



MEBP

MUNICIPAL EMPLOYEES
BENEFITS PROGRAM

2018

ANNUAL REPORT TO MEMBERS

www.mebp.mb.ca

Toll-Free – 1-800-432-1908

MESSAGE FROM THE CHAIR

The Board of Trustees is responsible for providing the requisite oversight and guidance to ensure the organization successfully manages growth and continues to meet its long term mandate. A few changes were made to the Pension Fund investment strategy in 2018 to broaden the Plan's alternative investments and provide further diversification to return enhancement and risk reduction. The Board feels that the strategy in place is set up to deliver the expected long term returns while ensuring the level of risk used is appropriate.

The 2018 year end pension fund total assets are now at \$690 million as compared to \$701 million at the end of the previous year, reflecting the challenging markets in the 4th quarter of last year. Fortunately markets bounced back quite aggressively in early 2019, more than offsetting the loss in Q4 2018. The 2018 investment portfolio returned -0.5%, below the Plan's target return, but well ahead of the average pension plan in Canada. In spite of this slight negative return last year, the Plan remains fully funded on a going concern basis. The estimated solvency ratio for 2018 has also improved to 76%, compared to 73% at the 2017 year end.

Overall 2018 was a year where volatility re-entered that markets globally, as a result of protectionist policies and global trade challenges. Fortunately, the changes made to the Plan investments over the past few years, introducing more consistently performing alternative investments have mitigated some of the risk involved with stock market volatility. Going forward, the Plan's investment manager believes we will be able to achieve the needed returns but also insulate against the potential challenges of another market downturn and rising interest rates.

There have also been some changes to our Board, with Chris Goertzen and Bruce Henley stepping down at year end. We wish to thank Chris and Bruce for their contribution to the Board. As a result of their departures, we welcome Merv Starzyk and Martin Harder to the Board. We would also like to acknowledge that Tanya Addison and Earl McNutt were also confirmed for another 4 year term on the Board commencing 2019, however given his recent retirement Earl has also identified that he will be stepping down as a trustee as well. As we welcome some new faces to the Board, please note that we remain committed to the future and will strive to find innovative and forward thinking ways to deliver on the MEBP pension promise.

Thank you

Stuart Olmsted, Chair

2018 in Review

The Pension Plan valuation as at December 31, 2018 reflected an improved funding status, with a going-concern surplus of \$9.4 million (\$5.3 million surplus in 2017) and being 75.6% (73.3% in 2017) funded on a solvency basis. No cost-of-living increase may be granted to retirees until solvency funding exceeds 90%.

The number of members participating within the Pension Plan increased in 2018 to 6,532 with 143 new retirements occurring within the year and in spite of 245 members leaving the Plan following termination of employment. With the changing demographics of the Plan membership, there was a slight maturing of the Plan as the retirees/beneficiaries grew to 36% of the total participants (34% in 2017).

During 2018, two employers ceased participation, resulting in the number of participating employers within the Plan reducing to 229. There are however a number of employers that have expressed interest in joining the respective MEBP Plans in 2019.

2018 was also the first full year with Coughlin & Associates Ltd. providing administration to the Pension, Disability and Group Life Plans. We are pleased to report that throughout the year Coughlin has adhered to the service standards established and monitored by the Board of Trustees.

The Insurance Plan valuation as at December 31, 2018, continued to reflect a fairly significant surplus (\$3.1 million). This was lower than was reported with the last valuation prepared for Dec 31, 2015, and is indicative of the lower contribution rate implemented at that time. Overall it is the Actuary's opinion that the Plan remains very healthy.

The Disability Income Plan valuation as at December 31, 2018, showed a decline in the financial position of the fund, in spite of the contribution increases in 2016 and 2017 to 1.7% of earnings. This decline in the strength of the Plan is reflective of a general increase in the number of claimants since the last review three years ago, but also as higher income earners are being approved for disability benefits. This matter will continue to be reviewed in 2019 and the financial status of this Plan will continue to be closely monitored.

For greater detail on the contributions to and payouts from the Plan, the age breakdown of active members, plan member activity and our Plan administration costs, please review the relevant charts within this report.

