

# PENSION PLAN

FOR NON-TEACHING EMPLOYEES OF PUBLIC SCHOOL BOARDS IN MANITOBA

## 2016 ANNUAL REPORT



Clear Lake, Manitoba  
Riding Mountain National Park  
Photo by Karen Harrington

[WWW.MBSCHOOLPENSION.CA](http://WWW.MBSCHOOLPENSION.CA)

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# Message from the Board of Pension Trustees

During 2016 and early 2017, there were a number of important changes to your pension plan.

The pension trustees hired a new global equity manager, Baillie Gifford; investment performance has been affected positively in the short time Baillie Gifford has been managing global equities for our fund.

Fiera Properties and Greystone are into their second year as real estate managers of this asset class producing solid performance numbers.

In December 2016, the pension trustees committed to invest in the Axiom Infrastructure North American Fund, a further diversification of the plan's investment portfolio.

During 2017, the pension trustees will conduct investment manager searches to add both a commercial mortgage and core plus fixed income component to the plan's asset mix.

The pension trustees are confident that the expansion of asset classes will provide further diversification of the plan's investments, reduce investment risk and smooth the rates of return from year to year.

For calendar year 2016, RBC measurement service shows our total plan rate of return at 10.59%, which is ranked at the 21st percentile of all pension funds in the measurement universe. The median 2016 annual rate of return for all pension funds was 6.89%.

Annual rate of return for the various asset classes of our plan were as follows:

Canadian Equities	24.8%
Global Equities	7.43%
Fixed Income (Bonds)	2.03%
Real Estate	8.99%

Aside from these investment changes, the pension trustees recommended changing the plan's contribution schedule. Additional information is included in the Pension Plan Amendment section of this report.

The three main reasons for this amendment:

- to eliminate the age discrimination which is inherent in the existing contribution schedule;
- to uncouple pension plan and Canada Pension Plan contributions; and
- to increase contribution rates under the pension plan for most plan members by moving the contribution percentage closer to that of other major public sector pension plans in Manitoba.

This amendment was approved by the MSBA Executive and will be effective January 1, 2019.

The majority of plan members will notice an increase in the amount deducted each month, with your contributions continuing to be matched by the school division resulting in increased savings for retirement.

May 2017

## Message from the Board of Pension Trustees

Plan members should also keep in mind that starting in 2019, the Canada Pension Plan will be implementing changes to the government Plan, including the introduction of increased CPP contributions for employees and employers.

The pension trustees would encourage you to take the time to read the 2016 annual report and hope that you find the content both useful and informative.

This annual report, along with downloads of plan documents, explanation of retirement options/retirement calculations and frequently asked questions can be found at [www.mbschoolpension.ca](http://www.mbschoolpension.ca).

Sincerely,

A handwritten signature in black ink, appearing to read "Mariani".

Vince Mariani  
Chair, Board of Pension Trustees

# Investment Overview

## Canadian pension assets move higher in 2016: RBC Investor & Treasury Services

### *Canadian equity returns remained consistent relative to global equities in 2016*

**Toronto, February 7, 2017** – Canadian defined benefit pension plans closed out 2016 with an annual return of 6.8 per cent, up from 5.4 per cent in 2015, according to the \$650 billion RBC Investor & Treasury Services All Plan Universe, the industry's most comprehensive universe of Canadian pension plans. With Q4 2016 returns of 0.5 per cent, plans recorded three consecutive quarters of gains, negating the weaker start to the year.

“Against a challenging economic and market backdrop at the outset of 2016, Canadian pension plans generated an impressive overall performance in 2016 with three consecutive quarters in the black which culminated in a 1.4 per cent increase in returns compared to 2015,” said James Rausch, Head of Client Coverage, Canada, RBC Investor & Treasury Services. “Maintaining a diversified portfolio across sectors and asset classes, and keeping a close eye on global developments were important considerations over a year which came with remarkable change. Global markets continue to adapt to changing political tides around the world, as well as volatility in China and other global economies.”

Pension plan returns were boosted by Canadian equities which continued to shine, returning 5.7 per cent in Q4 2016, and ended the year with a 21.9 per cent annual return. This is slightly higher than the TSX Composite Index's Q4 2016 return of 4.5 per cent and 21.1 per cent annual return. Canada's three largest sectors - energy, materials and financial services, posted strong results during 2016, helping lift returns.

