2021 Annual Report

The Civil Service Superannuation Board

Our Vision for the future:

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

Our Mission and Purpose is:

To deliver to our plan members their pension entitlements.

We do this by:

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

Our Values

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

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

Contents

Cover photo - Clear Lake MB

MINISTER
RESPONSIBLE FOR THE CIVIL SERVICE

Room 343
Legislative Building
Winnipeg, Manitoba R3C 0V8
CANADA

June 9, 2022

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

May It Please Your Honour:

As Minister Responsible, I have the privilege of presenting for the information of Your Honour, the 83rd Annual Report of The Manitoba Civil Service Superannuation Board for the calendar year ended December 31, 2021.

Respectfully submitted,

Honourable Reg Helwer
Minister of Labour, Consumer Protection and Government Services,
Minister Responsible for
The Civil Service Superannuation Act

CSSB The Civil Service Superannuation Board

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Winnipeg, Manitoba, Canada R3C 3T1
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Canada Toll Free: 1-800-432-5134

June 8, 2022

Honourable Reg Helwer
Minister of Central Services,
Minister Responsible for The Civil Service Superannuation Act

Sir:

In conformity with the provisions of The Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for The Civil Service Superannuation Act, the 83nd Annual Report of The Civil Service Superannuation Board.

This report covers the period January 1, 2021 to December 31, 2021 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,

Carmele Peter, Chair
The Civil Service Superannuation Board

Board and Standing Committee Members

The Civil Service Superannuation Board

Chair

Carmele Peter
President
Exchange Income Corporation
(effective March 2, 2022)

Al Morin
Retired, President and Chief Executive Officer
Assiniboine Credit Union
(until December 31, 2021)

Employee Representatives

Jody Gillis
Civil Service Representative
Red River College

Doug Troke
Civil Service Representative
Department of Finance

C. Reed Winstone
Manitoba Hydro Representative
Retired, Manitoba Hydro-Electric Board

Vacant

Employer Representatives

JoAnne Reinsch

Randal T Smith, QC

Scott Wilson

Vacant

Finance and Audit Committee

Chair

Doug Troke - Employee Representative

JoAnne Reinsch - Employer Representative
Scott Wilson - Employer Representative
Vacant - Employee Representative

HR and Governance Committee

Chair

Jody Gillis - Employee Representative

JoAnne Reinsch - Employer Representative
Randal Smith - Employer Representative
C. Reed Winstone - Employee Representative

Investment Committee

Chair

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

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

Richard Brownscombe *
President
Montrose Mortgage Corporation Ltd.

Don Delisle ^
Assistant Deputy Minister of Finance
Province of Manitoba

C. Reed Winstone ^
Civil Service Representative

Elizabeth Marr, CFA *
Retired, Vice President and Director, Institutional Relationships
TD Asset Management

Carmele Peter^
Chair
The Civil Service Superannuation Board

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.

Susan Stephen
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

Erin Polcyn Sailer
Director, Communications and Client Services

Dawn Prokopowich
Director, Client Services Administration

Rick Wilson
Director, Finance and Investment Communications & Management Services

Peter Josephson, CFA
Chief Investment Officer

Ellement Consulting Group
Consulting Actuary

Fillmore Riley
Legal Counsel

Office of the Auditor General
Auditor

Your Pension Plan

Your Plan is a “defined benefit” plan which means that your pension is based on a formula that provides pension, disability, death and termination benefits for all eligible members. The formula is based on your years of service and average salary. While some employers prefund their share of pension benefits, others are obligated to fund their share when those pension benefits are paid.

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 will receive an unreduced pension.

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

		2021 (*)	2020 (*)
Financial	Rate of Return on Investments	**11.03%**	9.02%
	Investments at Market Value	**8,403,574**	8,024,670
	Net Investment Income	**211,440**	180,523
	Current Period Change in Fair Value of Investments	**620,467**	476,907
	Employee Contributions	**152,766**	153,640
	Employer Payments	**370,893**	377,783
	The Province of Manitoba Unfunded Pension Liability Trust Account	**2,416,746**	2,316,602
	Pension Payments	**586,587**	564,111
	Refunds and Transfers	**232,365**	253,176
	General Expenses - Net	**3,011**	2,810

* $Thousands unless otherwise noted

		2021	2020
Membership	Non-Retired Members	**30,201**	30,097
	Retired Members and Other Recipients	**23,821**	23,260
	Total Members	**54,022**	53,357

Other Plans Under Administration	Money Purchase Accounts Plan	**3,211**	3,128
	Centra Gas^	**736**	737
	Winnipeg Child and Family Services^	**221**	222
	MLA's^	**86**	88
	Legislative Assembly Pension Plan^	**122**	125
	Total Membership (all Plans)	**58,398**	57,657

^ Active and Retired

Message from the Chair

Al Morin

On behalf of myself and members of the Board, I am pleased to present the 2021 Annual Report for The Civil Service Superannuation Fund (Fund).

After 14 years, having been Chair of the Civil Service Superannuation Board (CSSB) since 2008, 2021 will be my final year, as I have decided to retire as Chair of the CSSB. As I think back over the years I have been with the Board, I am proud to recall some of the triumphs and successes of the CSSB.

- First and foremost, there was the pandemic that hit hard and fast to not only Winnipeg, but the entire world. The CSSB, having the foresight to develop a Business Continuity Plan in the event of a disaster, was able to transition seamlessly to having all staff working remotely in less than a week. Although staff couldn't meet in-person with our members, the development of the Online Seminars back in 2016 and having one-on-one meetings by phone enabled the CSSB to offer the same great service to members preparing for retirement that we provided pre-pandemic. While the pandemic is not over yet, the CSSB staff have returned to working in the office and are looking forward to when the office will be able to open to the public and we can welcome our members back in-person.
- The Management Information Systems (MIS) department at the CSSB has done some great work over the years developing the Online Services for our members to be able to access their pension information at their convenience. Some notable features to Online Services that have been added during my tenure include, providing online Employee Pension Statements, completion of retirement forms, running Special Service Buy Back estimates, and being able to register for online Pre-Retirement Webinars.
- The investment team has weathered a number of storms and challenges but despite the great recession in 2008 and Covid for the last couple of years the Fund has exceeded the actuarially required rate of return. The ability to consistently exceed the required rate of return is a testament to the dedication and hard work of the Investment Committee and the Investment team of the CSSB.

I would like to take a moment to recognize the hard work that the Members of the CSSB Board have put in during my time as Chair. It has been a pleasure working with and getting to know the Board Members over the years. As a new Chair is appointed to the Board, I would like to wish them as much success as I have had over the years.

I would also like to take this opportunity to thank the management and staff of the CSSB. They have shown tremendous commitment to the plan members and their benefits, and I would like to acknowledge their dedication and effort they put in every day to provide accurate and timely information to the membership.

Finally, I would also like to thank Bruce Schroeder for his dedication and hard work as General Manager to the CSSB. It has been a pleasure working with Bruce. I wish him and everyone at the CSSB continued success and a safe, happy, healthy 2022.

A Morin

Message from the General Manager

Bruce Schroeder

The new normal continued into 2021 with Civil Service Superannuation Board staff providing services to members while working remotely due to the continuing limitations imposed by the pandemic. As restrictions lifted staff were back in the office in October but by December with the new variant Omicron taking a foothold, staff were back working remotely.

The Investment team had another solid year of returns with a 11.03% return which beat our benchmark return of 10.14%. The 2021 return also exceeded our actuarially required rate of return of 5.75%. The actuarially required rate of return is the return that is needed to fund, in conjunction with member contributions, the current benefits. The actuarially required rate is recommended by the Actuary and approved by the Board.

Although working remotely added to the challenges of 2021 we did make progress on a number of new initiatives. Our new website was launched in 2021, it provides improved readability, functionality with better access and more information. The new website provides a more modern user-friendly experience for our membership.

In 2021 we also increased the number of live online pre-retirement seminars and plan to continue to offer live online seminars into 2022 and beyond. While the seminars are open to all membership, we have begun to send out email invitations to specific demographic groups who we believe may have an interest in receiving detailed retirement information. Online seminars have the advantage of removing the space constraints of in person live seminars. The live online seminars still afford the advantage of being able to answer member questions in real time and now we can provide the service to more members per session. Online live seminars are really an advantage to those in rural areas of the province. This will provide those members with better and more frequent access to a live seminar experience. Please check one out by logging into your secure online account at https://cssb.mypension.ca and going to Register for Group Seminars.

2021 also saw improvements to our methods of receiving funds for members who wish to purchase prior service or make payments to the CSSB. Starting in 2021 we began to accept funds through e-transfer. This is a valuable improvement since many members do not use cheques and this provides for an easier way to pay arrears, purchase maternity leave service, etc.

The Board had two retirements at the end of 2021, Al Morin, Chair of the CSSB, decided to retire from his position after 14 years of service. I would like to thank Al for his steady guidance and influence over the past 14 years, he made my job easier by providing strong leadership and supporting our initiatives throughout the years. I would also like to thank Ray Erb, an elected employee representative, who was a member of the Board for the past 24 years and was a part of many changes and challenges faced by the CSSB. Ray also supported our initiatives to improve the Board's operations and over his tenure was instrumental in spearheading several pension plan and insurance plan improvements. The Board and senior management will miss both Al's and Ray's experience and guidance.

We had hoped that 2021 would bring more stability and normalcy to our operations. COVID-19 had other plans and 2021 was not the move to normalcy that we had anticipated. We hope that 2022 will at least at some point bring us back to a more normal way of life so we can once again open our offices and have in person meetings but the pace at which this will happen will again be dictated by public health measures and COVID-19.

Investment Information

Guidelines and Practices

Policies and Procedures

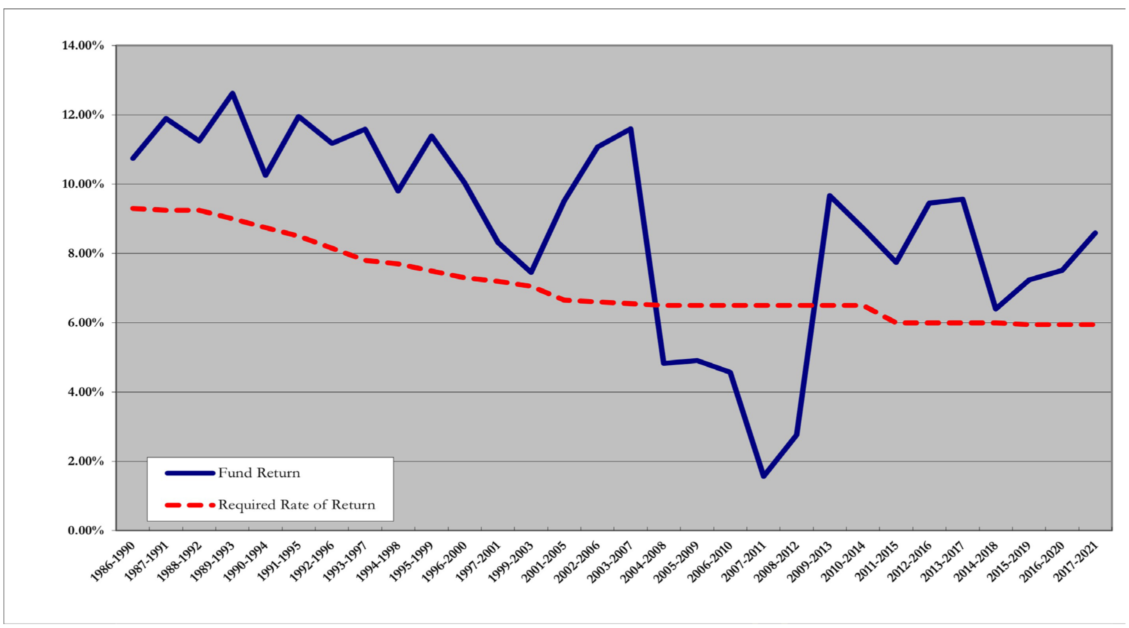
The Fund's Statement of Investment Policies and Procedures (SIP&P) guides the investment decision making process. This document is created by independent consultants and matches the Fund's assets with its liabilities, now and into the future. Upon its approval by the Board, this document is put into 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. 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

