



MEBP

MUNICIPAL EMPLOYEES
BENEFITS PROGRAM

2016 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 number of changes were made to the Pension Funds investment strategy during 2016, with a view to enhancing the return made on investments within an acceptable degree of risk. This is a result of the fixed income universe being dominated by government bonds offering little buffer against yield rise. I feel the strategy now in place will deliver a reasonable return of long term investments while ensuring the level of risk is appropriate.

The December 31, 2016 pension fund total assets are estimated at \$638 million as compared to \$611 million at the end of December 31, 2015, about a 4.4% increase. The 2016 investment returns generated a projected yield on investments of 5.24% as compared to 7.16% in 2015. The pension fund 2016 estimated funded ratio on a going concern basis was 98%, as compared to 96% as at December 31, 2015, a small improvement. The estimated solvency ratio for 2016 based on the actuarial value of the plan is 72% as compared to 70% for 2015.

Challenges of dealing with the funded ratio deficit continue, as the volatility of investment markets remains a concern, due to global pressure such as Brexit (abbreviation for “British Exit”, referring to the UK’s decision in a June 23, 2016 referendum to leave the European Union), the election of Donald Trump as President of the United States, and lower than expected growth in China. As an example, in the U.S., the anti-growth part of President Trump’s agenda (protectionism) could win out over the pro-growth part (tax cuts and deregulation) of Trumps agenda.

The process of transferring the administration of the Pension Fund membership and benefits to Coughlin & Associates was started in 2016 and was completed by the end of March 2017. And while there were transitional details to deal with, I am confident that this move will result in lower costs of administration, while still maintaining a high level of service. This transition was a challenging time for the MEBP staff, and I truly admire the efforts that each of them made to make the transition as seamless and efficient as possible. I am sure it was a trying time for all of them, and they performed admirably.

As the transfer in the administration of your Fund to Coughlin & Associates has come to completion, the services provided by the MEBP Executive Director and MEBP staff comes to an end. Several staff have transferred to Coughlin, and Rose Neufeld has retired at the end of April 2017. Rose was highly motivated to always do what was best for plan members, and she expected and together with staff, delivered great services to the membership. I wish her well in retirement, and I wish the best for the staff that have moved on. I say Thank You Rose, and the staff for a job well done.

Fiscal Year 2016 was a year of significant change. The Board Trustees remain committed to the future and will strive to find innovative and forward thinking ways to deliver on the MEBP pension promise. This is central to the main goal of achieving a position of being favourably funded.

Thank you

Jack Kehler, Chair

Investment Overview

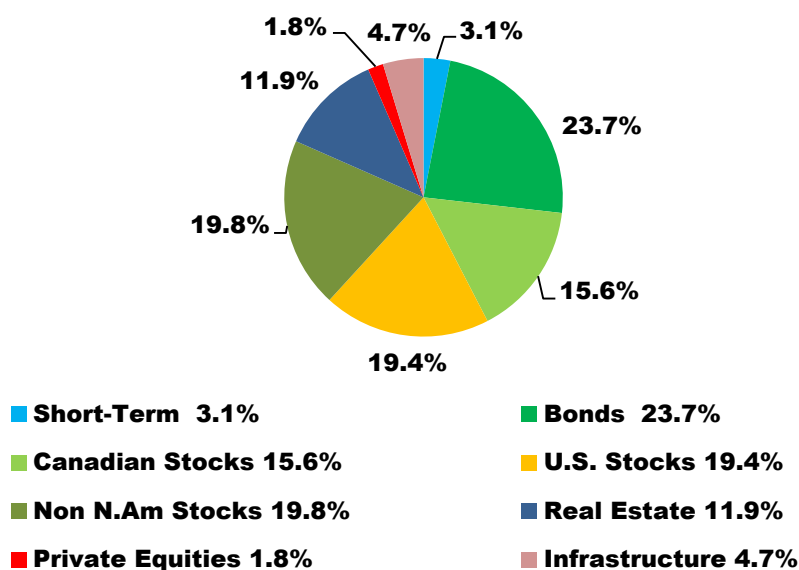
The Fund registered a return of 5.24% in 2016, compared to 7.16% in 2015. This return underperformed the benchmark by 0.94% and was less than the rate required by the valuation to fund benefits by 0.66%.