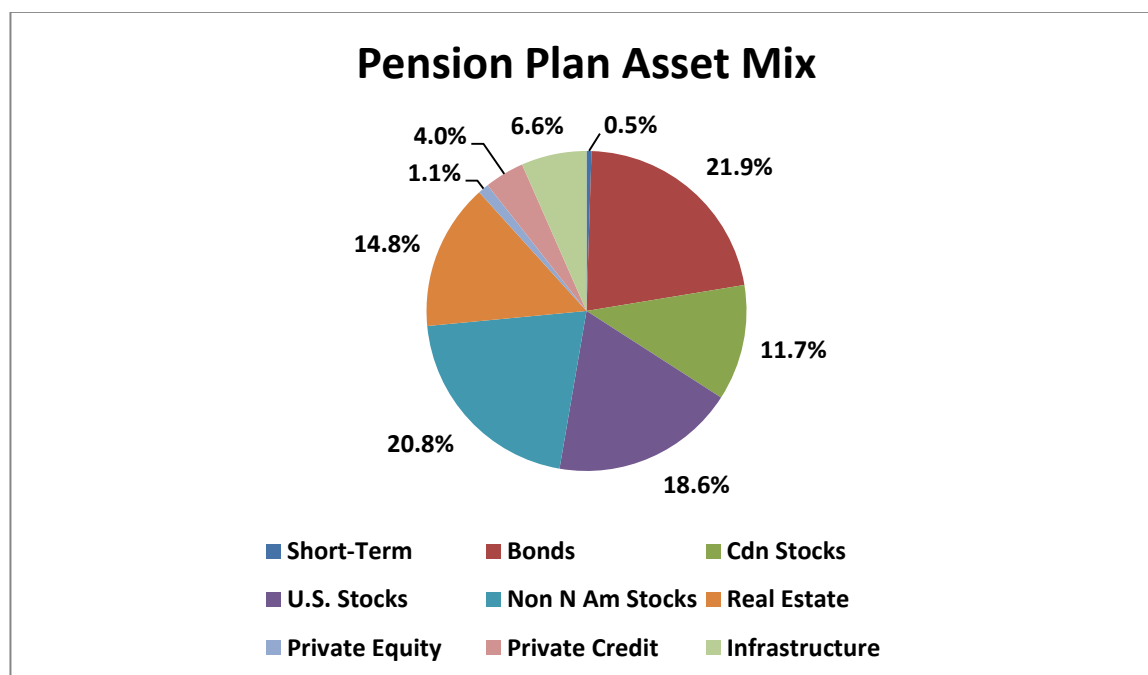
Investment Overview

The Fund registered a return of -0.51% in 2018, compared to 10.40% in 2017. This return underperformed the benchmark of 0.63% but exceeded the average Canadian pension plan return.