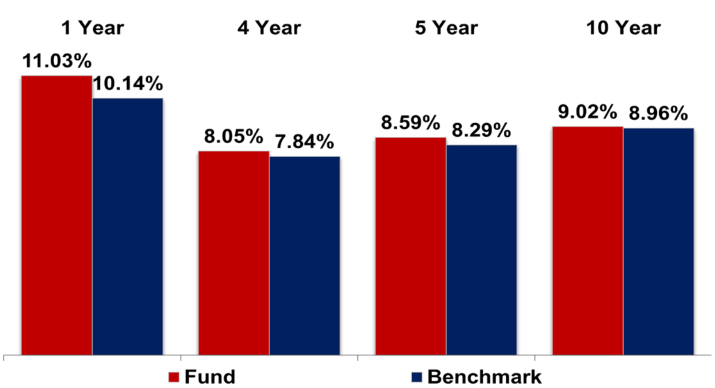


Policies and procedures that continue to guide or impact investment decisions include:

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

In the final quarter of 2021, global capital market returns were mixed. Global equity markets rebounded from a weak November to finish the period with healthy returns, while fixed income markets managed a modest advance. The advance in equity markets occurred despite an abundance of negative news. This ranged from the discovery of a new more virulent (although less lethal) COVID variant "Omicron", global supply chain disruptions, slowing Chinese economy, rising energy prices, labour shortages, increasing wage pressures, significantly heightened inflation concerns, lack of progress on President Biden's infrastructure plan and concerns surrounding a much more hawkish US Federal Reserve (FOMC). Regarding the latter, at the FOMC's December meeting, the committee moved from a stated policy of not raising rates any time soon to preparing the markets for a hike in the first half of 2022, after an accelerated withdrawal of asset purchases. This dramatic pivot by Chairman Powell and the committee was largely driven by a surge in the US inflation rate and their concern that the rise in inflation may be more persistent than transitory. While equity markets initially reacted to the downside, they quickly discounted these negative headlines with most global equity markets ending the period higher. In fact, as recently published by Ned Davis Research "the S&P 500 ended the year 26.9% higher (in USD) notching 70 record highs along the way, second most on record since 1955's 77." Additionally, NDR noted that the S&P 500 rose more than 10% for a third consecutive year for the first time since 2012-2014 and all 11 S&P industry sectors posted double digit returns for the first time since 1995.

Annualized Rates of Return

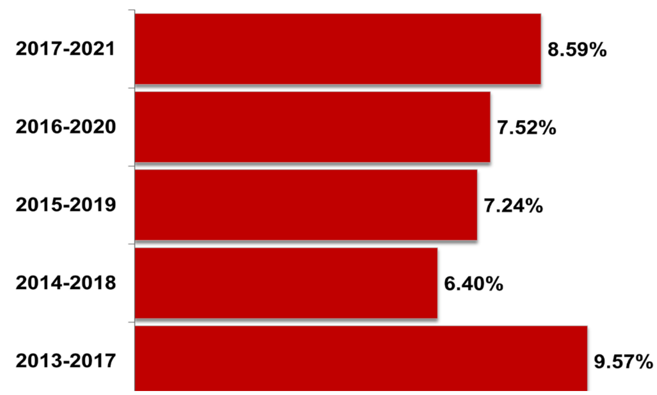


Over the quarter, the weakness of the Canadian dollar versus the U.S. dollar had a modestly positive impact on non-Canadian investments of approximately 0.3%. For 2021, in Canadian dollar terms, the Dow Jones Industrial average gained 7.5%, the S&P500 advanced 10.7% and the technology-heavy NASDAQ composite advanced 8.1%. The U.S. Mid Cap and Small Cap indices moved higher, with the S&P400 up 7.6% and the S&P600 gaining 5.3%. Domestically, the Canadian S&PTSX index returned 6.5%.

In the last quarter, global equity markets provided a more modest range of returns. The MSCI all world excluding Canada and the U.S. gained 1.2%, MSCI EAFE rose 2.4%, MSCI Europe added 5.7%, while emerging markets lost 1.6%. In the Asia-Pacific region, the MSCI China fell 6.4%, MSCI Japan declined 3.4%, MSCI Hong Kong lost 2.4%, while MSCI Australia added 2.3%.

Over the year, the strength of the Canadian dollar versus the U.S. dollar had a modestly negative impact on non-Canadian investments of approximately 0.8%. For 2021, in Canadian dollar terms, the Dow Jones Industrial average gained 20.0%, the S&P500 advanced 27.6% and the technology-heavy NASDAQ composite advanced 21.1%. The U.S. Mid Cap and Small Cap indices moved higher, with the S&P400 up 23.8% and the S&P600 gaining 25.9%. Domestically, the Canadian S&PTSX had an excellent year returning 25.1 % as the energy, commodity, and industrial sectors had a positive impact on returns in 2021.

Total Fund Annualized Five-Year Rates of Return

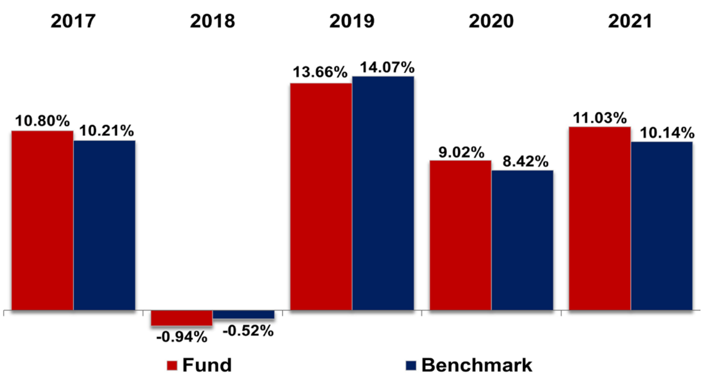


For 2021 global equity markets provided a more mixed and subdued level of returns. The MSCI all world excluding Canada and the U.S. gained 5.68%, MSCI EAFE rose 10.32%, MSCI Europe added 16.09%, while emerging markets lost 3.37%. In the Asia-Pacific region, the MSCI China plunged 22.4%, MSCI Japan advanced 2.1%, MSCI Hong Kong fell 4.17%, while MSCI Australia rose 10.5%.

In Canadian fixed income markets, returns in the quarter were modest. The surge in inflation due to pandemic related supply shocks and stimulus induced goods demand has pushed the US Federal Reserve and Bank of Canada towards a tightening of monetary policy. As a result, rates pushed higher in October taking the 10-year yield in the US back towards the highs from earlier in the year. The move higher in rates was interrupted by the emergence of the Omicron COVID-19 variant. This led to a broad decline in rates in the last week of November through to the end of December. In Canada, 10- and 30-year yields dropped

40-45 basis points in the final weeks of the year while in the US the decline was more moderate at 12-15 basis points. For the quarter overall, the 10-year yield in the US increased by 2 basis points ending at 1.51% while in Canada the 10-year yield decreased by 9 basis points ending at 1.42%. The long end of the yield curve in the US declined 15 basis points ending at 1.90% while in Canada the long end decreased by 31 basis points ending at 1.68%. The outperformance of the Canadian bond market vs the US bond market during the quarter was due to a combination of past underperformance in the third quarter along with strong seasonal demand due to index related extensions as well as reduced liquidity into the holidays.

Total Fund Annualized Rates of Return versus Benchmark



Overall, for the December quarter the Canadian bond universe returned 1.47% with provincial debt outperforming with a return of 2.40% compared to 1.08% for corporate debt and 0.76% for federal debt. Looking just at the long end of the curve, federal debt outperformed on a total return basis with a return of 5.26% compared to 4.83% for provincial debt and 4.24% for corporate debt. The FTSE TMX, the universe index, gained 1.4%, the short-term index lost -0.5%, the mid-term index advanced 0.3% while the long-term index gained 4.8%. The CSSB's custom fixed income benchmark returned 2.53% for the quarter.

Concerning our alternative assets portfolio, these assets are expected to provide long-term stable returns with less volatility compared to public markets. For the year, Private Credit returned 9.33%, while the return for Infrastructure was well above expectations at 14.32% versus the benchmark return of 5.75%. 2021 proved to be an active year for the Canadian real estate market with total transaction volume expected to exceed $50 billion, setting an all-time high. Pension funds saw their share of transaction volume increase with the trading of some very high-quality properties. While final tallies are not in, it is expected that over 9,500 deals were done in Canada in 2021. This figure will surpass the previous record by over 2,000 transactions. CSSB's Real Estate portfolio experienced a strong recovery in 2021 as the economy reopened and recovered. Our industrial and residential assets experienced significant gains, while the recovery in the retail and office sectors was less robust. In 2021 our real estate portfolio gained 13.07% versus its benchmark return of 13.09%.

For the December quarter, the CSSB Total Fund returned 4.42% versus 4.08% for its benchmark return. This outperformance was largely generated by the Funds relative positioning in equities, alternatives, and fixed income. In addition, the relative performance of some internal and external public managers benefitted returns.

For 2021, the Total Fund returned 11.03 % versus the policy benchmark return of 10.14% and 5.75% for the funds actuarial required rate of return. The outperformance was largely driven by positive relative returns to their respective benchmarks of our internal and external managers in public equites, fixed income, and alternatives. In terms of asset allocation, the overweight position in US equities and the underweight position in fixed income benefitted performance in 2020.

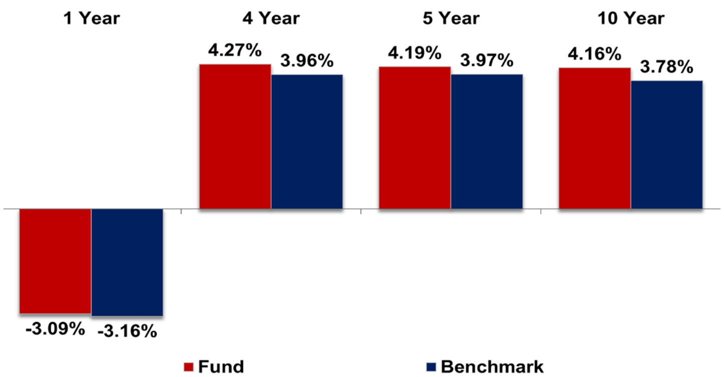
Cash and Cash Equivalents

Cash remains a relatively small portion of the Fund. Cash returned 0.11% compared to the FTSE TMX Canada 91 Day T-Bill return of 0.17%.