PENSION PLAN HIGHLIGHTS

(\$ Thousands)

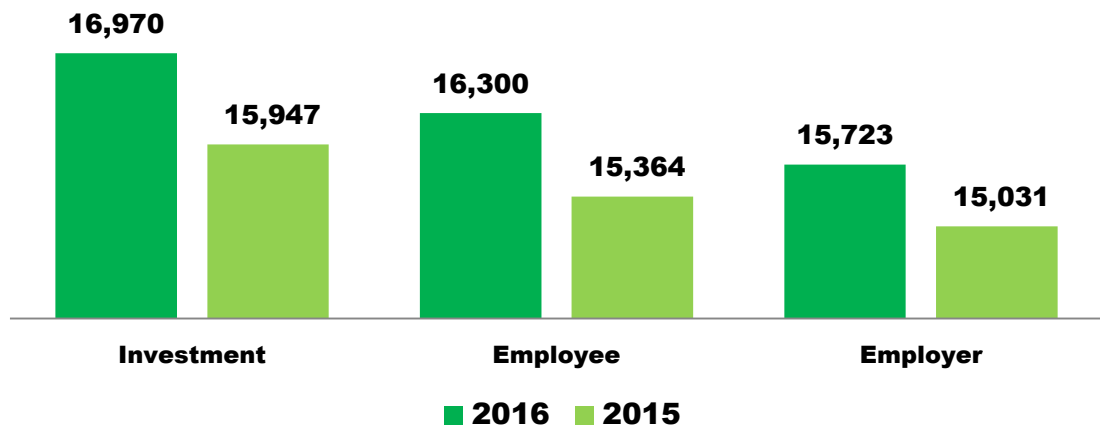
	<u>2016</u>	<u>2015</u>
Market Value of Investments	\$637,979	\$613,815
Investment Income	\$16,970	\$15,947
Employee Contributions	\$16,300	\$15,364
Employer Contributions	\$15,723	\$15,031
Pension Payments	\$25,793	\$24,227
Refunds and Transfers	\$10,025	\$8,270
Investment Rate of Return	5.24%	7.16%
Investment Benchmark	6.18%	6.70%
Employees and Former Employees	4,134	4,058
Pensioners and Beneficiaries	<u>2,147</u>	<u>2,090</u>
Total Members	6,281	6,148