Global equities remained under pressure for much of 2016 due to volatile global economic headwinds and political events, returning 3.0 per cent in Q4 2016, down from 6.7 per cent in Q3 2016. Their 2016 annual return sits at 4.4 per cent compared to 18.9 per cent in 2015. The MSCI World Index posted a 3.9 per cent return in Q4 2016 vs. 6.1 per cent in Q3 2016.

Canadian fixed income assets took a hit in Q4 2016, posting a decline of -3.4 per cent, compared to a Q3 2016 gain of 1.6 per cent, but finished the year in the black with a 2.4 per cent annual return. The FTSE TMX Universe Canadian bond index reflected similar results, posting a Q4 decline of -3.4 per cent and a 1.7 per cent annual return. The Index gained 1.2 per cent in Q3 2016. An interest rate hike by the U.S. Federal Reserve and speculation the European Central Bank might ease quantitative easing are thought to have contributed to the quarterly decline.

### **Looking ahead**

Continued uncertainty, including the potential for interest rate hikes, may impact returns in 2017. Financial markets will need to monitor and adjust to the new U.S. Administration as economic policies are unveiled throughout the year, in addition to the developments stemming from the post UK referendum and uncertainty surrounding the Chinese economy.

# Investment Overview

## Total Plan Assets (\$Million)

<b>Total Plan</b> <b>\$536.0</b>
-------------------------------------

25.0%	30.0%	35.0%	10.0%
<b>Canadian Equities</b> <b>\$147.1</b> <b>27.4%</b>	<b>Global Equities</b> <b>\$180.5</b> <b>33.7%</b>	<b>Fixed Income</b> <b>\$125.2</b> <b>23.3%</b>	<b>Real Estate</b> <b>\$83.3</b> <b>15.5%</b>
<b>BlackRock</b> <b>\$72.4</b> <b>13.5%</b>	<b>Hexavest</b> <b>\$93.9</b> <b>17.5%</b>	<b>Fiera</b> <b>\$125.2</b> <b>23.3%</b>	<b>Fiera</b> <b>\$41.7</b> <b>7.8%</b>
<b>Burgundy</b> <b>\$74.7</b> <b>13.9%</b>	<b>Baillie Gifford</b> <b>\$86.6</b> <b>16.2%</b>		<b>Greystone</b> <b>\$41.6</b> <b>7.8%</b>

## Percentage of Total Fund

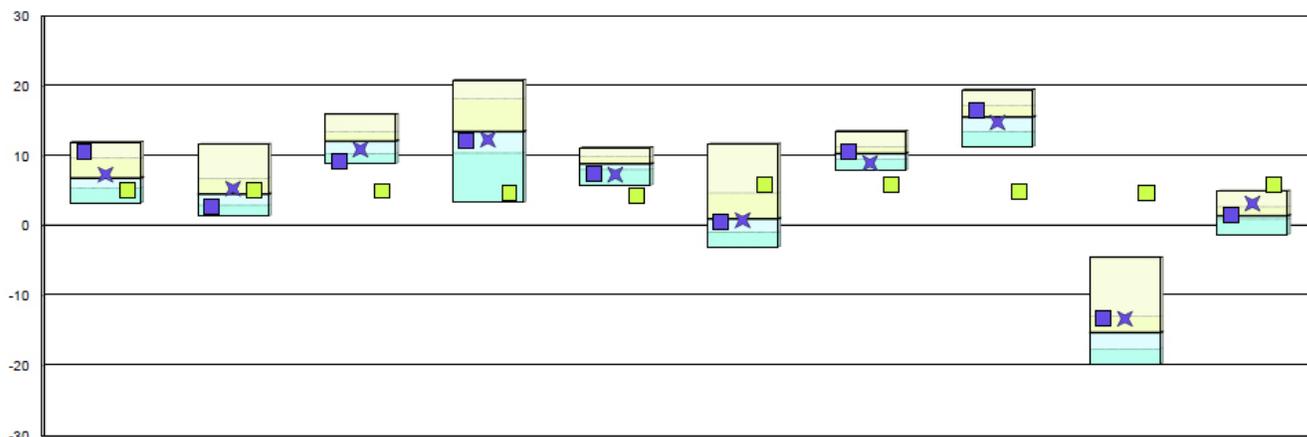
	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Policy	Median
Canadian Equities	23.9%	26.5%	27.2%	26.9%	24.0%	27.4%	25%	18.4%
Global Equities	32.0%	30.2%	33.7%	32.7%	34.2%	33.7%	30%	30.7%
Fixed Income	35.1%	43.4%	39.1%	38.7%	29.0%	23.3%	35%	33.8%
Real Estate	0.0%	0.0%	0.0%	1.1%	12.9%	15.5%	10%	0.0%
Cash & Short Term	9.1%	-0.1%	0.0%	0.5%	0.0%	0.0%	0%	1.3%
	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016		
Market Value	\$ 338.7	\$ 390.9	\$ 444.0	\$ 487.6	\$ 491.6	\$ 536.0		