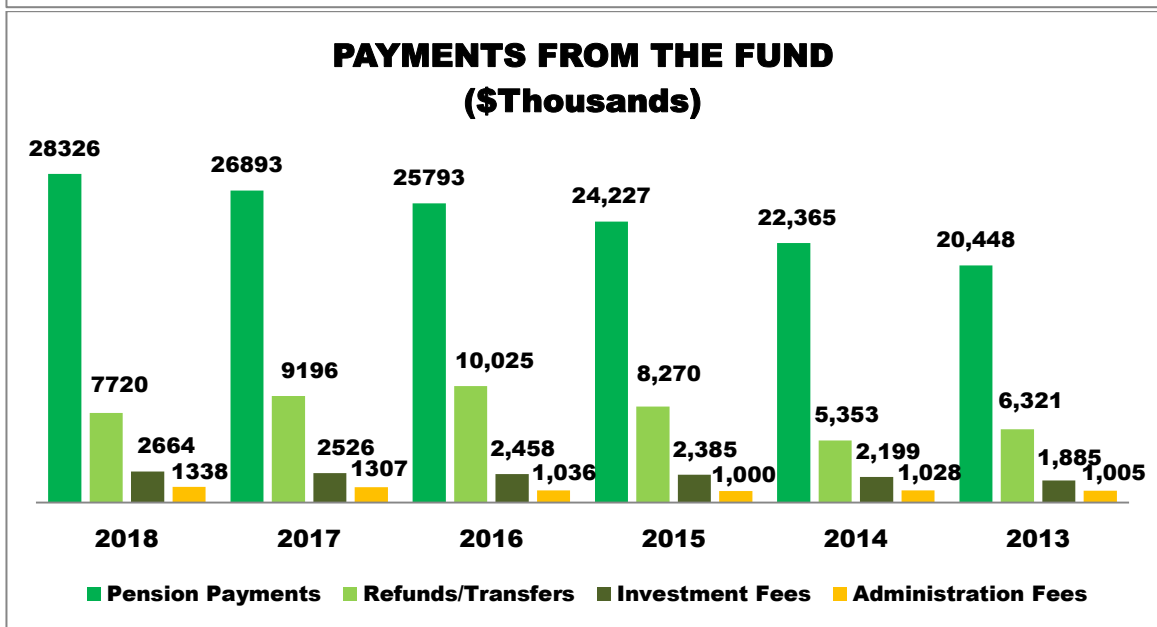
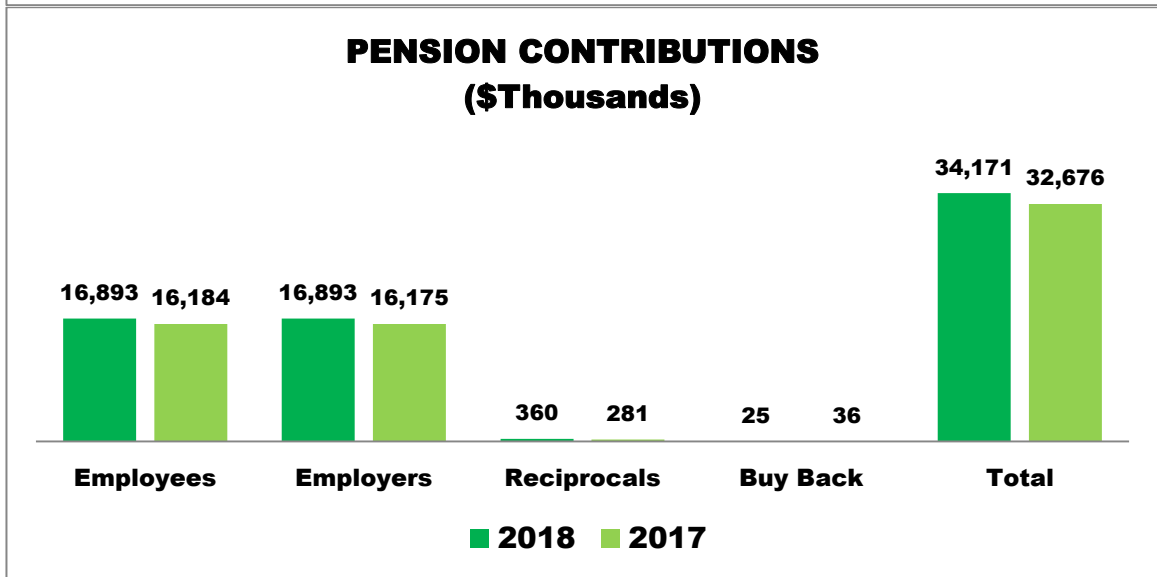
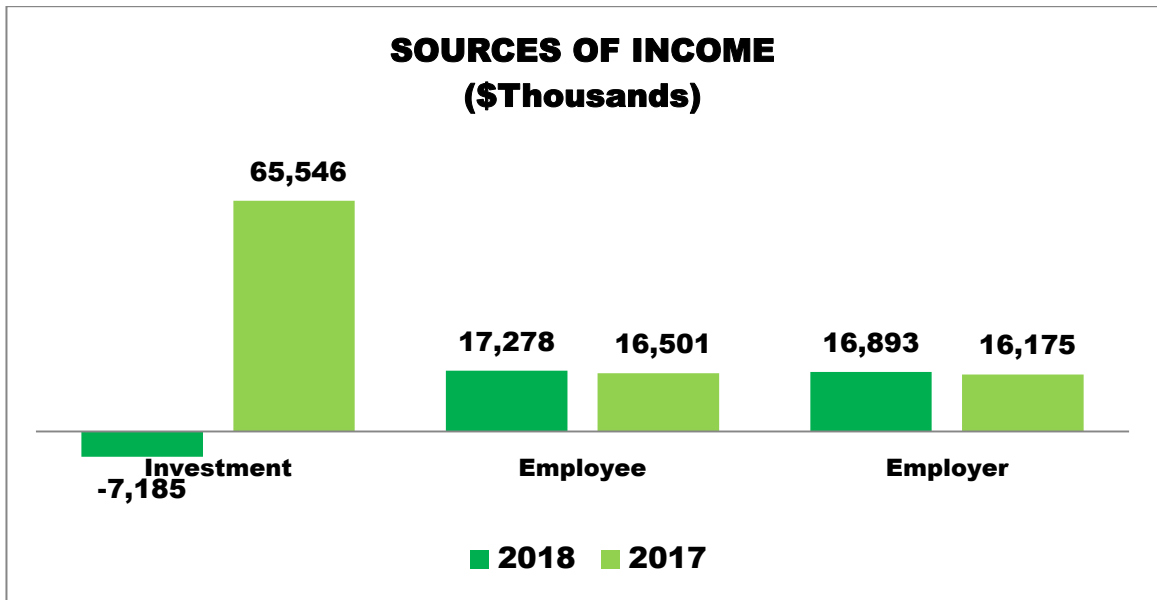
PENSION PLAN HIGHLIGHTS