Bonds and Debentures

The extraordinary fiscal and monetary policy responses by the federal government and Bank of Canada to the pandemic in 2020 set the foundation for the Canadian economy to rebound in 2021. The recovery followed the path of the virus as the country dealt with several waves and associated lockdowns throughout the year. Alongside the rebound in growth, longer term interest rates in Canada increased in the first half of the year. In the second half, the growth outlook deteriorated as new variants of the virus emerged. These new variants also put continued pressure on global supply chains which in turn fed into higher and more persistent inflation and inflation expectations. The second half of the year saw a significant rise in shorter term yields as bond markets globally began to anticipate a shift to tighter monetary policies to bring inflation back in line with central bank mandates.

Annualized Bonds & Debentures Rate of Return



Overall, the Canadian Bond Universe Index returned -2.54% while the long portion of that universe returned -4.52%. Long federal debt underperformed with a return of -7.12% compared to -4.64% for long provincial debt and -2.63% for long corporate debt. The underperformance of the long federal sector is mainly a function of duration as the federal sector carries a significantly higher weighted average duration within the index compared to both the provincial and corporate sectors. Corporate and provincial spreads traded in a tight range throughout the year and generically ended the year on either side of unchanged.

The bond portfolio outperformed by 7 basis points with a return of -3.09% versus -3.16% for the benchmark. The outperformance was mainly due to a modest short duration position relative to the benchmark.

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 4.91% in 2021 compared to 6.42% for the benchmark.

Total Equity

Over the year, the strength of the Canadian dollar versus the U.S. dollar had a modestly negative impact on non-Canadian investments of approximately 0.8%. For 2021, in Canadian dollar terms, the Dow Jones Industrial average gained 20.0%, the S&P500 advanced 27.6% and the technology-heavy NASDAQ composite advanced 21.1%. The U.S. Mid Cap and Small Cap indices moved higher, with the S&P400 up 23.8% and the S&P600 gaining 25.9%. Domestically, the Canadian S&PTSX had an excellent year returning 25.1 % as the energy, commodity, and industrial sectors had a positive impact on returns in 2021.

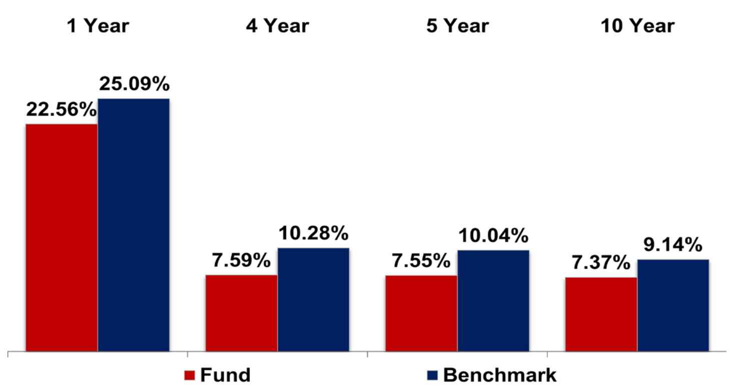
For 2021 Global equity markets provided a more mixed and subdued level of returns. The MSCI all world ex Canada and the U.S. gained 5.68%, MSCI EAFE rose 10.8%, MSCI Europe added 16.09%, while emerging markets lost 3.4%. In the Asia-Pacific region, the MSCI China plunged 22.4%, MSCI Japan advanced 2.1%, MSCI Hong Kong fell 4.85%, while MSCI Australia rose 10.5%.

Canadian Equities

The S&P/TSX Composite Index surged 25.1% during the year, marking the Canadian benchmark's best year since 2009. Canadian equities posted four consecutive positive quarters during 2021 with the total return trailing only the 27.6% return for the S&P 500 for top spot amongst all global equity indices. The internally managed Canadian Equity Fund posted a very healthy 22% return during the year, though trailed the gains on the S&P/TSX by 300 basis points.

Gains on the TSX were led by Energy (+48%) and Financials (+37%), which collectively accounted for two thirds of the gains on the Canadian Index for the year. The index's strongest gain in eleven years was dominated by higher risk factors, including beta and volatility. The Canadian Equity Fund remains committed to its approach, which emphasizes quality and minimal volatility.

Annualized Canadian Equity Rates of Return



U.S. Equity

2021 was a strong year for U.S. equity markets as the global economy was flush with monetary stimulus and demand for both goods spiked, while the service economy began to reopen.

We have allocations to four different mandates within U.S. equities, providing us with diversification.

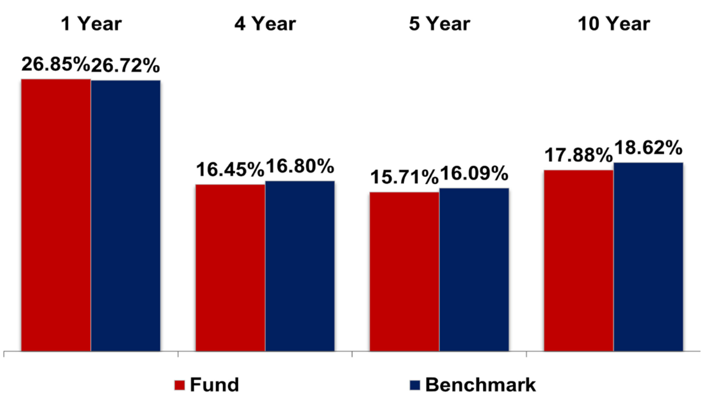
As at the end of 2021:

- 64.7% U.S. Large Cap Equity Fund ($1.418 Billion)
- 11.6% U.S. Low Volatility Dividend Fund ($254 Million)
- 8.8% U.S. Midcap Equity Index Fund ($192 Million)
- 15.0% U.S. S&P 500 Index Fund ($328 Million)

2021 was another strong year for equity markets with the S&P 500 increasing 27.61% in CAD (28.71% in USD). Our internally managed U.S. Large Cap Equity portfolio finished slightly behind the S&P 500 by 63 basis points returning 26.98% in CAD.

This performance increases the Canadian dollar trailing 5-year return for the internally managed U.S. Large Cap Equity Portfolio to 16.86% per year for five years. Overall, the combined return for all our U.S. Equity programs was 26.85% in 2021 (CAD) and the 5-year return for all U.S. mandates combined increased to 15.71% per year for 5 years (CAD).

Annualized U.S. Equity Rates of Return

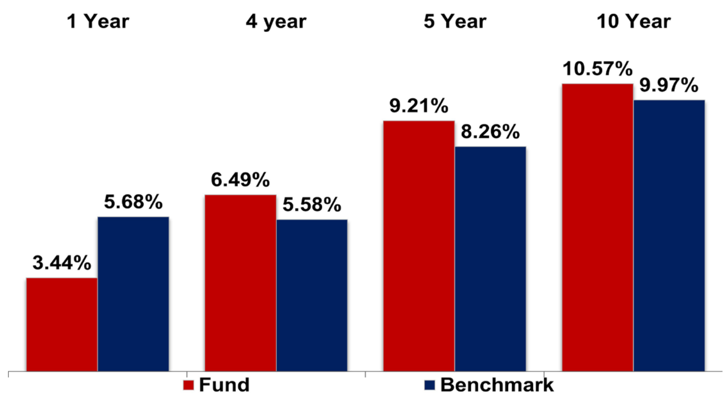


We maintain cautious positioning into 2022 as the market multiple is at the higher end of historical ranges and the market appears to be pricing in a normalization of global growth. Given this outlook we remain focused on companies that rely less on global economic improvement (underweight Energy / Cyclicals) and favour companies that are more reliant on both internal execution and secular changes (overweight Technology & Communication Services).

Non-North American Equity

The Non-North American equity portfolio returned 3.44% compared to its benchmark return of 5.68%, underperforming by 224 bps. The fund's Asia Pacific mandate returned 0.30% while the emerging markets mandate returned -10.70%. The Non-North American portfolio is overweight in both emerging markets and Asia Pacific detracting value. The fund's emerging markets manager underperformed the MSCI emerging markets benchmark by 7.33%. The Asia Pacific fund manager outperformed their benchmark by 3.20%. The fund's EAFE allocation had strong absolute performance in 2021, with Marathon returning 9.18% and the internally managed portfolio returning 7.53%. However, Marathon underperformed the MSCI EAFE index by 1.14%. The fund's internal international portfolio was benchmarked after the second quarter and will be allocated to new EAFE managers in 2022.

Annualized Non-North American Rates of Return



Private Equity

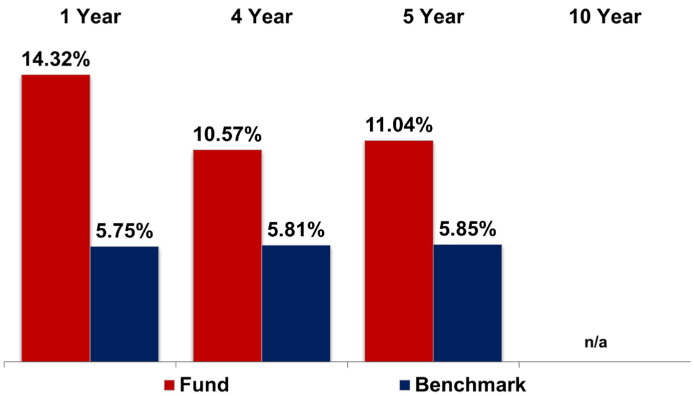
We are in the process of building out the Private Equity program, which is to consist of buyout and secondary fund commitments. The program is currently valued at $77 million which represents 0.7% of assets. The intention remains to grow the program to 3% of assets over the next four years. At year end 2021, we had three commitments to Brookfield Capital Partners V (BCP V), Veritas Vantage Fund, Thoma Bravo Fund XV and one co-investment to Clarios, the #1 global supplier of lead acid automotive batteries.

Subsequent to year end, we made a commitment to Veritas Capital Fund VIII and a co-investment in Scientific Games, the #1 global supplier of printed lottery tickets and lottery services. The program returned 44.20% against a benchmark of 3.43%.

Infrastructure

It was another busy year in the infrastructure group and performance was strong considering the impact of the COVID-19 pandemic. Overall, the group of funds and co-investments managed to outperform the 5.75% benchmark by gaining 14%. Total dollars invested is ~$830 million and represents 7.6% of assets.

Annualized Infrastructure Rates of Return



Investments include:

- OMERS - Borealis
- Brookfield - BIF III
- InstarAGF - AMPORTS
- InstarAGF - Essential Infrastructure Fund
- InstarAGF - Essential Infrastructure Fund II
- InstarAGF - Steel Reef
- InstarAGF - Jet
- Northleaf - NICP II
- Northleaf - Northwest Parkway

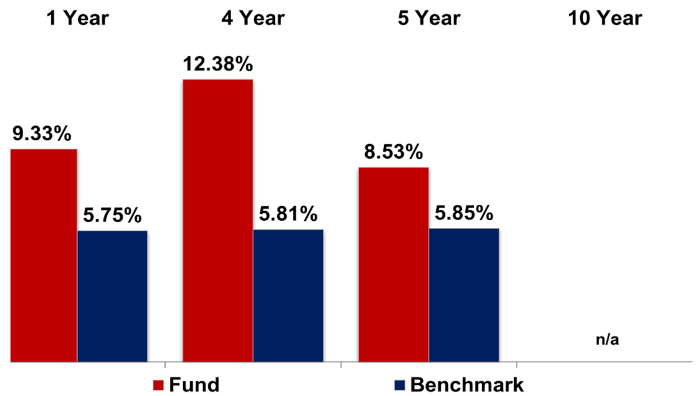
Private Credit

2021 was a successful year for the Private Credit program, which is in its sixth year and beginning to mature as we execute on the strategy. The NAV for the program is $411 million and represents 4% of assets. $162 million is attributed to Antares. Overall, the Private Credit program generated a return of 9% versus the actuarial required rate of return benchmark, which currently sits at 5.75%. During the year, we made commitments to Sagard Credit Partners II, Carlyle Credit Opportunities II and Brookfield Real Estate Finance VI.