# Investment Overview

## Asset Growth Summary (\$Million)

Beginning Market Value <b>09/30/2016</b> \$ 530.5	Net External Growth \$ -	Income Received \$ 5.9	Gain/Loss \$ (0.4)	Ending Market Value <b>12/31/2016</b> \$ 536.0
Beginning Market Value <b>12/31/2015</b> \$ 491.6.	Net External Growth \$ (6.7)	Income Received \$ 50.7	Gain/Loss \$ 0.5	Ending Market Value <b>12/31/2016</b> \$ 536.0

## Plans \$250 Million - \$1 Billion Total Fund Annual Rate



	Dec 2016	Dec 2015	Dec 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009	Dec 2008	Dec 2007
5th Percentile	12.01	11.68	16.00	20.92	11.23	11.72	13.58	19.52	(4.54)	4.99
25th Percentile	9.70	6.86	13.46	18.22	9.94	4.73	11.33	17.23	(13.00)	2.76
Median	6.89	4.55	12.17	13.52	8.91	1.04	10.40	15.63	(15.28)	1.47
75th Percentile	5.45	2.95	10.39	10.45	8.09	(0.88)	9.54	13.46	(17.62)	0.98
95th Percentile	3.34	1.44	8.96	3.35	5.85	(3.01)	7.98	11.40	(19.75)	(1.23)
TOTAL PLAN	10.59 <sup>21</sup>	2.84 <sup>76</sup>	9.21 <sup>92</sup>	12.21 <sup>64</sup>	7.43 <sup>81</sup>	0.57 <sup>56</sup>	10.59 <sup>43</sup>	16.56 <sup>35</sup>	(13.29) <sup>28</sup>	1.55 <sup>46</sup>
Policy Benchmark	7.35 <sup>43</sup>	5.34 <sup>41</sup>	10.96 <sup>58</sup>	12.40 <sup>59</sup>	7.36 <sup>82</sup>	0.82 <sup>52</sup>	9.02 <sup>88</sup>	14.85 <sup>65</sup>	(13.30) <sup>28</sup>	3.22 <sup>16</sup>
CPI + 3.5%	5.05 <sup>79</sup>	5.16 <sup>42</sup>	5.01 <sup>100</sup>	4.78 <sup>94</sup>	4.36 <sup>100</sup>	5.87 <sup>16</sup>	5.93 <sup>100</sup>	4.87 <sup>100</sup>	4.70 <sup>1</sup>	5.94 <sup>3</sup>

Universe: RBC Plans \$250 Million - \$1 Billion - Total Portfolio  
Asset Class: Total Portfolio

Rank

# Investment Overview

## Fund Rates of Return

Following are the rates at which interest was allocated in 2016 and in each of the previous ten years for the active and deferred member accounts at year end:

<b>Year</b>	<b>Member's Account</b>	<b>Average 91 Day Treasury Bill Rate</b>
2016	10.460717%	0.498333%
2015	2.042368%	0.515833%
2014	9.417250%	0.915000%
2013	12.002601%	0.967500%
2012	7.339553%	0.947500%
2011	0.237688%	0.910833%
2010	9.880608%	0.580833%
2009	14.075176%	0.320000%
2008	-13.607912%	2.593333%
2007	1.45895%	4.124167%
2006	12.455695%	4.042500%
2005	12.313340%	2.729167%

### Annualized Rate of Return

1 year	10.46%
3 years ending 2016	7.24%
5 years ending 2016	8.20%
10 years ending 2016	5.03%
20 years ending 2016	7.04 %

# Membership Information

This report is based on membership and contribution data as at December 31, 2016, provided by the school boards and Manitoba School Boards Association.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous year. These tests were applied to membership reconciliation and the active and deferred member accounts. Contributions and lump sum payments were compared with corresponding amounts reported in financial statements provided by RBC Investor Services Trust. The results of these tests were satisfactory.

The membership movement in 2016 is summarized below. For comparison, we have also included the membership movement for the prior year.

