopted for 2014.

Summary of Investments

as at December 31, 2014

($) Thousands	2014	2013
Fixed income		
Short-term	$ 65,204	$ 24,712
Bonds and debentures	1,364,183	1,195,372
Mortgages	21,757	24,060
Total fixed income	1,451,144	1,244,144
Equities		
Domestic	1,273,336	1,325,659
Foreign	2,675,156	2,548,278
	3,948,492	3,873,937
Real estate	665,626	584,597
Petroleum and natural gas shares, Note 4	218,434	205,305
Infrastructure	263,707	169,832
Venture capital	7,472	9,137
Investments, Exhibit A	**$6,554,875**	**$6,086,952**

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, 2014

($) Thousands	Employers	Employees	2014 Total	2013 Total
Non-Matching Employers, Note 1 (b)				
Province of Manitoba Civil Service	$138,605	$67,707	$206,312	$200,536
Manitoba Hydro-Electric Board	49,625	36,371	85,996	76,986
Manitoba Public Insurance Corporation	9,116	8,799	17,915	17,180
Red River College	3	7,641	7,644	6,619
Manitoba Liquor Control Commission (Note 23)	2,666	1,538	4,204	6,564
Addictions Foundation of Manitoba	1,474	1,253	2,727	2,502
Community Colleges				
Assiniboine Community College	23	1,700	1,723	1,694
University College of the North	1	1,538	1,539	1,509
Regional Health Authorities				
Winnipeg	-	731	731	772
Prairie Mountain Health	-	898	898	897
Southern Health	-	270	270	221
Interlake - Eastern	36	169	205	172
Northern	-	97	97	92
The Legal Aid Services Society of Manitoba	-	951	951	880
Manitoba Centennial Centre Corporation	373	183	556	497
Diagnostic Services of Manitoba	-	366	366	377
Teachers' Retirement Allowances Fund Board	155	202	357	301
Communities Economic Development Fund	75	69	144	137
Manitoba Horse Racing Commission	16	11	27	27
Workers Compensation Board	1	-	1	1
Total Non-Matching Employers	**$202,169**	**$130,494**	**$332,663**	**$317,964**

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, 2014

($) Thousands	Employers	Employees	2014 Total	2013 Total
Total Non-Matching Employers, continued	**$202,169**	**$130,494**	**$332,663**	**$317,964**
Matching Employers, Note 1 (b)				
Manitoba Liquor & Lotteries Corporation (Note 23)	5,864	6,428	12,292	9,459
Manitoba Housing	1,568	1,731	3,299	2,940
Manitoba Agricultural Services Corporation	1,203	951	2,154	2,173
CUPE Support Workers	817	930	1,747	1,558
All Nations Coordinated Response Family Services	585	649	1,234	1,156
Manitoba Government and General Employees' Union	586	624	1,210	1,049
Gaming Control Commission	379	409	788	465
Civil Service Superannuation Board	345	369	714	645
Teranet Manitoba LP	320	357	677	-
Manitoba Floodway Authority	313	341	654	540
Food Development Centre	193	213	406	330
Manitoba Hydro Utilities Service	144	163	307	237
Travel Manitoba	146	153	299	285
Industrial Technology Centre	88	97	185	191
Dairy Farmers of Manitoba	82	90	172	158
Hams Marketing Services Co-op Inc.	62	69	131	124
Manitoba Pork Council	64	61	125	106
Manitoba Arts Council	51	57	108	96
Manitoba Film and Sound	49	56	105	96
Manitoba Health Research Council	37	40	77	65
Manitoba Chicken Producers	29	34	63	54
Crown Corporations Council	32	28	60	60
Horizon Lab Ltd.	22	24	46	40
Manitoba Turkey Producers	7	8	15	17
Manitoba Cattle Enhancement Council	2	3	5	29
Economic Innovation and Technology Council	4	-	4	4
Total Matching Employers	**$ 12,992**	**$ 13,885**	**$ 26,877**	**$ 21,877**
Total Employers, Non-Matching and Matching	**$215,161**	**$144,379**	**$359,540**	**$339,841**

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, 2014

($) Thousands	Employers	Employees	2014 Total	2013 Total
Total Employers, Non-Matching and Matching, continued	**$215,161**	**$144,379**	**$359,540**	**$339,841**
Other				
Employees on loan	1	1	2	2
Employees on workers compensation	-	1	1	9
Reciprocal agreement - transfers in	-	4,315	4,315	3,641
Reciprocal agreement - transfers out	(1,211)	(1,446)	(2,657)	(2,281)
Repayment of contributions previously refunded	-	291	291	79
Contributions based on prior non-pensionable employment	6	2,136	2,142	1,984
Transfer from Money Purchase Accounts Plan	-	574	574	368
Total Other	**$ (1,204)**	**$ 5,872**	**$ 4,668**	**$ 3,802**
Total contributions, Exhibit B	**$213,957**	**$150,251**	**$364,208**	**$343,643**

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

Schedule 3 - The Civil Service Superannuation Fund

Schedule of Investment Income

For the Year Ended December 31, 2014

($) Thousands	2014	2013
Fixed income		
Short-term	$ 601	$ 609
Bonds and debentures	41,978	40,146
Mortgages	1,371	1,658
	43,950	**42,413**
Equities		
Domestic	35,959	27,911
Foreign	76,192	64,356
	112,151	**92,267**
Real estate	18,921	15,385
Venture capital	70	90
Infrastructure	9,051	-
Security lending revenue	2,549	2,488
Gross investment income	**186,692**	**152,643**
Less:		
Investment management expenses, net, Note 21	5,382	5,724
Interest allocated to employee future benefits obligations	199	175
	5,581	**5,899**
Net investment income, Exhibit B	**$181,111**	**$146,744**

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

The Civil Service Superannuation Board
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