

MUNICIPAL EMPLOYEES BENEFITS PROGRAM

2012 ANNUAL REPORT TO MEMBERS

www.mebp.mb.ca

Toll-Free – 1-800-432-1908

MESSAGE FROM THE CHAIR

The main objective of the Board of Trustees is to ensure that the Benefit Plans offered are affordable, sustainable and appropriately funded. We must consider viewpoints from current, retired and future members as well as the organizations that employ them.

At the end of 2012, the Pension Plan had an actuarial deficit of \$29.7 million and it is projected that the Plan may continue in a deficit position for some time to come. The funding deficit has grown with the full impact of the investment losses incurred in 2008. In 2012, the Board established pension contribution increases for July 1, 2012 and January 1, 2013 to pay off the deficit in accordance with legislation. Raising contribution rates or changing benefits are decisions that are not taken lightly and it is too early to tell if further action will be required.

On a solvency basis, the Pension Plan is 67.9% funded as at December 31, 2012. We are not allowed to make any benefit improvements (including the granting of cost-of-living increases to retirees) until we are at least 90% funded on a solvency basis.

At the Board's Strategic Planning Session in May we focused on the sustainability of the Pension Plan. We have asked the actuary to provide us with projections over the next ten to twenty years assuming that contribution and benefit levels remain the same. This document will assist the Trustees in making critical decisions.

A valuation of the Group Insurance Plan is currently underway. We anticipate that the valuation will show this plan to be in a healthy financial condition. We are changing carriers for the Basic Life, Optional Life and Family coverage from Great West Life to Manitoba Blue Cross effective June 1, 2013. Savings in retention fees will be realized because of this change.

Applications for disability benefits doubled during 2012. As you can see in the Disability Income Plan graph, annual benefits and expenses are now more than contributions received. The Board is closely monitoring the status of the Disability Income Plan to ensure sustainability.

As Chair of the Board, it is my privilege to work with an exceptional group of Trustees. The leadership and dedication of these representatives directly contribute to the success of the Plans. Early in 2012 we lost George Harbottle and at the end of the year Brian Ellis resigned. Stuart Olmstead and Bob Malazdrewich have replaced these gentlemen. I would also like to thank the MEBP staff for their continued hard work and dedication to providing outstanding service to Plan members.

Bert Lagimodiere,
Chair

Investment Overview

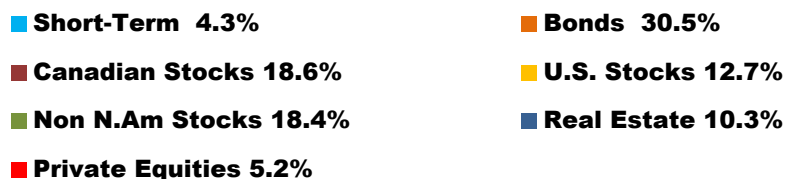
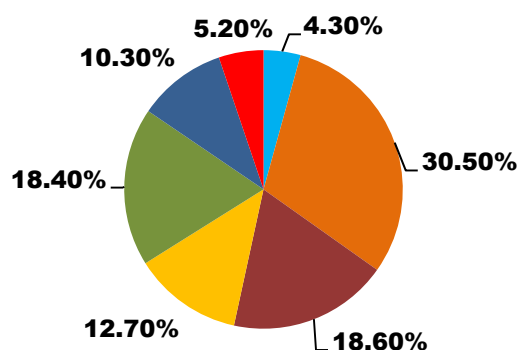
The Fund registered a return of 9.36% in 2012, compared to minus 0.5% in 2011. This return outperformed the benchmark by 0.42% and was more than the rate required by the valuation to fund benefits by 3.36%.