	2016	2015
<b>Active Members</b>		
Total at January 1	8,384	8,432
New entrants	845	719
Terminations		
• lump sum/transfers	(231)	(282)
• deferred	(262)	(304)
Retirements	(150)	(134)
Deaths	(6)	(9)
Accounts Consolidation & Adjustments	4	3
Total at December 31	<b>8,584</b>	<b>8,384</b>
<b>Deferred Members</b>		
Total at January 1	2,359	2,260
Terminations from active	262	304
Lump sum/Transfers	(183)	(133)
Retirements	(64)	(61)
Deaths	(7)	(8)
Accounts Consolidation & Adjustments	(4)	(3)
Total at December 31	<b>2,363</b>	<b>2,359</b>

# Membership Information

	Members	Total Value of Members' Pension Accounts	Average per Member
• Active member accounts			
Under 35	1,031	\$13,373,286	\$12,971
35–44	1,809	\$48,450,213	\$26,783
45–54	2,892	\$151,078,135	\$52,240
55–64	2,490	\$232,148,118	\$93,232
65+	362	\$32,645,352	\$90,181
• Total active member accounts	8,584	\$477,695,104	\$55,649
• Deferred member accounts			
Under 35	312	\$2,261,836	\$7,249
35–44	615	\$9,344,851	\$15,195
45–54	787	\$20,124,576	\$25,571
55–64	556	\$27,186,730	\$48,897
65+	93	\$7,135,580	\$76,727
• Total deferred member accounts	2,363	\$ 66,053,573	\$27,953
<b>Total as at December 31, 2016</b>	<b>10,947</b>	<b>\$ 543,748,677</b>	<b>\$49,671</b>

# Financial Information

## Independent Auditors Report

To the Trustees of Manitoba School Boards Association Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba

We have audited the accompanying financial statements of Manitoba School Boards Association Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba, which comprise the statement of financial position as at December 31, 2016, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitoba School Boards Association Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba as at December 31, 2016, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

Chartered Professional Accountants

May 18, 2017  
Winnipeg, Canada

# Financial Information

## Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Investments	\$ 540,156,133	\$ 495,776,775
Contributions receivable	4,216,966	3,120,544
Receivable from Administration Fund	680,674	1,069,178
	545,053,773	499,966,497
<b>Liabilities</b>		
Benefits payable	961,139	9,048,521
Payable to Administration Fund	337,635	321,908
Payable to School Divisions	6,324	7,092
	1,305,098	9,377,521
Net assets available for benefits	543,748,675	490,588,976
Obligation for pension benefits	543,748,675	490,588,976
Net assets available for benefits less obligation for pension benefits	\$ —	\$ —

# Financial Information

## Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Investment income:	\$ 65,582,734	\$ 56,946,992
Investment administration fee regarding deferred members	(337,635)	(321,908)
	65,245,099	56,625,084
Realized gain (loss) on disposal of investments, net	(487,759)	1,267,195
Unrealized loss in fair value of investments, net	(13,849,234)	(44,277,245)
	(14,336,993)	(43,010,050)
	50,908,106	13,615,034
Contributions:		
Participants	19,535,064	18,128,062
Sponsors	19,333,488	17,344,623
Allocation of forfeited contributions to School Divisions	38,868,552	35,472,685
	(6,324)	(7,091)
	38,862,228	35,465,594
	89,770,334	49,080,628
Benefits:		
Retirements	25,556,194	41,895,042
Termination	10,562,917	6,845,083
Deaths	160,157	1,026,397
Marriage breakdown	331,367	457,526
	36,610,635	50,224,048
Increase (decrease) in net assets available for benefits	53,159,699	(1,143,420)
Net assets available for benefits, beginning of year	490,588,976	491,732,396
Net assets available for benefits, end of year	\$ 543,748,675	\$ 490,588,976

# Pension Plan Amendment

At their meeting on September 27, 2016, the pension trustees agreed in principle to amend the contribution schedule of the plan in order to eliminate age discrimination which exists with the current contribution schedule.

**The intent of the pension trustees is to uncouple plan contributions from contributions made to the Canada Pension Plan (CPP) and implement a uniform 8% contribution into the plan by all plan members (matched by school divisions) effective 2019.**

## Plan Contribution Schedule (2016)

Section 5.1 of the Plan provides that each member of the Plan shall contribute each Plan year, a percentage of his or her Earnings for the Year based on the following table. Contributions are a percentage of salary less contributions to CPP. For 2016, CPP contributions are 4.95% for earnings between \$3,500 and \$54,900.