Investments include:

- Antares
- Brookfield Real Estate Finance Fund V
- Brookfield Real Estate Finance Fund VI
- Carlyle Credit Opportunities Fund
- Carlyle Credit Opportunities Fund II
- Grosvenor True North II
- Northleaf Private Credit Fund I
- Northleaf Private Credit Fund II
- Sagard Credit Partners
- Sagard Credit Partners II

Annualized Private Credit Rates of Return



Hedging Program

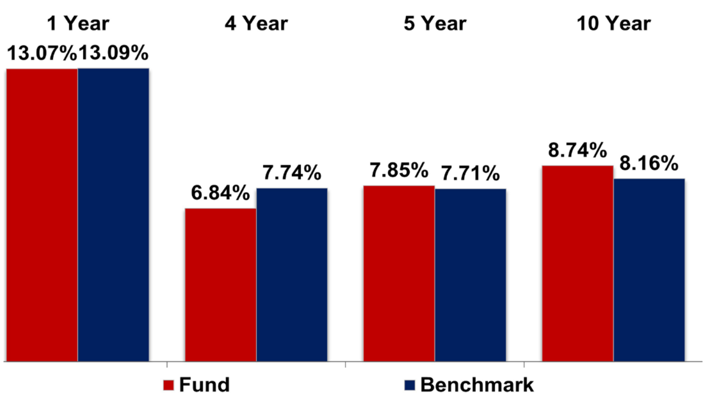
On September 28th, 2018 we began passively hedging the U.S. dollar portion of the Alternative Assets by entering into a forward agreement matched to the most current valuations. We roll our forwards on a quarterly basis, updating our hedge amount according to the most recent valuations available and move to immediately hedge new funding as they are called by our counterparties. The currency hedging is to reduce volatility in these asset classes, which totaled $560 million USD at the end of the year, growing from $295 million at the beginning of the program as we continue to expand our Alternative Asset program. The cost of the hedge is offset by the accrued interest from an allocated bond and marked deficits are funded with Repurchase Agreements utilizing the same bond holding. As of our quarterly roll at the end of Q4, the program remains in a surplus, where we invest the excess cash in Money Market products to generate a small return to further offset costs of the program.

Due to dynamics in the interest rate differentials between the US and Canada exiting COVID, the primary cost of the program – forward points, has moved to a small benefit, which has significantly lowered the annual cost of the program relative to prior years. We expect in the near term for these conditions to remain in place and for costs to remain low.

Real Estate

The real estate portfolio returned 13.07% during 2021 compared to a 13.09% return on the IPD index. The underperformance can be attributed to our weighting in enclosed malls which continue to suffer in the wake of COVID related restrictions across the various provinces they are located. Essential service retail, which includes grocery and drug store anchored properties, continued to demonstrate resilience. Industrial and multi-family remain attractive targets for investors as the underlying fundamentals are very healthy. Employees are returning to the office, albeit at a slower pace than had been predicted at the start of 2021, we believe firmly in the long-term value of high-quality office buildings and locations.

Annualized Real Estate Rates of Return



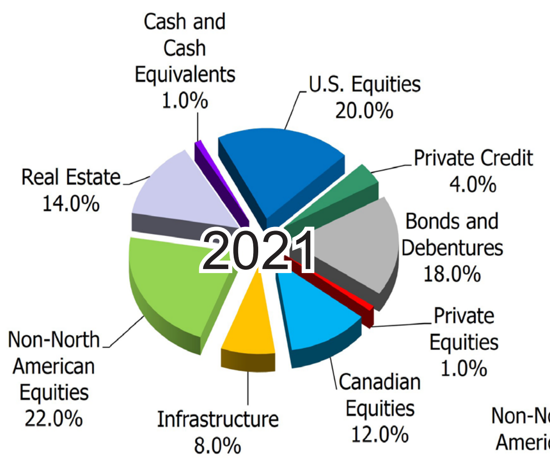
The biggest story in real estate for 2021 was the unstoppable demand for industrial space and the commensurate increase in land values and rental rates. Both Toronto and Vancouver industrial users are effectively out of space options with vacancy under 1%. The strong industrial fundamentals have attracted significant capital as investors try to benefit from the upward trajectory in rental rates.

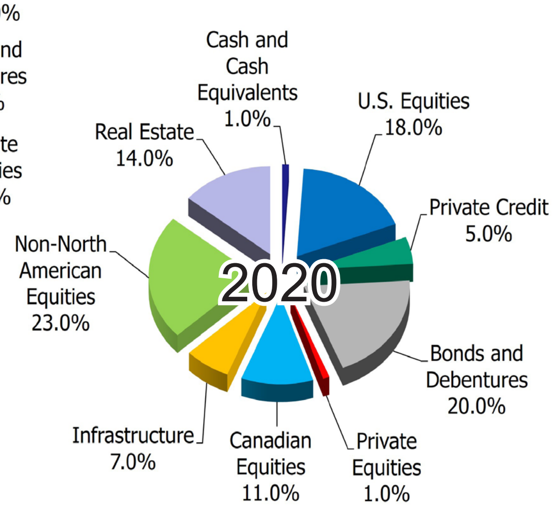
We are focused on off-market transactions to acquire real estate at attractive valuations and undertake select development opportunities where risk adjusted returns are appropriate.

Total Fund

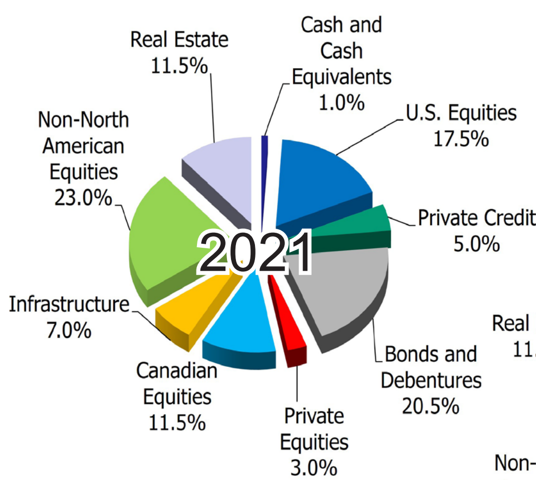
For 2021, the Total Fund returned 11.03 % versus the policy benchmark return of 10.14% and 5.75% for the funds actuarial required rate of return. The outperformance was largely driven by positive relative returns to their respective benchmarks of our internal and external managers in public equites, fixed income, and alternatives. In terms of asset allocation, the overweight position in US equities and the underweight in fixed income benefitted performance in 2021.

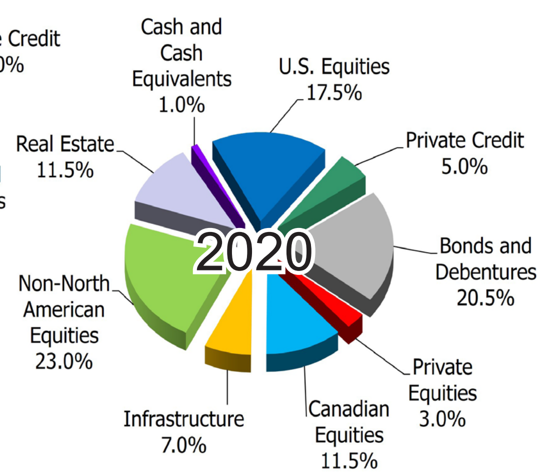
Fund Investments





Investment Policy Normal Allocation





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

FUND INVESTMENTS

	2021(*)	2020(*)
Contractual Investments		
Cash and Short-term	**142,832**	125,041
Bonds and Debentures	**1,485,437**	1,535,116
Mortgages	**4,836**	6,837
Public Equity Investments		
Canadian Equities	**1,048,282**	900,096
U.S. Equities	**1,676,160**	1,478,866
Non-North American Equities	**1,856,808**	1,875,733
Non-Public Equity Investments		
Real Estate	**1,150,624**	1,090,219
Private Equity	**58,544**	29,514
Infrastructure	**646,131**	576,674
Private Credit	**333,920**	406,574
Total Investments	**8,403,574**	8,024,670

* $Thousands

The risks to global growth in 2022 have risen considerably over the last few months. These headwinds include:

- Inflation surging to the highest level in 40 years
- Divergent global central bank monetary policies
- Waning fiscal support
- Extreme geopolitical tensions
- Russia's invasion of Ukraine with the U.S. and Europe placing historical sanctions on the Russian government and economy
- Oil prices skyrocketing as countries ban the import of Russian oil
- Continued disruption of global supply chains
- China experiencing its worst COVID-19 outbreak since January 2020
- Covid-zero tolerance policy in China causing manufacturing and port shutdowns
- Labor shortages continuing to put upward pressure on wages

For the balance of 2022, global economic growth will be seriously impacted by the fallout from the Russia/Ukraine conflict, surging inflation, high energy prices, and China's zero tolerance COVID-19 policy.

Consensus World GDP estimates have been revised down substantially from over 4% to around 3.5% for 2022.

Regarding capital markets, as we entered 2022, the consensus view was that all asset classes were overvalued, and volatility was expected to remain elevated.

Over the past two years, global equities have been driven higher by:

- Massive fiscal and monetary stimulus
- Ultra-accommodative monetary policy
- Positive vaccine rollouts, particularly in the U.S.
- Expectation of historically strong economic growth in the U.S. and globally
- Corporate earnings growth of approximately 30% in the U.S.
- Historically low interest rates driving equity valuations to all-time highs

These significant tailwinds have largely reversed during the first quarter of 2022.

Historically, after such extreme volatility, markets depend more on trading or technical factors than any measure of long-term value. This hasn't stopped one indicator, valuation levels, from gaining investor attention. As an example, the Nasdaq 100, after its selloff, was at its cheapest in almost two years. While not incorrect, it is misleading. On a forward price/earnings basis, the Nasdaq 100 did indeed become ridiculously overvalued for a while, as investors put the liquidity created to fend off the pandemic to work in the stocks that seemed safest. The lofty valuation from late 2020 has corrected swiftly, but it would have been alarming if it hadn't. However, while there remain plenty of reasons to buy the Nasdaq 100 at present, valuation isn't one of them. The index is still more expensive than it was on the eve of the crash in 2008, and at any time between then and the arrival of COVID. This also is the case for the broad S&P 500 Index, which despite a significant contraction in the multiple, remains elevated. Given that the FED has stated its intention to raise rates by 50 bps at the May meeting, this would bring the total increase to 75 bps year to date. That would be the first time since 1994 that the FED raised rates by 75 bps in such a short period of time. In 1994, the FED raised rates seven times, which is the current stated intention of FED Chairman Powell. The impact of this in 1994 on equity vallations was significant as the multiple on the S&P 500 went from 27 times on a trailing basis to 15 times. In this correction, the S&P trailing multiple has shrunk from 32 times to its current 19.5 times earnings.

Concerning earnings, the strong recovery in S&P 500 earnings was the major driver of equity market returns in 2021. For 2022, while we expect earnings to move higher, the expected growth in earnings for the S&P 500 will be much more modest, with consensus estimates currently at 8-10%.