Pension Plan Asset Mix

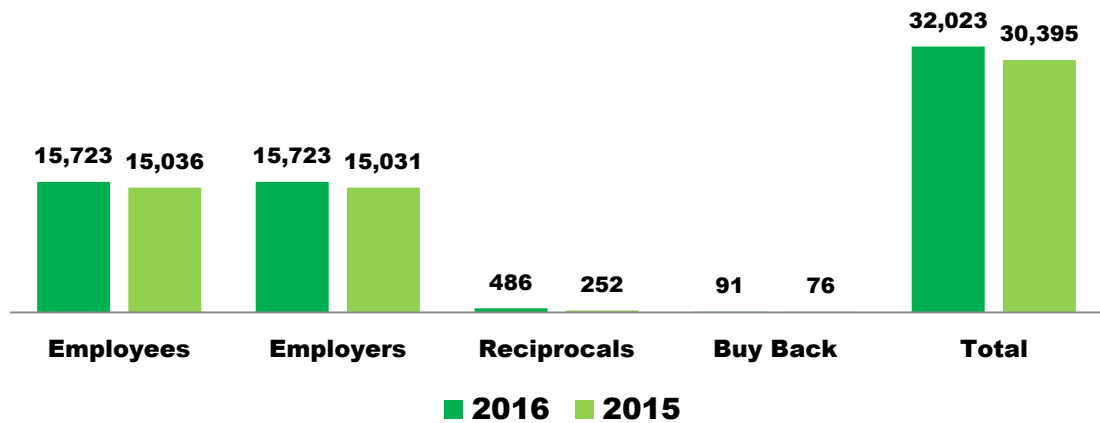


The Pension Plan

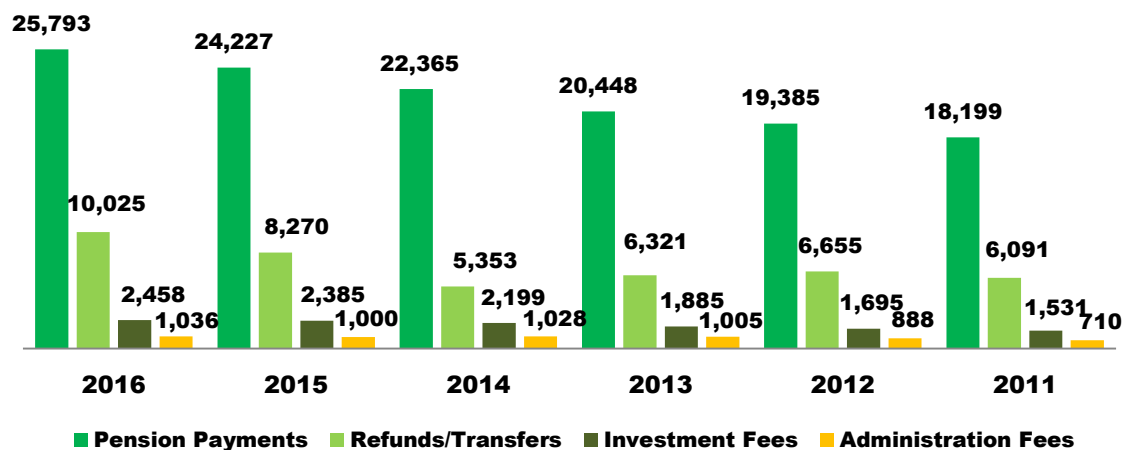
SOURCES OF INCOME (\$Thousands)



PENSION CONTRIBUTIONS (\$Thousands)