PENSION PLAN HIGHLIGHTS

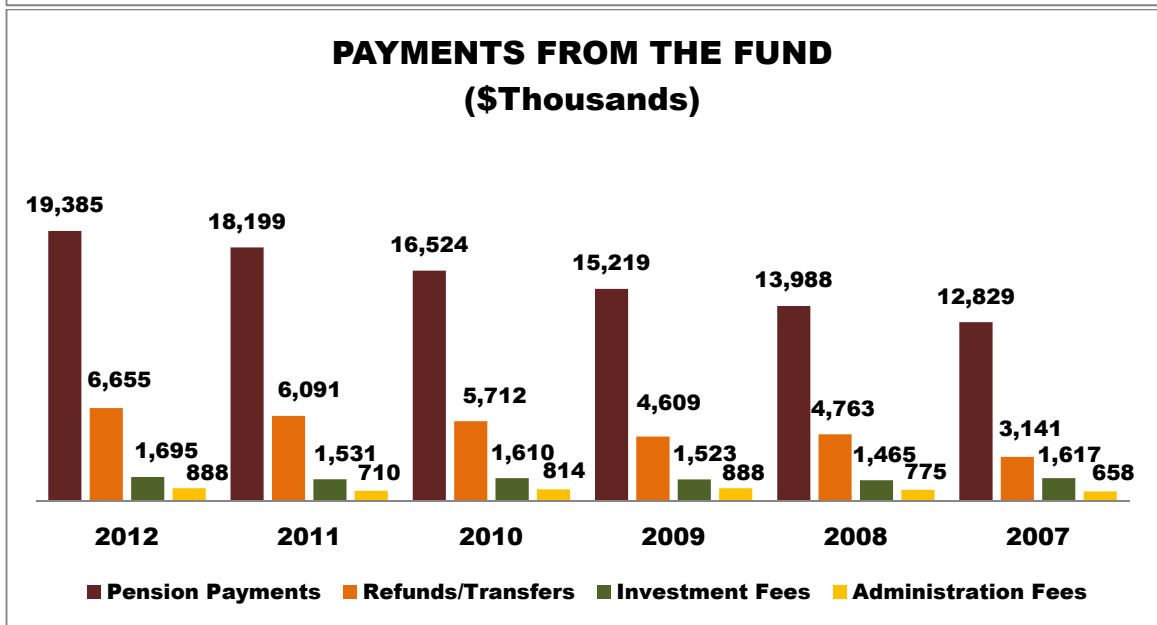