Another concern that may prove challenging for global equity markets is the stated intention of the US Federal Reserve (FOMC) to end its asset purchase program and begin to reduce its $9 trillion balance sheet. The massive liquidity injected into the financial system to support markets during the pandemic provided the fuel to propel markets higher, drive interest rates to historic lows and valuations to all-time highs over the last two years. One must worry about the consequences for financial markets when the process is reversed.

While we are cautious on the outlook for equity markets over the next several months, we continue to favor equities over fixed income for 2022, with return expectations more in line with the lower range of the historical average, in the 7-10% range for 2022 as a whole. Importantly, sector and security selection are expected to be the main drivers of outperformance over the forecast period.

The caveat to this outlook, over the near term, is that markets have already priced in a lot of bad news related to the war in the Ukraine, surging inflation, the dramatic rise in rates, and the rerating of valuations especially in the technology sector. Any positive developments in these headwinds would likely result in a powerful rally in capital markets. This is a US mid-term election year and historically markets have struggled during the first half only to rally strongly up to and post the elections.

Finally, equity markets historically (since the crash of 1987 and Alan Greenspan was the Chairman) have had the support of the “FED PUT” where any time financial markets were in turmoil the Federal would step in and provide support through lowering rates and/or injecting liquidity. At least for the moment, this is off the table. The FED is in a in a conundrum with surging inflation, a $9 trillion balance sheet, and having left rates too low for too long. As a result, they have limited tools to provide a backstop for capital markets under the current circumstances.

Concerning fixed income markets over the next few quarters of 2022, inflation and how quick the central banks tighten monetary policy will remain at the forefront. In the US, the pace at which the FED will raise rates has become much more aggressive than market participants were previously expecting. The process of balance sheet normalization in the US was expected to be a gradual wind-down or “QT” and therefore the impact on longer term rates would be muted and the yield curve would continue to flatten throughout 2022. Given the significant pivot by the FED in late-March, and the suggestion of a more aggressive wind down of the balance sheet, longer-term rates could shift higher, re-steepening the yield curve. Current market pricing suggests the FED may be getting too aggressive with rate hikes and risks committing a policy error that pushes the economy into recession. Ultimately, this would result in lower long-term growth which in turn would once again push longer term yields lower. From a positioning perspective the portfolio is modestly short duration but benchmark weight the long end of the yield curve. As the Bank of Canada continues to raise rates the overall yield curve should continue to have a flattening bias. We will continue to be tactical with duration and as rates rise, we will look to shift back to neutral duration.

Our view continues to be that over the long-term, with rates near historically low levels, persistent inflationary pressure and tightening monetary policies there is little value in the Canadian bond market. However, we will remain close to our policy benchmark weight for liquidity and defensive purposes.

Concerning our alternative assets portfolios, these assets are expected to provide long-term stable returns with less volatility compared to public markets. While private equity may experience heightened volatility if public equity markets stay down for a longer period, private credit and infrastructure assets are well positioned to deal with a slowdown and higher rates. Some assets may well experience negative short-term consequences from the current economic environment, however, we anticipate the volatility to be far less than what we have witnessed in public fixed income and equity markets.

Regardless of equity market conditions, we remain committed to opportunistically enhancing our programs in infrastructure, private credit, and private equity. Concerning our real estate portfolio, we are embarking on a strategic shift to a global platform to increase diversification and enhance return potential.

Membership Information

MEMBER SERVICES

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

1. Individual Meetings

Members can meet in person, virtually, or by phone with Board staff in Winnipeg and rural areas to discuss pension and insurance benefits. Members are encouraged to bring anyone they wish to these meetings, like a spouse or financial planner.

2. Pre-Retirement Planning Seminars

The Board offers half-day online and in person sessions designed for employees who are beginning to plan for retirement. In person sessions 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 helping members understand their pension and insurance options.

3. Employee Pension and Insurance Seminars

The employee information seminars focus on pension and insurance benefits, such as eligibility, entitlement to benefits, family protection, disability, death, relationship separation, etc. They are provided at the invitation of participating employers or bargaining units.

4. Personal and General Inquiries

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) or employee number ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

Board staff are available to answer questions by way of phone, email to askus@cssb.mb.ca, and by regular mail.

5. Electronic Communications

The Board's site at cssb.mb.ca provides comprehensive information about pension and insurance benefits for employees, pensioners, and employers.

Online Services provides members an easy and secure way to view their own information and use tools like our pension estimator, or online pension application.

GOVERNANCE

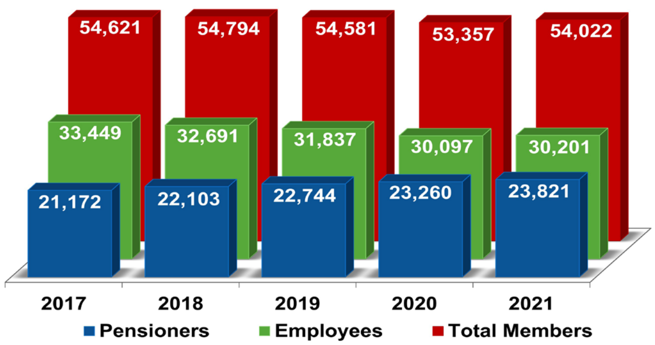
The Board and sub-committees regularly receive management certified compliance reports and informational material to assist with oversight requirements. In addition, the Board reviews and formally approves the minutes of all subcommittee meetings.

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.

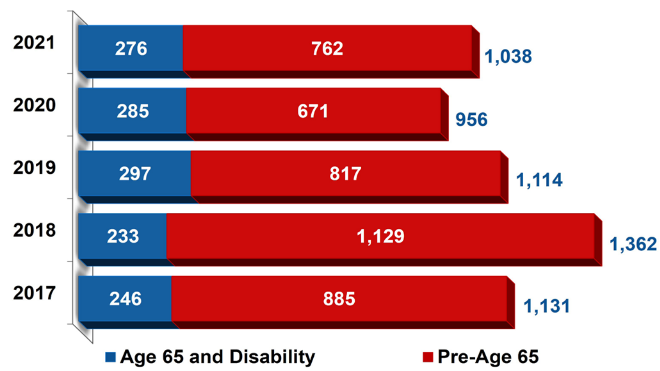
MEMBERS/RETIREMENTS

During 2021
- Total members increased by 665 to 54,022
- Employees/former employees participating in the Fund increased by 104 to 30,201
- Pensioners/beneficiaries increased by 561 to 23,821

Total Members



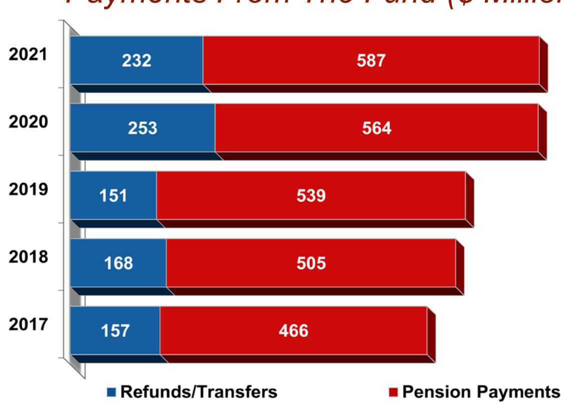
Retirements



PAYING YOUR BENEFITS

During 2021
- 23,821 pensioners/beneficiaries were receiving pension benefits at the end of the year
- $587 million was paid in pensions

Payments From The Fund ($ Millions)



Former Contributors

Employee Contributions/Employer Payments

During 2021
- Employees contributed $153 million to the Fund compared to $154 million in 2020
- Employers paid $371 million to the Fund compared to $378 million in 2020

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

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

Contributions and Payments ($ Millions)

An employee contributes to the pension plan at one rate on salary up to his or her Canada pensionable earnings, and at a different rate on salary over of his or her Canada pensionable earnings. Canada pensionable earnings is the salary an employee receives in a year that does not exceed the Yearly Maximum Pensionable Earnings under the Canada Pension Plan. The Yearly Maximum Pensionable Earnings for 2022 is $64,900.

Cost-of-Living Adjustment (COLA)

- 10.2% of employee contributions and prefunding employer payments go to a separate Indexing Benefits 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, 2021 was 0.49%

Cost-of-Living Account

The Board is concerned with the future viability of COLA. COLA is limited to the extent that the Indexing Benefits 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 Account will not be able to continue to provide increases of ⅔ of the increase in the Canadian Consumer Price Index. Concerned members should contact the Pension and Insurance Liaison Committee.

FUNDING OF PENSION BENEFITS

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

- Investment income
- Employee contributions
- Employer payments

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

The Fund consists of two separate accounts:

1. Basic Benefits Account

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

2. Indexing Benefits Account

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

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

The net assets available to finance pension benefits, the obligations for pension benefits, and any surplus in the Basic Benefits Account and the funds available to finance future cost-of-living adjustments as at December 31, 2021 are summarized below.

		Fund (*)	Payment Funding Employers (*)	Obligations Total (*)
1. Net Assets Available (Net of Actuarial Reserves)				
Basic Benefits Account		5,078,145		
Indexing Benefits Account		669,478		
	Total	5,747,623		
2. Actuarial Obligations for Pension Benefits				
Basic Benefits Account (Excluding future benefits)		5,678,815	4,276,998	9,955,813
Indexing Benefits Account		460,683	425,614	886,297
	Total	6,139,498	4,702,612	10,842,110
3. Actuarial Position/Funds Available				
Basic Benefits Account		(600,670)	(4,276,998)	(4,877,668)
Indexing Benefits Account (funds available to finance future adjustments)		208,795	(425,614)	(216,819)
	Deficit	(391,875)	(4,702,612)	(5,094,487)

* $Thousands

Refer to the Audited Financial Statements for additional information.