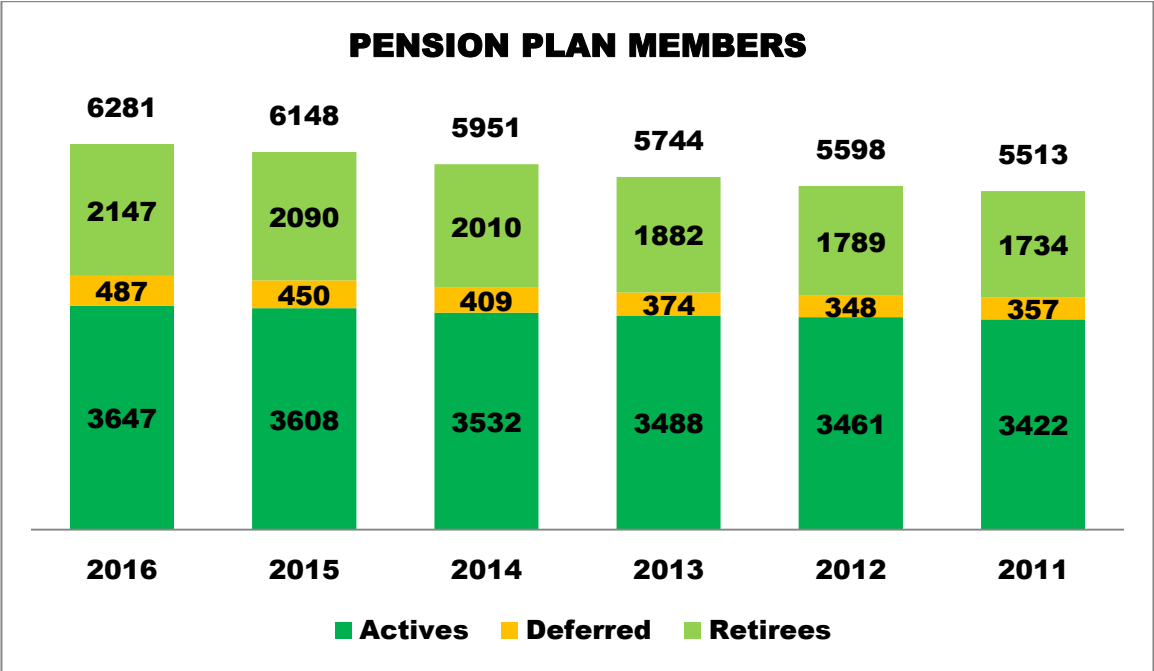
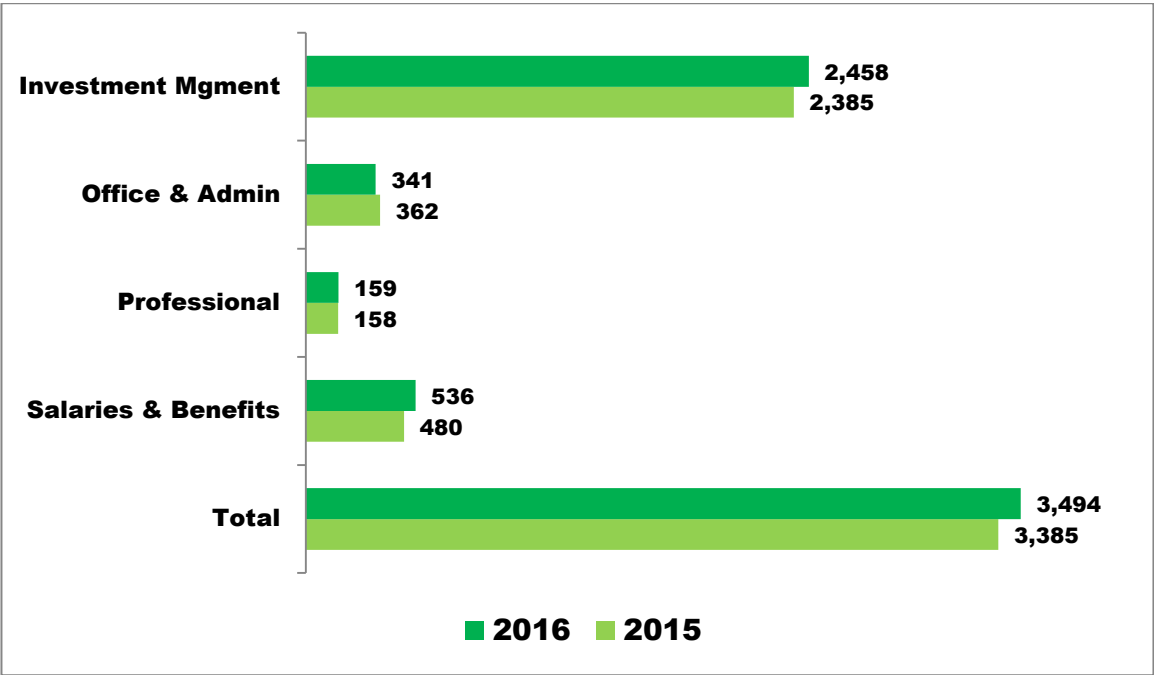


PAYMENTS FROM THE FUND (\$Thousands)