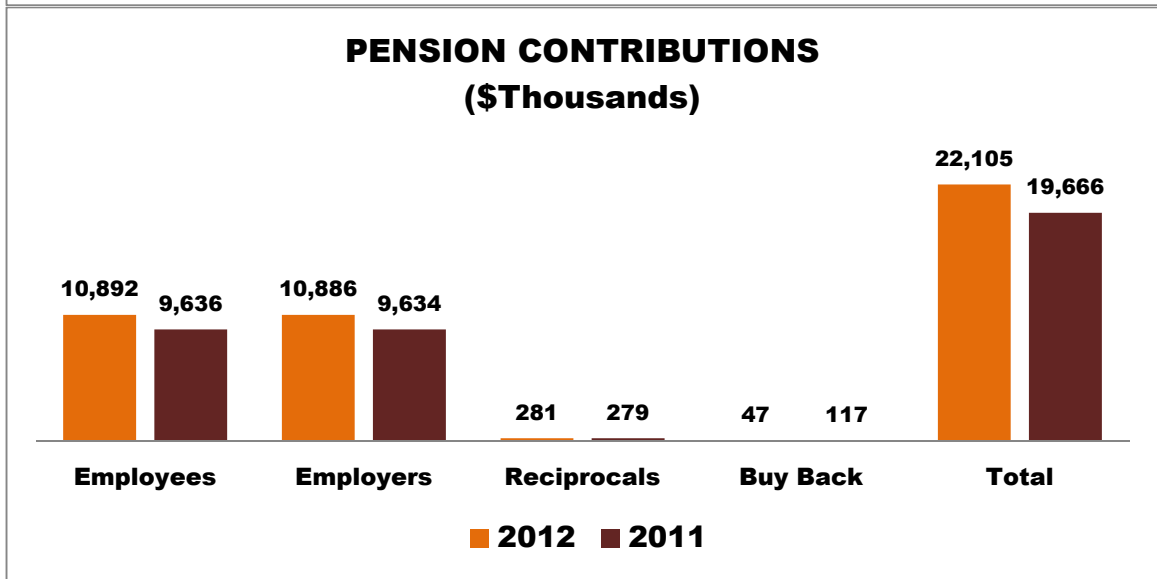
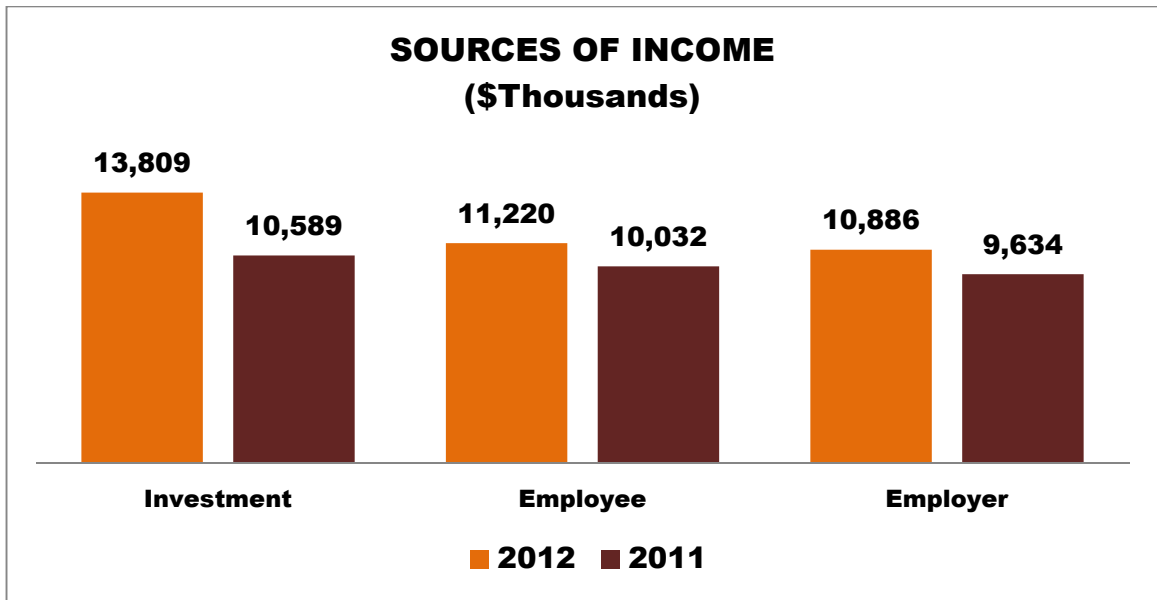
(\$ Thousands)