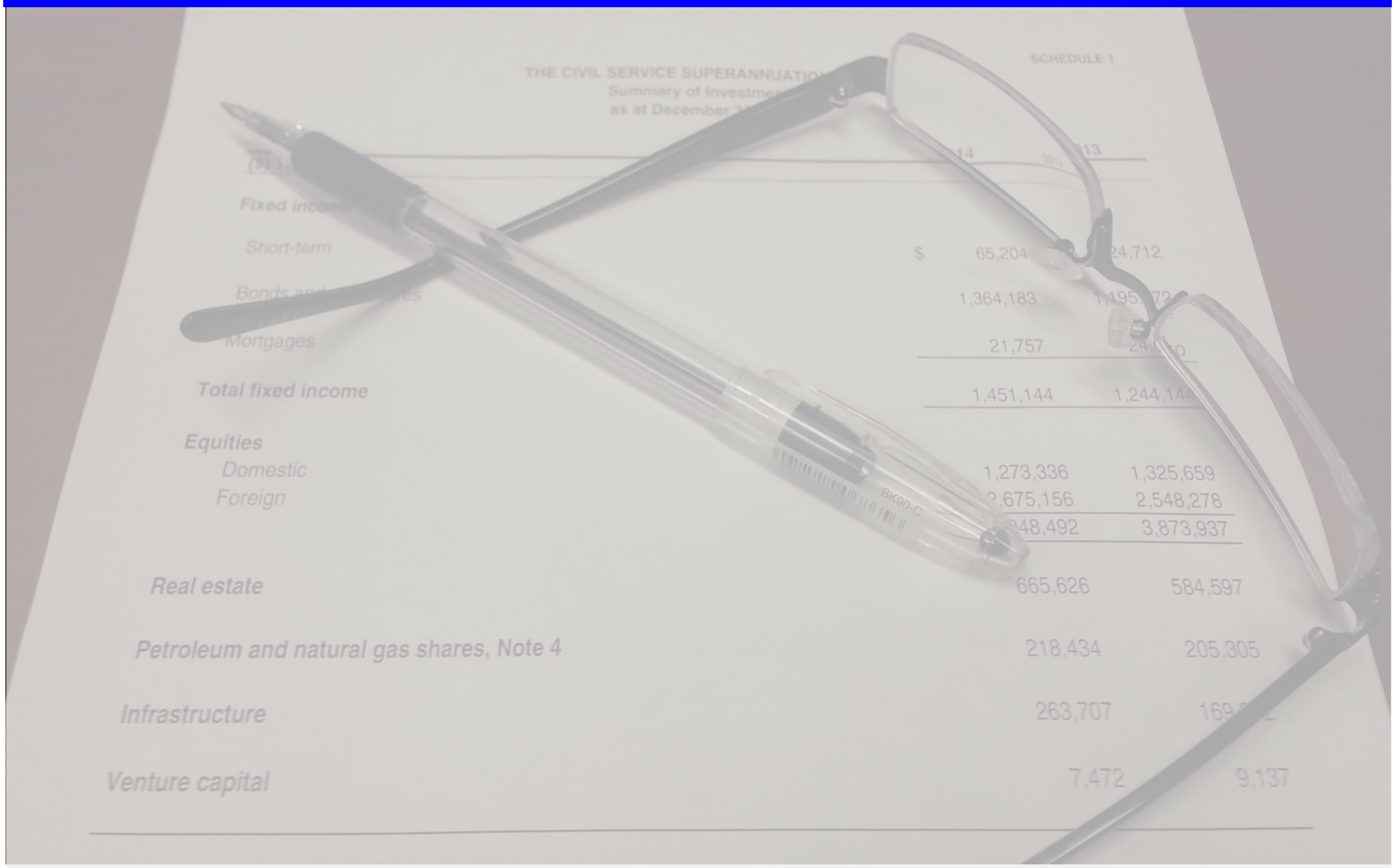
Five-Year Comparative Statistics

		2017 (*)	2018 (*)	2019 (*)	2020 (*)	**2021(*)**
Investments	**Rate of Return**	10.80%	(0.90)%	13.66%	9.02%	**11.03%**
	Market Value	7,561,547	7,199,516	7,797,819	8,024,670	**8,403,574**
Contributions and Payments	**Employee Contributions**	164,100	161,003	157,795	153,640	**152,766**
	Employer Payments	288,584	312,795	319,688	377,783	**370,893**
	Total	452,684	473,798	477,483	531,423	**523,659**
Payments from the Fund	**Pension Benefits Paid**	466,122	505,303	538,661	564,111	**586,587**
	Refunds and Transfers	156,450	167,985	150,891	253,176	**232,365**
Expenses	**Administrative, net before recoveries from payment funding employers**	3,908	4,273	4,520	4,823	**5,165**
	Investment, net	7,782	11,003	11,881	11,981	**14,417**

* $Thousands unless otherwise noted

		2017	2018	2019	2020	**2021**
Membership	**Non-Retired Members**	33,449	32,691	31,837	30,097	**30,201**
	Pensioners and Other Recipients	21,172	22,103	22,744	23,260	**23,821**
	Total Members	54,621	54,794	54,581	53,357	**54,022**
	Refunded/Transferred Members	2,078	2,108	1,742	1,787	**2,276**
	Retirements	1,131	1,362	1,114	956	**1,038**

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 May 26, 2022.

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

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

Ultimate responsibility for the financial statements rests with the members of the Civil Service Superannuation 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

Auditor General
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

To the Civil Service Superannuation Board

Opinion

We have audited the financial statements of the Civil Service Superannuation Fund (CSSF) which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets available for benefits, the statement of changes in pension obligations and the statement of changes in surplus (deficit) for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CSSF as at December 31, 2021, and the changes in its net assets available for benefits, the changes in its pension obligations and the changes in its surplus (deficit) for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the CSSF in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the CSSF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate the CSSF or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the CSSF's financial reporting process.

Auditor General
MANITOBA

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 CSSF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CSSF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the CSSF to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Original signed by
Tyson Shtykalo

Winnipeg, Manitoba
May 26, 2022

Tyson Shtykalo, CPA, CA
Auditor General

THE CIVIL SERVICE SUPERANNUATION FUND
Statement of Financial Position
as at December 31, 2021

($) Thousands	2021	2020
Assets		
Investments, Schedule 1 and Note 2(b)	$ 8,403,574	$ 8,024,670
Capital assets	443	455
Prepaid expenses	527	308
Debt due from the Province of Manitoba, Note 4	1,826	1,826
Receivables, Note 5	17,157	9,423
Accrued dividends and interest	13,302	12,779
Total assets	8,436,829	8,049,461
Liabilities		
Accounts payable and accrued liabilities	18,774	20,078
The Province of Manitoba Unfunded Pension Liability Trust Account, Note 6	2,416,746	2,316,602
Manitoba Hydro Enhanced Benefit Trust Account, Note 7	44,069	39,873
Correctional Officers' Trust Account, Note 8	18,518	16,474
Employer Trust Accounts, Note 9	137,402	124,245
Money Purchase Accounts Plan, Note 10	53,697	47,895
Total liabilities	2,689,206	2,565,167
Net assets available for benefits, Exhibit B	**$ 5,747,623**	**$ 5,484,294**
Pension Obligations and Deficit		
Actuarial value of pension obligations, Exhibit C, Note 11	$ 10,842,110	$ 10,600,003
Deficit, Exhibit D, Note 1(b), 11, 12 and 19	(5,094,487)	(5,115,709)
Pension obligations and deficit	**$ 5,747,623**	**$ 5,484,294**

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

Approved on behalf of the Board

Chairperson of the Board

Chairperson, Finance and Audit Committee

THE CIVIL SERVICE SUPERANNUATION FUND
Statement of Changes in Net Assets Available for Benefits
For the year ended December 31, 2021

($) Thousands	Basic Benefits Account	Indexing Benefits Account	2021 Total	2020 Total
Increase in assets				
Contributions, Schedule 2, Note 1(b) and 13				
Employees	$ 137,368	$ 15,398	$ 152,766	$ 153,640
Employers	333,576	37,317	370,893	377,783
Total contributions	470,944	52,715	523,659	531,423
Net investment income, Schedule 3	146,648	64,792	211,440	180,523
Current period change in fair value of investments, Note 14	620,467	-	620,467	476,907
Other	98	-	98	78
Total increase in assets	1,238,157	117,507	1,355,664	1,188,931
Decrease in assets				
Benefits paid, Note 15	511,815	74,772	586,587	564,111
Refunds and transfers, Note 16	232,365	-	232,365	253,176
Administrative expenses, net, Note 17	3,011	-	3,011	2,810
Interest allocations to various trust accounts and Money Purchase Accounts Plan, Note 18	270,372	-	270,372	217,037
Total decrease in assets	1,017,563	74,772	1,092,335	1,037,134
Increase in net assets	220,594	42,735	263,329	151,797
Net assets available for benefits, beginning of year	4,857,551	626,743	5,484,294	5,332,497
Increase in net assets	220,594	42,735	263,329	151,797
Net assets available for benefits, end of year, Exhibit A	**$ 5,078,145**	**$ 669,478**	**$ 5,747,623**	**$ 5,484,294**

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

THE CIVIL SERVICE SUPERANNUATION FUND
Statement of Changes in Pension Obligations
For the year ended December 31, 2021

($) Thousands	Fund	Payment Funding Employers	2021 Total	2020 Total
Basic Benefits Account				
Pension obligations, beginning of year	$ 5,595,824	$ 4,248,116	$ 9,843,940	$ 9,600,812
Change in pension obligations				
Experience loss	50,043	31,851	81,894	219,369
Benefits accrued	128,236	92,356	220,592	230,805
Benefits paid	(410,604)	(333,576)	(744,180)	(746,438)
Interest accrued on benefits	315,316	238,250	553,566	539,392
	82,991	28,881	111,872	243,128
Pension obligations, end of year	**$ 5,678,815**	**$ 4,276,997**	**$ 9,955,812**	**$ 9,843,940**
Indexing Account				
Pension obligations, beginning of year	$ 392,989	$ 363,074	$ 756,063	$ 759,015
Change in pension obligations				
Experience (gain)	(6,064)	(5,602)	(11,666)	(11,151)
Benefits accrued, Note 11(b)	88,372	81,645	170,017	39,012
Benefits paid	(38,865)	(35,907)	(74,772)	(70,849)
Interest accrued on benefits	24,251	22,405	46,656	40,036
	67,694	62,541	130,235	(2,952)
Pension obligations, end of year	**$ 460,683**	**$ 425,615**	**$ 886,298**	**$ 756,063**
Combined				
Pension obligations, beginning of year	$ 5,988,813	$ 4,611,190	$ 10,600,003	$ 10,359,827
Change in pension obligations	150,685	91,422	242,107	240,176
Pension obligations, end of year, Exhibit A	**$ 6,139,498**	**$ 4,702,612**	**$ 10,842,110**	**$ 10,600,003**

The accompanying notes and schedules 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, 2021

($) Thousands	Fund	Payment Funding Employers	2021 Total	2020 Total
Basic Benefits Account				
Deficit, beginning of year	$ (738,273)	$ (4,248,117)	$ (4,986,390)	$ (4,864,170)
Increase in net assets	220,594	-	220,594	120,908
Change in pension obligations	(82,991)	(28,881)	(111,872)	(243,128)
	137,603	(28,881)	108,722	(122,220)
Deficit, end of year	**$ (600,670)**	**$ (4,276,998)**	**$ (4,877,668)**	**$ (4,986,390)**
Indexing Account				
Surplus (deficit), beginning of year	$ 233,754	$ (363,073)	$ (129,319)	$ (163,160)
Increase in net assets	42,735	-	42,735	30,889
Change in pension obligations	(67,694)	(62,541)	(130,235)	2,952
	(24,959)	(62,541)	(87,500)	33,841
Surplus (deficit), end of year	**$ 208,795**	**$ (425,614)**	**$ (216,819)**	**$ (129,319)**
Combined				
Deficit, beginning of year	(504,519)	(4,611,190)	(5,115,709)	(5,027,330)
Change during the year	112,644	(91,422)	21,222	(88,379)
Deficit, end of year, Exhibit A, Note 19	**$ (391,875)**	**$ (4,702,612)**	**$ (5,094,487)**	**$ (5,115,709)**

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

($) Thousands

1. Description of Plan

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

(a) General

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

(b) Funding

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

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

The Fund’s net assets available for benefits are primarily comprised of investments derived from contributions from employees and prefunding employers together with investment income. These assets are intended to finance the Fund’s portion of the Plan’s actuarially determined obligation for pension benefits accruing to employees for service to the date of these financial statements. The payment funding employers’ portion of the obligation for pension benefits, as shown on Exhibit C and disclosed in Note 11, is unfunded.