(\$ Thousands)

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|--------------|--------------|
| Market Value of Investments | \$685,018 | \$695,623 |
| Investment Income | (\$7,185) | \$65,546 |
| Employee Contributions | \$17,278 | \$16,501 |
| Employer Contributions | \$16,893 | \$16,175 |
| Pension Payments | \$28,326 | \$26,893 |
| Refunds and Transfers | \$7,720 | \$9,196 |
| Investment Rate of Return | (0.51%) | 10.40% |
| Investment Benchmark | 0.63% | 9.61% |
| Employees and Former Employees | 4,169 | 4,194 |
| Pensioners and Beneficiaries | <u>2,363</u> | <u>2,199</u> |
| Total Members | 6,532 | 6,393 |

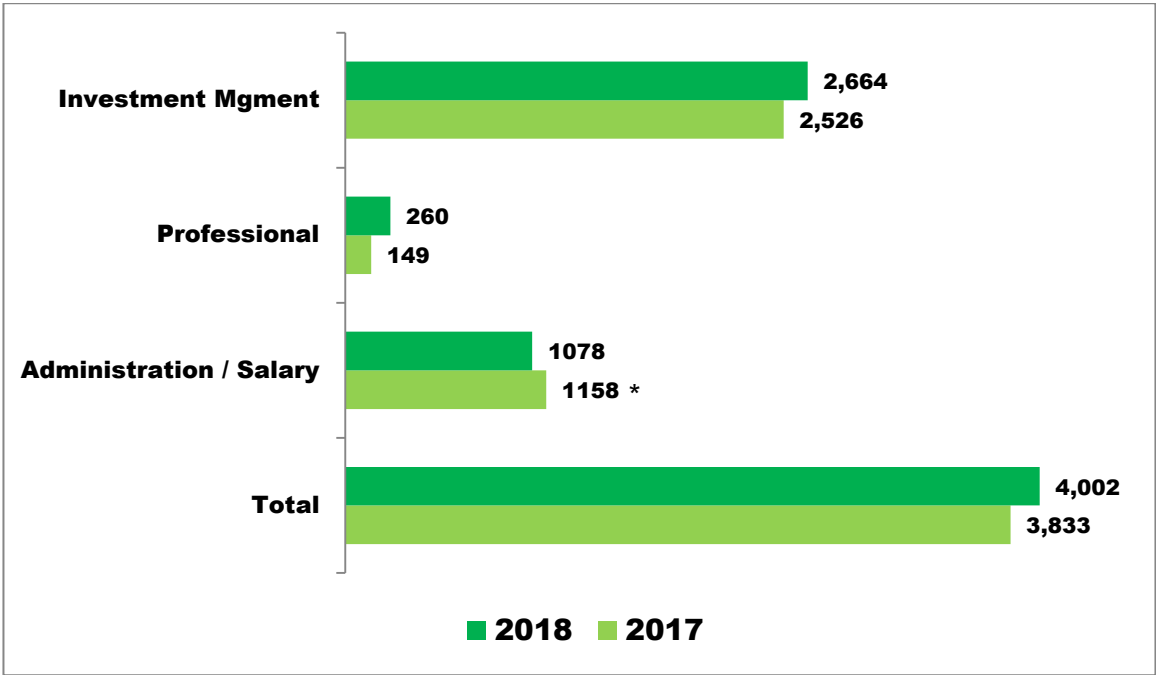


The Pension Plan

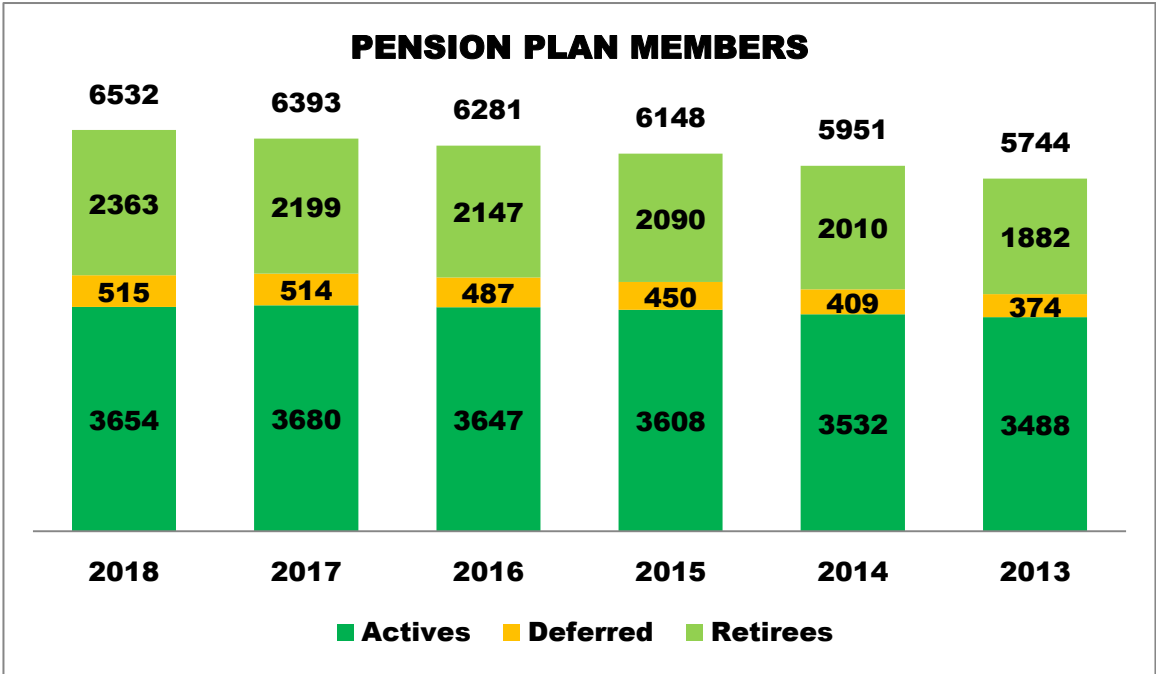


Pension Administration

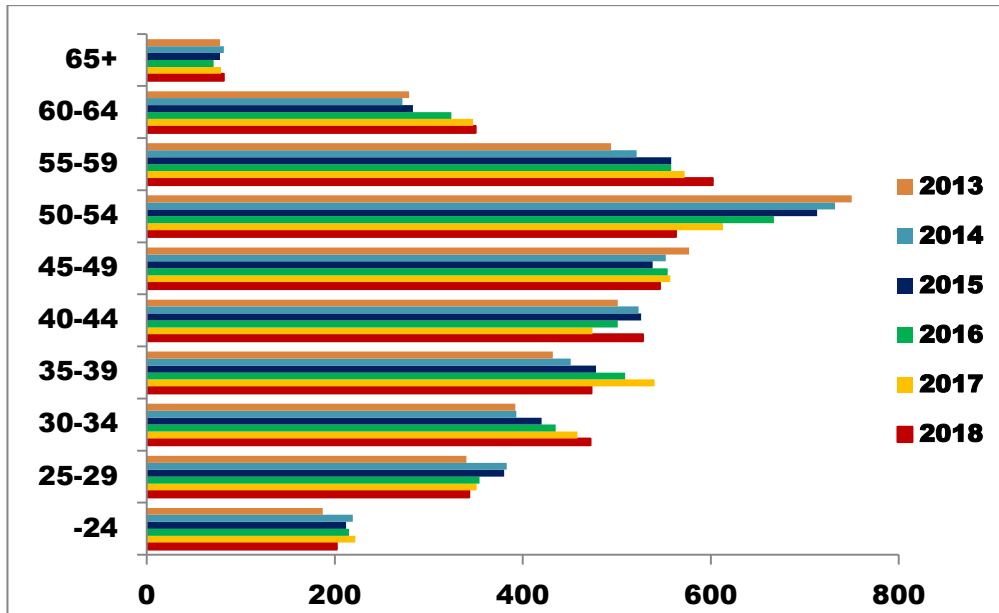
Total administration costs, including investment expenses, amounted to \$4.0 million. This translates into an annual cost of \$613 per member.