	<u>2012</u>	<u>2011</u>
Market Value of Investments	\$472,638	\$438,353
Investment Income	\$13,809	\$10,589
Employee Contributions	\$11,220	\$10,032
Employer Contributions	\$10,886	\$9,634
Pension Payments	\$19,385	\$18,199
Refunds and Transfers	\$6,655	\$6,091
Investment Rate of Return	9.36%	-0.54%
Investment Benchmark	8.93%	3.39%
Employees and Former Employees	3,944	3,902
Pensioners and Beneficiaries	<u>1,789</u>	<u>1,734</u>
Total Members	<u>5,733</u>	<u>5,636</u>

Pension Plan Asset Mix

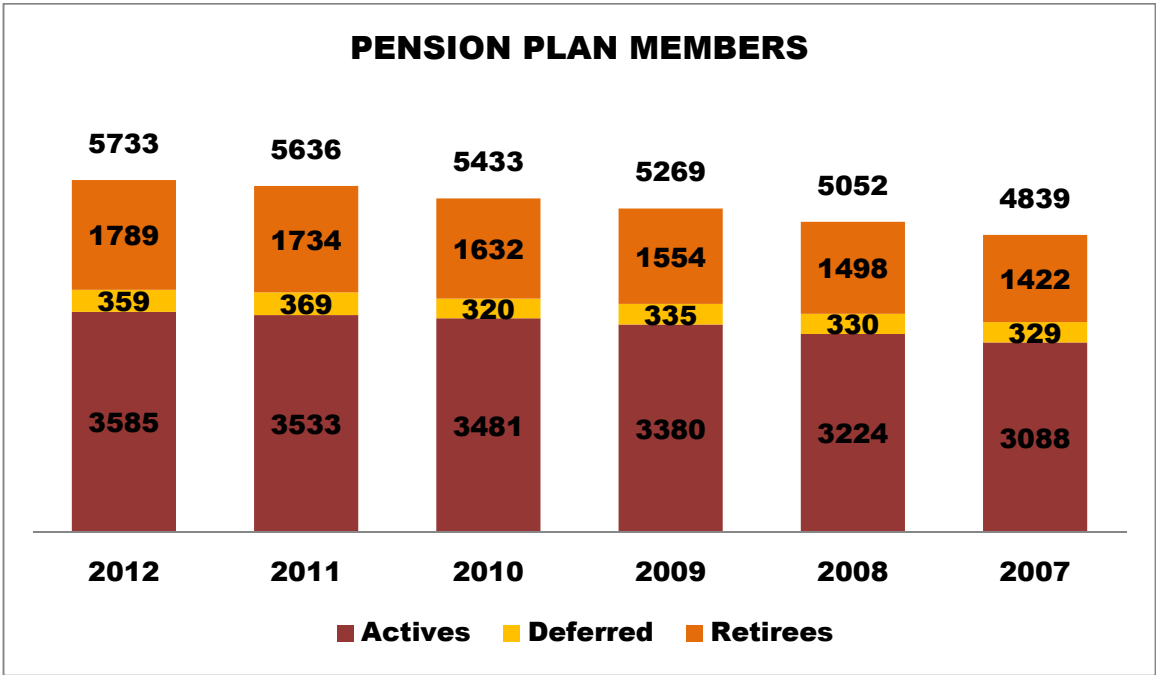
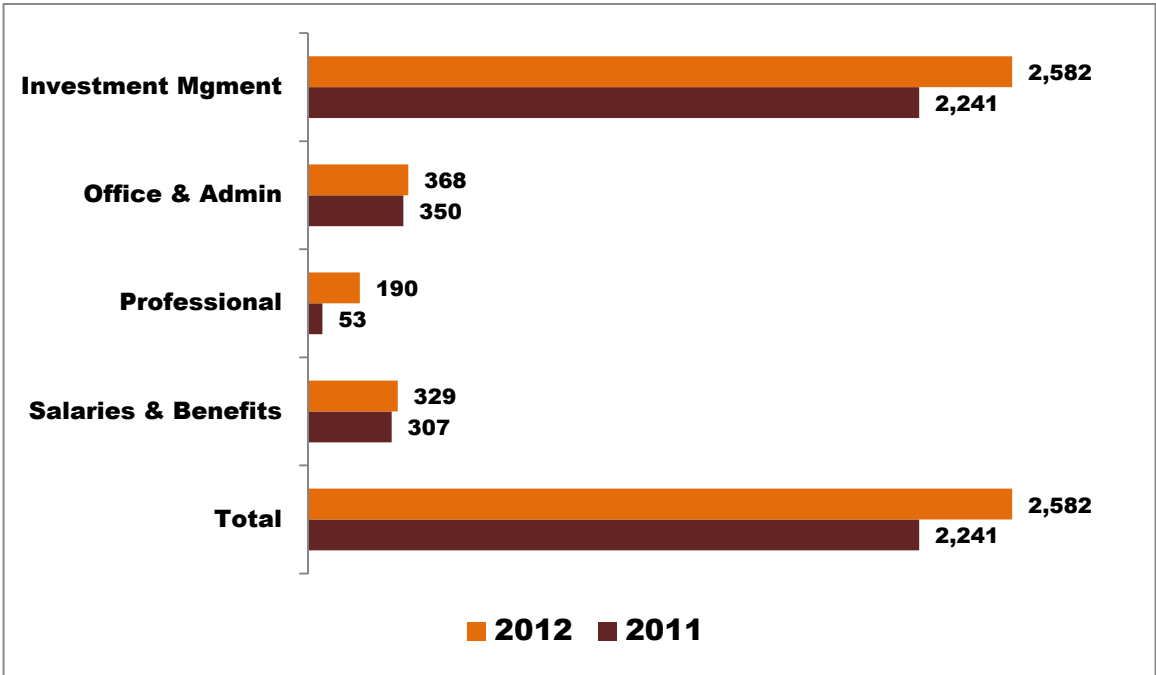