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

(c) Pension Calculation

The lifetime pension calculation equals:

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

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

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

($) Thousands

(d) Excess Contributions

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

(e) Retirement

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

(f) Disability Pensions

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

(g) Death Benefits Pre-retirement

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

(h) Death Benefits Post-retirement

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

(i) Withdrawal Refunds

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

(j) Income Taxes

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

(k) Money Purchase Accounts Plan

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

($) Thousands

2. Significant Accounting Policies

The significant accounting policies are summarized below:

(a) Basis of Presentation

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

(b) Investments

Investments are presented on a non-consolidated basis even when an investment is in an entity over which the Plan has control or can exercise significant influence. Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

Fixed Income

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

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

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

Equities

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

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

Other Investments

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

(ii) Private equity, Infrastructure, and Private credit investments are valued at the fair value of the underlying investments as established by the external managers or at cost, which approximates fair value, when no valuation has been prepared.

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from those estimates. Items requiring the use of significant estimates include Level 3 investments and Obligations for pension benefits.

(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) Forward Contracts

A forward contract is a contractual obligation to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate. Forward contracts are recorded at fair value which is the estimated amounts that the Fund would receive or pay to terminate the contracts at the reporting date. Realized and unrealized gains or losses on forward contracts are recognized with the current period change in fair value of investments.

(f) 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.

(g) Related Party Transactions

The Plan's sponsor and administrator (and their close family members) are related parties of the Civil Service Superannuation Fund. The sponsor of the Plan is the Government of the Province of Manitoba and the administrator of the Plan is the management of the Civil Service Superannuation Board (CSSB).

CSSB management and their close family members include board members, external committee members and senior management, as well as their spouses, and any controlled business or business subject to significant influence.

All related party transactions are recorded at the exchange amount. Material transactions, in aggregate, and balances are disclosed separately.

(h) Net Investment Income and Current Period Change in Fair Value of Investments

Dividend income is recognized based on the ex-dividend date; interest income and income from real estate, infrastructure, private equity, private credit, and security lending are recognized on the accrual basis as earned. Investment management expenses, transaction costs, and interest allocated to employee future benefit obligations are reductions to gross investment income. Current period change in fair value of investments includes both realized and unrealized gains and losses. Unrealized gains and losses are recognized only when the fair value of the investment is based on a quoted market price in an active market or a valuation using appropriate valuation techniques is performed and approved by management.

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 19% (2020 – 21%) of its assets in fixed income securities as at December 31, 2021 which generated a rate of return of -3.09% (2020 – 10.47%). The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. As at December 31, 2021, 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 $154,376 (2020 - $160,232). 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 impacts can be positive or negative and can be significant given the volatility of foreign exchange rates. CSSB management and external managers hedge some of the Fund's currency exposure in invested assets using forward contracts. As at December 31, 2021, the notional amount of all forward contracts held by the Fund was $724,405 (2020 - $654,222) with unrealized gains (losses) of $15,313 (2020 - $(307)).

The Fund's exposure in cash and investments to foreign currencies, net of hedging, reported in Canadian dollars is shown below:

As at December 31, 2021	Actual Currency Exposure	Percentage
Canadian dollar	$ 4,503,376	53.6%
US dollar	2,236,655	26.6
Euro	344,452	4.1
Japanese yen	266,377	3.2
Pound sterling	174,565	2.1
Hong Kong dollar	151,191	1.8
Australian dollar	120,672	1.4
Indian rupee	103,912	1.2
South Korean won	98,434	1.2
Taiwan new dollar	74,864	0.9
Other currencies	329,076	3.9
Total investments	$ 8,403,574	100.0%

A 10 percent increase or decrease in exchange rates, net of hedging, with all other variables held constant, would result in a change in unrealized gains (losses) of $390,020 (2020 - $368,479).

($) Thousands

Price Risk

Price risk is the risk that the value of an investment will fluctuate as a result of a change in market conditions (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's equity and private market investments are sensitive to market fluctuations. To assist in mitigating the impact of price risk, the Board has established appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks which they monitor on a regular basis. A decline or increase of 10 percent in fair values of equities and private market investments, with all other variables held constant, will impact the Fund's investments by an approximate loss or gain of $677,047 (2020 - $635,768).

(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, 2021, the Fund's maximum credit risk exposure relating to bonds and debentures, cash and short-term investments and mortgages totaled $1,633,106 (2020 - $1,666,994), receivables of $17,157 (2020 - $9,423) and accrued interest of $6,406 (2020 - $6,734) totaled $1,656,669 (2020 - $1,683,151). The Fund's Investment Committee limits credit risk by concentrating on high quality securities and adhering to a Statement of Investment Policies and Procedures. The Policy establishes investment ownership limits and acceptable credit ratings. In the case of bonds and debentures, all bonds must be rated BBB- or higher at the time of purchase.

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

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

Credit Rating	2021 Fair Value		2020 Fair Value	
AAA	$ 277,707	19.6%	$ 211,269	14.8%
AA	83,516	5.9	177,565	12.4
A	906,137	63.9	892,098	62.5
BBB+	125,632	8.9	107,021	7.5
BBB and lower	23,595	1.7	39,933	2.8
	1,416,587	100.0%	1,427,886	100.0%
Cash and short-term	68,850		107,230	
Total bonds and debentures	$ 1,485,437		$ 1,535,116	

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 2021 or 2020.

($) Thousands

(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	2021	2020
Less than one year	$ 212,713	$ 233,439
One to five years	316,595	287,138
Over five years	1,103,797	1,146,417
Total fixed income investments	$ 1,633,105	$ 1,666,994

(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 2021
Assets				
Cash	$ 20,722	$ -	$ -	$ 20,722
Short-term	-	241,381	-	241,381
Bonds and debentures	-	1,416,587	-	1,416,587
Mortgages	-	4,836	-	4,836
Equities	3,809,265	722,833	-	4,532,098
Real estate	-	-	1,149,355	1,149,355
Infrastructure	-	-	646,131	646,131
Private equity	-	-	58,544	58,544
Private credit	-	-	333,920	333,920
Total investments, Schedule 1	$ 3,829,987	$ 2,385,637	$ 2,187,950	$ 8,403,574

($) Thousands

	Level 1 Quoted Prices in Active Markets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total 2020
Assets				
Cash	$ 19,269	$ -	$ -	$ 19,269
Short-term	-	250,026	-	250,026
Bonds and debentures	-	1,427,886	-	1,427,886
Mortgages	-	6,837	-	6,837
Equities	3,542,564	680,587	-	4,223,151
Real estate	-	-	1,084,739	1,084,739
Infrastructure	-	-	576,674	576,674
Private equity	-	-	29,514	29,514
Private credit	-	-	406,574	406,574
Total investments, Schedule 1	$ 3,561,833	$ 2,365,336	$ 2,097,501	$ 8,024,670

All securities in Level 1 can be traded in an active market. During the year ended December 31, 2021, no equity investments were transferred from Level 1 to Level 2.

During the year ended December 31, 2021, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Real estate	Infrastructure	Private equity	Private credit	Total
Beginning Balance	$ 1,084,739	$ 576,674	$ 29,514	$ 406,574	$ 2,097,501
Purchases	22,228	16,875	17,028	40,323	96,454
Sales and withdrawals	(86,468)	-	-	-	(86,468)
Capitalized income	55,869	-	-	-	55,869
Return of capital	(1,241)	(7,164)	-	(113,764)	(122,169)
Dividend	(2,539)	(19,129)	(2,537)	(25,368)	(49,573)
Change in unrealized appreciation/ (depreciation)	76,767	78,875	14,539	26,155	196,336
Ending Balance	$ 1,149,355	$ 646,131	$ 58,544	$ 333,920	$ 2,187,950

($) Thousands

Section 3.29 of the Manitoba Pension Benefits Act Regulation requires disclosure of each investment asset that has a fair value greater than two percent of the fair value of the investment assets of the fund. As at December 31, 2021, the Fund held the following investments that met this classification:

Pooled Funds:

ISHARES MSCI EAFE ETF	$ 318,296
ISHARES Core S&P 500 ETF	$ 244,098
ISHARES Core S&P / TSX CAPPED	$ 205,545
Marathon M-L Investment Fund	$ 720,509

Infrastructure:

Borealis Infrastructure Fund	$ 356,818

(e) Securities Lending

The Fund is 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. 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 (2020 - $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.

5. Receivables

	2021	2020
Contributions receivable		
Employers	$ 492	$ 726
Employees	279	1,026
	771	1,752
Other receivables	16,386	7,671
	$ 17,157	$ 9,423

($) Thousands

6. The Province of Manitoba Unfunded Pension Liability Trust Account

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

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

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

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

A continuity schedule of this trust account is as follows:

	2021	2020
Contributions received	$ 91,859	$ 94,722
Interest earned	247,488	200,079
Pension and refund payments made	(229,477)	(235,283)
Investment management fees charged	(9,726)	(8,712)
Change during the year	100,144	50,806
Balance, beginning of year	2,316,602	2,265,796
Balance, end of year	$ 2,416,746	$ 2,316,602

($) Thousands

7. 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:

		2021		2020
Contributions received	$	2,112	$	2,126
Interest earned		4,366		3,341
Pension and refund payments made		(2,111)		(2,090)
Investment management fees charged		(171)		(145)
Change during the year		4,196		3,232
Balance, beginning of year		39,873		36,641
Balance, end of year	$	44,069	$	39,873

8. Correctional Officers' Trust Account

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

		2021		2020
Contributions received	$	1,268	$	1,385
Interest earned		1,759		1,296
Pension and refund payments made		(975)		(859)
Expenses paid		(8)		(8)
Change during the year		2,044		1,814
Balance, beginning of year		16,474		14,660
Balance, end of year	$	18,518	$	16,474

($) Thousands

9. Employer Trust Accounts

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

	2021	2020
Contributions	$ 13	$ 12
Interest earned	13,144	9,901
Change during the year	13,157	9,913
Balance, beginning of year	124,245	114,332
Balance, end of year	$ 137,402	$ 124,245

10. Money Purchase Accounts Plan

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

	2021	2020
Contributions received	$ 5,714	$ 4,327
Interest earned	3,616	2,420
Refunds and administration fees paid	(1,899)	(1,817)
Annuities made	(1,629)	(1,443)
Change during the year	5,802	3,487
Balance, beginning of year	47,895	44,408
Balance, end of year	$ 53,697	$ 47,895

($) Thousands

11. Obligations for Pension Benefits

(a) Basic Benefits Account

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

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

Actuarial valuations (going concern basis) for the Fund and Payment Funding Employers' pension obligations were prepared as at December 31, 2020 by Ellement Consulting Group. The actuarial present value of the accrued basic pension benefit obligations, based on service to date, was extrapolated by the actuary to December 31, 2021. The principal components of the changes in pension obligations during the year are presented in Exhibit C.

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

Significant long-term actuarial assumptions used in the December 31, 2020 and 2019 valuations of the present value of the accrued basic pension benefit obligations were:

	2020	2019
Discount rate:		
(i) inflation component	2.00%	2.00%
(ii) real rate of return	3.75%	3.75%
	5.75%	5.75%
Annual salary escalation rates:		
(i) general increases		
a) inflation component	vary by year/2.00%	vary by year/2.00%
b) productivity component	vary by year/0.50%	vary by year/0.50%
	vary by year/2.50%	vary by year/2.50%
(ii) service, merit and promotional increases *		
* the rates used vary by age groupings from a high of 3.0% to a low of 0%		
Mortality rates:		
(i) mortality	CPM 2014 Public	CPM 2014 Public
(ii) mortality improvements	Scale B	Scale B

The extrapolations to December 31, 2021 were based on the assumptions used in the 2020 actuarial valuations.