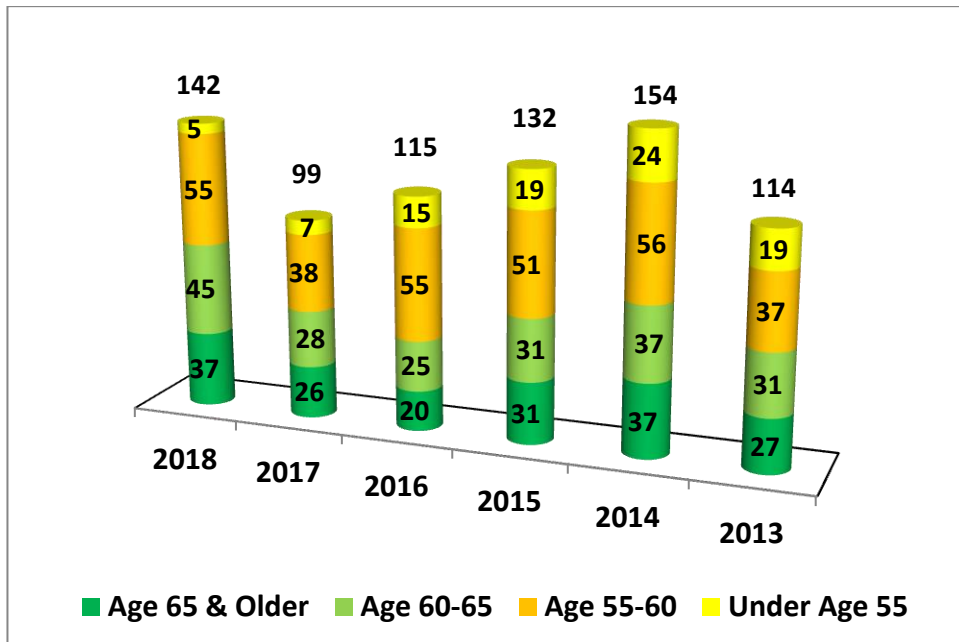
- Includes \$238,000 in salary for prior internal administration team



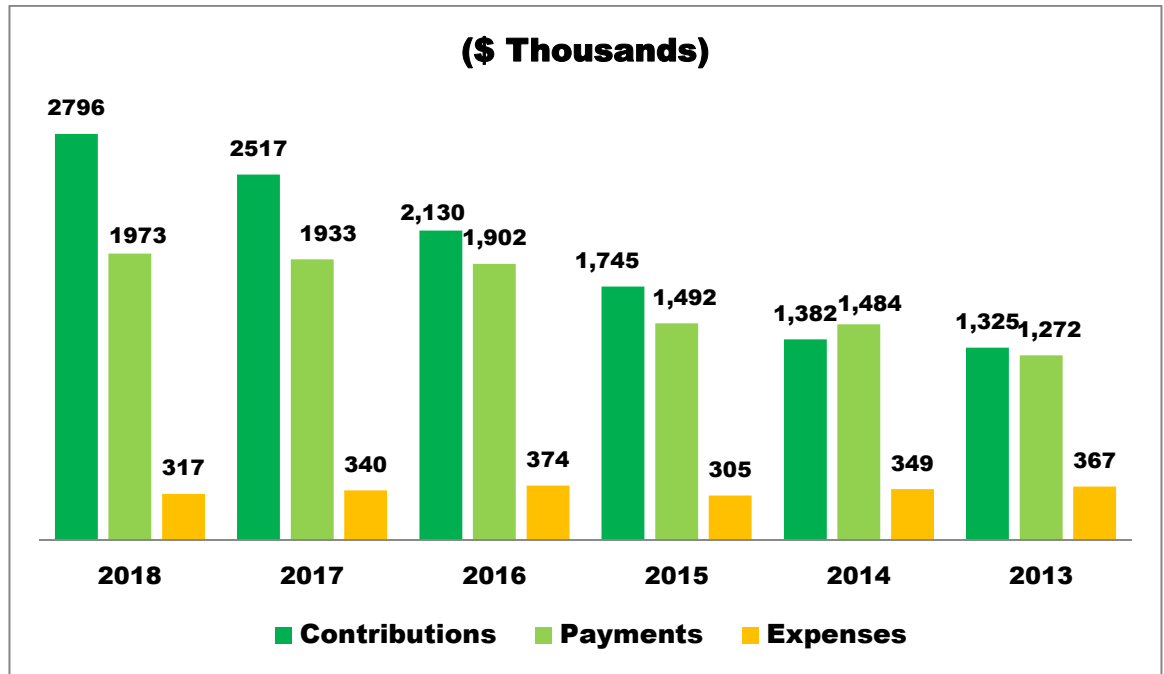
ACTIVE MEMBER PROFILE BY AGE



RETIREMENTS



The Disability Income Plan



The Group Insurance Plan