The Pension Plan

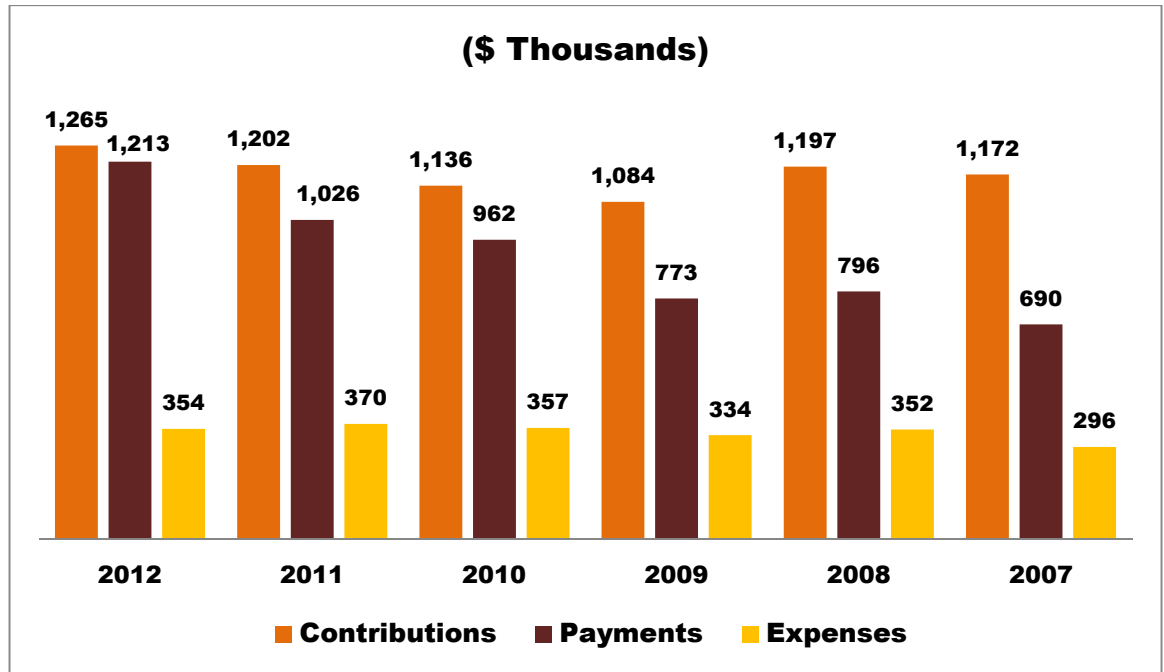


Administration

Total administration costs, including investment expenses, amounted to \$2.6 million. This translates into an annual cost of \$450 per member.



The Disability Income Plan



The Group Insurance Plan