Members Attained Age at Beginning of Plan Year	Percentage for the Plan Year Based on Earnings
Age 44 and under	10.65%
45-49	11.15%
50-54	11.65%
55-59	12.15%
60 and over	12.65%

## Contribution Rates and Human Rights

The pension trustees had requested a legal opinion and met with legal counsel to discuss the status of the contribution schedule from a human rights perspective. As it is contrary to the Human Rights Code for an employer to provide differential treatment to employees (such as providing lesser entitlements to employment related benefits, such as employer contributions to a pension fund), the pension trustees decided to move to a single percentage rate for all members.

## Uncouple Contribution Schedule from CPP Contributions

Commencing in 2019 through 2023, the Canada Pension Plan (CPP) will be making changes to the Plan which include higher contributions.

Your plan's contributions schedule, which is based upon a percentage of salary less contributions to CPP, has proven to be problematic over the years for both division payroll and year end plan reconciliation.

With the Canada Pension Plan set to increase contributions, amendments would be needed each year to change the contribution rate in order to preserve contributions to your pension plan.

Amending our plan to one contribution rate uncoupled from CPP contributions would simplify administration for both school divisions and the plan itself.

# Pension Plan Amendment

## **Proposed Contribution Schedule for 2019**

Given their fiduciary duty to you the plan member, the pension trustees strongly supported a uniform contribution rate of 8% effective 2019 as it:

- addresses the human rights concern inherit in the existing schedule,
- simplifies administration for school division payroll, as well as plan administrators,
- allows members and school divisions ample time to prepare for the change as it affects them specifically,
- is at moderate additional cost to school divisions particularly when compared with contribution rates of other public sector plans in Manitoba,
- increases contribution levels (matched) for younger employees whereby saving for retirement would begin earlier,
- has the least impact for older and higher paid employees.

## **MSBA Executive Approves Amendment**

At its meeting on March 15, 2017, the MSBA Executive approved the proposal by the pension trustees to amend the pension plan effective January 1, 2019 to provide an 8% contribution rate for all plan members.

# Plan Trustees and Advisors

## **Pension Plan Board of Trustees**

### **Appointed by the Manitoba School Boards Association**

Ken Cameron, Trustee, Rolling River School Division  
Colleen Carswell, Trustee, River East Transcona School Division  
Louise Johnston, Trustee, Louis Riel School Division  
Floyd Martens, Trustee, Mountain View School Division  
Linda Ross, Trustee, Brandon School Division

### **Appointed by the Manitoba Association of School Business Officials**

Vince Mariani, Secretary-Treasurer, River East Transcona School Division

### **Appointed by the Canadian Union of Public Employees**

Darlene Parsons  
Sharon Sapoznik

### **Appointed by the Non-Teaching Association**

Carol Newbound

## **Advisors/Administrators**

### **Manitoba School Boards Association Staff**

Kelly Henderson, Manager, Finance and Administration  
Craig Wallis, Labour Relations Consultant

### **Plan Administration**

Eckler Limited

### **Plan Custodian**

RBC Investor Services Limited

### **Measurement Service**

RBC Investor Services Limited

### **Investment Managers**

Baillie Gifford  
BlackRock  
Burgundy  
Fiera Capital  
Fiera Properties  
Greystone  
Hexavest

### **Auditors**

KPMG

# Plan Trustees and Advisors

If you have any questions about the plan, your first source of information should always be the plan booklet. The plan booklet can be found on our website at [mbschoolpension.ca](http://mbschoolpension.ca).

If you need further information, you should contact your school division office.

## **Additional information is also available from:**

### **Kelly Henderson Manitoba School Boards Association**

191 Provencher Blvd.  
Winnipeg, MB R2H 0G4  
Telephone: 204-594-5165 or 1-800-262-8846 (outside Winnipeg)  
E-mail: [khenderson@mbschoolboards.ca](mailto:khenderson@mbschoolboards.ca)  
Website: [www.mbschoolpension.ca](http://www.mbschoolpension.ca) or [www.mbschoolboards.ca](http://www.mbschoolboards.ca)

## **If you need more assistance because of a member termination, change in marital status, or death you can contact:**

### **Eckler Ltd. Administration**

2475 - One Lombard Place  
Winnipeg, MB R3B 0X3  
Telephone: 204-988-1571  
Website: [www.eckler.ca](http://www.eckler.ca)

## **For help in planning your retirement benefits contact:**

### **James Ralko Eckler Limited**

2475-One Lombard Place  
Winnipeg, Manitoba R3B 0X3  
Telephone: 204-988-1581 or 1-877-988-1581 (outside Winnipeg)  
E-mail: [jralko@eckler.ca](mailto:jralko@eckler.ca)







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