The next actuarial valuations for Basic Benefits will be prepared as at December 31, 2021 and will be completed by the fall of 2022.

($) Thousands

(b) Indexing Benefits Account

Under section 33(6) of the Act, the Board must approve a cost-of-living adjustment before it is in effect. The 2021 financial statements reflect the pension obligations for cost-of-living adjustments up to the change in the Consumer Price Index for 2021.

A 1.98% cost-of-living adjustment for the year ended December 31, 2021 at a cost of $170,017 (Fund - $88,372, Payment Funding Employers - $81,645) was approved March 31, 2022, with payment commencing July 2022.

These pension obligations are reported in the 2021 statement of changes in pension obligations (Exhibit C).

The December 31, 2021 actuarial valuations for the Fund's Indexing Benefits Account and the Payment Funding Employers' liability for indexing benefits were prepared by Ellement Consulting Group. The actuarial assumptions were the same as those used for the December 31, 2020 actuarial valuations for basic benefits.

The next actuarial valuations on the Indexing Benefits Account and the Payment Funding Employers' indexing benefits liability will be prepared as at December 31, 2022 and will be completed during 2023.

12. Employer Assets Provided for Pension Obligations

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

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

	2021	2020
Province of Manitoba, Note 6	$ 2,416,746	$ 2,316,602
Manitoba Hydro, Note 20	1,134,058	1,090,648
Total funds managed	$ 3,550,804	$ 3,407,250

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

($) Thousands

13. Contributions

	2021	2020
Employees		
Required contributions	$ 146,914	$ 152,711
Voluntary contributions	114	107
Past service contributions	1,670	1,789
Special contributions	4,068	(967)
	152,766	153,640
Employers		
Required contributions	14,058	15,644
Special contributions [1]	356,835	362,139
	370,893	377,783
	$ 523,659	$ 531,423

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

14. Current Period Change in Fair Value of Investments

	2021	2020
Net realized gains on the sale of investments	$ 362,883	$ 252,255
Net unrealized market gains	257,584	224,652
	$ 620,467	$ 476,907

15. Benefits Paid

	2021	2020
Pension benefit payments	$ 575,367	$ 553,301
Disability benefit payments	11,220	10,810
	$ 586,587	$ 564,111

16. Refunds and Transfers

	2021	2020
Termination refund payments	$ 220,062	$ 236,040
Death refund payments	7,277	13,631
Relationship separation refund payments	4,751	3,121
Reciprocal transfers out – prefunding employers	275	384
	$ 232,365	$ 253,176

($) Thousands

17. Administrative Expenses, Net

		2021		2020
Actuary fees	$	289	$	288
Audit fees		66		66
Legal fees		81		14
Consulting fees		27		-
Professional fees		463		368
Salaries and fringe benefits		4,654		4,452
Office and administration		1,182		1,140
Gross administrative expenses		6,299		5,960
Less: Recoveries				
From other administrated funds – regular administration		(1,134)		(1,137)
From payment funding employers		(2,154)		(2,013)
Administrative expenses, net	$	3,011	$	2,810

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

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

		2021		2020
The Province of Manitoba Unfunded Pension Liability Trust Accounts	$	247,487	$	200,079
Manitoba Hydro Enhanced Benefit Trust Account		4,366		3,341
Correctional Officers' Trust Account		1,759		1,296
Employer Trust Accounts		13,144		9,901
Money Purchase Plan Account		3,616		2,420
	$	270,372	$	217,037

($) Thousands

19. Deficit

	Fund	Payment Funding Employers	Total 2021	Total 2020
(Deficit) surplus, beginning of year				
Basic Benefits	$ (738,273)	(4,248,117)	(4,986,390)	$ (4,864,170)
Indexing Benefits	233,754	(363,073)	(129,319)	(163,160)
	(504,519)	$ (4,611,190)	$ (5,115,709)	(5,027,330)
Change in net assets available for benefits, Exhibit B				
Basic Benefits	220,594	-	220,594	120,908
Indexing Benefits	42,735	-	42,735	30,889
	263,329	-	263,329	151,797
Change in pension obligations during the year, Exhibit C				
Basic Benefits	(82,991)	(28,881)	(111,872)	(243,128)
Indexing Benefits	(67,694)	(62,541)	(130,235)	2,952
	(150,685)	(91,422)	(242,107)	(240,176)
(Deficit) surplus, end of year, Exhibit D				
Basic Benefits	(600,670)	(4,276,998)	(4,877,668)	(4,986,390)
Indexing Benefits	208,795	(425,614)	(216,819)	(129,319)
	$ (391,875)	$ (4,702,612)	$ (5,094,487)	$ (5,115,709)

20. 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:

	2021	2020
The Manitoba Hydro Pension Fund	$ 1,134,058	$ 1,090,648
Joint Board of Trustees of The Municipal Employees Benefits Program	897,759	820,532
The Public Service Group Insurance Fund	308,057	277,498
Centra Gas Manitoba Inc.	146,648	140,150
Manitoba Liquor & Lotteries Corporation	7,502	6,796
Winnipeg Child and Family Services Employee Benefits Retirement Plan	25,453	24,646
University of Winnipeg	21,090	17,980
Legislative Assembly Pension Plan	42,628	38,776
	$ 2,583,195	$ 2,417,026

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

($) Thousands

21. Future Commitments

The Fund has contractual obligations for future investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2021, the Fund's share of the outstanding commitment is $594,299 (2020 - $398,214).

22. 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.

THE CIVIL SERVICE SUPERANNUATION FUND
Summary of Investments
as at December 31, 2021

($) Thousands	2021	2020
Fixed income		
Short-term	$ 142,832	$ 125,041
Bonds and debentures	1,485,437	1,535,116
Mortgages	4,836	6,837
	1,633,105	1,666,994
Equities		
Domestic	1,048,282	900,096
Foreign	3,532,968	3,354,599
	4,581,250	4,254,695
Real estate	1,150,624	1,090,219
Infrastructure	646,131	576,674
Private equity	58,544	29,514
Private credit	333,920	406,574
Investments, Exhibit A	**$ 8,403,574**	**$ 8,024,670**

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

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Contributions
For the year ended December 31, 2021

($) Thousands	Employers	Employees	2021 Total	2020 Total
Payment Funding employers, Note 1 (b)				
Province of Manitoba Civil Service	$ 237,300	$ 68,093	$ 305,393	$ 313,500
Manitoba Hydro-Electric Board	98,913	35,152	134,065	138,067
Manitoba Public Insurance Corporation	18,152	10,849	29,001	26,600
Red River College	139	9,282	9,421	9,737
Addictions Foundation of Manitoba	3,070	1,420	4,490	3,818
Community Colleges				
Assiniboine Community College	-	2,119	2,119	2,226
University College of the North	-	1,768	1,768	1,877
Regional Health Authorities				
Winnipeg	-	542	542	619
Prairie Mountain	-	265	265	415
Southern	-	85	85	98
Interlake - Eastern	-	80	80	72
Northern	-	78	78	74
The Legal Aid Services Society of Manitoba	-	965	965	976
Manitoba Centennial Centre Corporation	454	169	623	607
Shared Health Inc.	-	3	3	81
Teachers' Retirement Allowances Fund Board	391	345	736	867
Communities Economic Development Fund	146	76	222	236
Manitoba Horse Racing Commission	34	-	34	126
Workers Compensation Board	1	-	1	1
Total payment funding employers	**$ 358,600**	**$ 131,291**	**$ 489,891**	**$ 499,997**

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

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Contributions
For the year ended December 31, 2021

($) Thousands	Employers	Employees	2021 Total	2020 Total
Total payment funding employers, continued	**$ 358,600**	**$ 131,291**	**$ 489,891**	**$ 499,997**
Prefunding employers, Note 1 (b)				
Manitoba Liquor & Lotteries Corporation	7,131	7,556	14,687	16,484
Manitoba Housing	1,165	1,354	2,519	3,447
Manitoba Agricultural Services Corporation	1,613	991	2,604	3,007
CUPE Support Workers	1,056	1,190	2,246	2,281
All Nations Coordinated Response Family Services	703	781	1,484	1,640
Manitoba Government and General Employees' Union	648	681	1,329	1,457
Liquor, Gaming and Cannabis Authority of Manitoba	367	395	762	933
Civil Service Superannuation Board	467	498	965	994
Teranet Manitoba LP	549	606	1,155	1,204
Manitoba Floodway Authority	15	-	15	15
Food Development Centre	35	40	75	367
Manitoba Hydro Utilities Services	192	216	408	375
Travel Manitoba	203	206	409	402
Industrial Technology Centre	71	77	148	155
Dairy Farmers of Manitoba	133	146	279	276
Hams Marketing Services Co-op Inc.	44	48	92	92
Manitoba Pork Council	94	91	185	156
Manitoba Arts Council	68	75	143	131
Manitoba Film and Sound	84	83	167	122
Manitoba Health Research Council	71	76	147	118
Manitoba Chicken Producers	46	50	96	91
Crown Corporations Council	7	-	7	7
Horizon Lab Ltd.	30	33	63	61
Manitoba Turkey Producers	11	12	23	21
Economic Innovation and Technology Council	5	-	5	5
Efficiency Manitoba	363	395	758	357
Total prefunding employers	**$ 15,171**	**$ 15,600**	**$ 30,771**	**$ 34,198**
Total employers, payment funding and prefunding	**$ 373,771**	**$ 146,891**	**$ 520,662**	**$ 534,195**

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

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Contributions
For the year ended December 31, 2021

($) Thousands	Employers	Employees	2021 Total	2020 Total
Total employers, payment funding and prefunding	**$ 373,771**	**$ 146,891**	**$ 520,662**	**$ 534,195**
Other				
Employees on loan	24	24	48	-
Employees on workers compensation	-	38	38	(9)
Reciprocal agreement - transfers in	-	5,841	5,841	1,948
Reciprocal agreement - transfers out	(2,902)	(3,402)	(6,304)	(8,099)
Repayment of contributions previously refunded	-	24	24	40
Contributions based on prior non-pensionable employment	-	1,721	1,721	1,905
Transfer from Money Purchase Accounts Plan	-	1,629	1,629	1,443
Total other	**$ (2,878)**	**$ 5,875**	**$ 2,997**	**$ (2,772)**
Total contributions, Exhibit B	**$ 370,893**	**$ 152,766**	**$ 523,659**	**$ 531,423**

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

THE CIVIL SERVICE SUPERANNUATION FUND
Schedule of Investment Income
For the year ended December 31, 2021

($) Thousands	2021	2020
Fixed income		
Short-term	$ 222	$ 563
Bonds and debentures	37,225	41,998
Mortgages	344	545
	37,791	43,106
Equities		
Domestic	25,290	26,474
Foreign	67,619	58,299
	92,909	84,773
Real estate	50,674	24,926
Infrastructure	19,129	32,323
Petroleum and natural gas	-	21
Private equity	2,550	501
Private credit	25,368	9,541
Security lending revenue	2,155	2,372
Gross investment income	230,576	197,563
Less:		
Investment management expenses, net, Note 20	14,417	11,981
Investment transaction costs	4,450	4,825
Interest allocated to employee future benefits obligations	269	234
	19,136	17,040
Net investment income, Exhibit B	**$ 211,440**	**$ 180,523**

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

For more information...

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

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

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

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

The Civil Service Superannuation Board

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