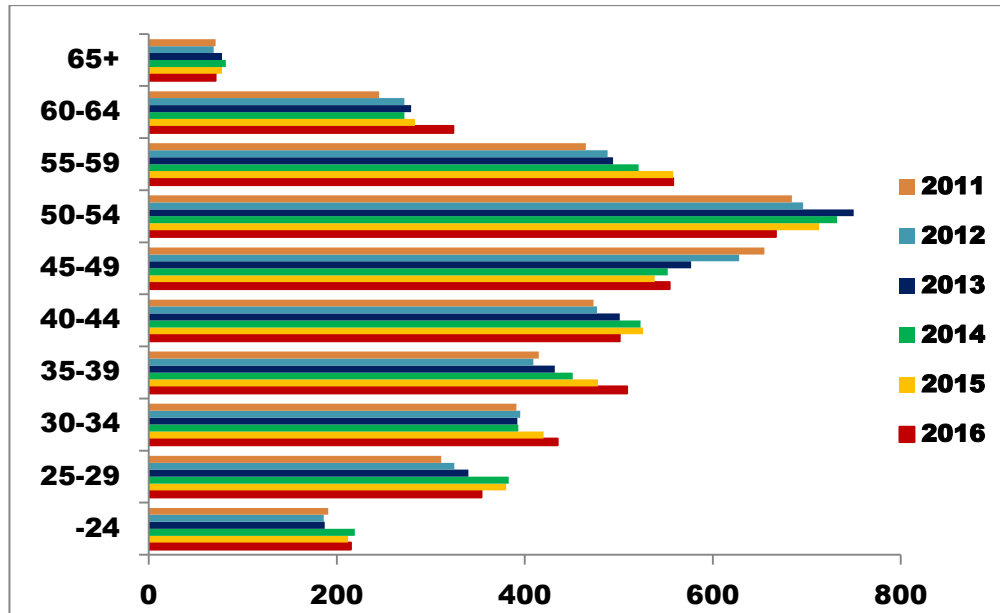


Pension Administration

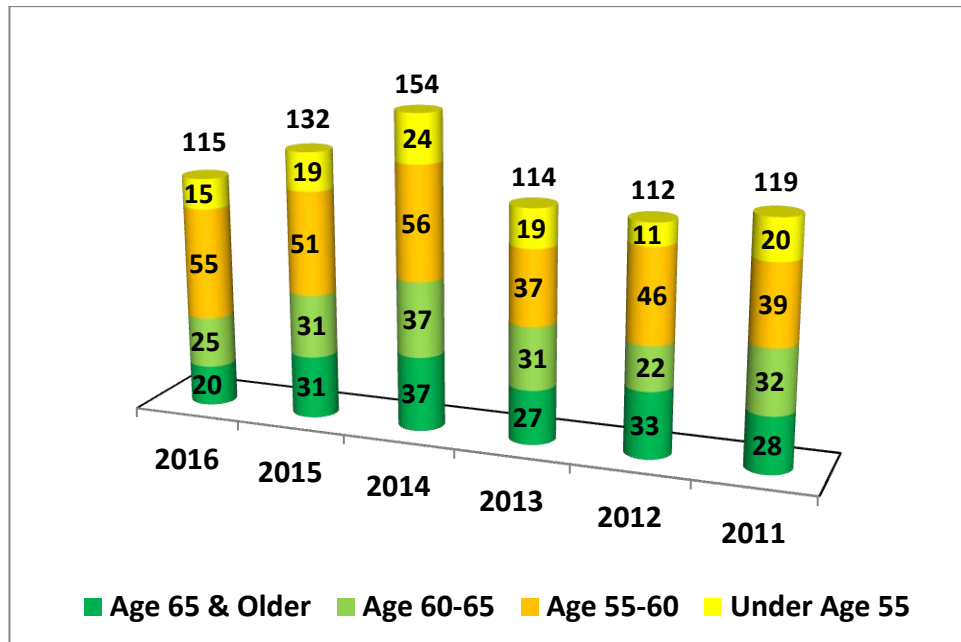
Total administration costs, including investment expenses, amounted to \$3.5 million. This translates into an annual cost of \$556 per member.



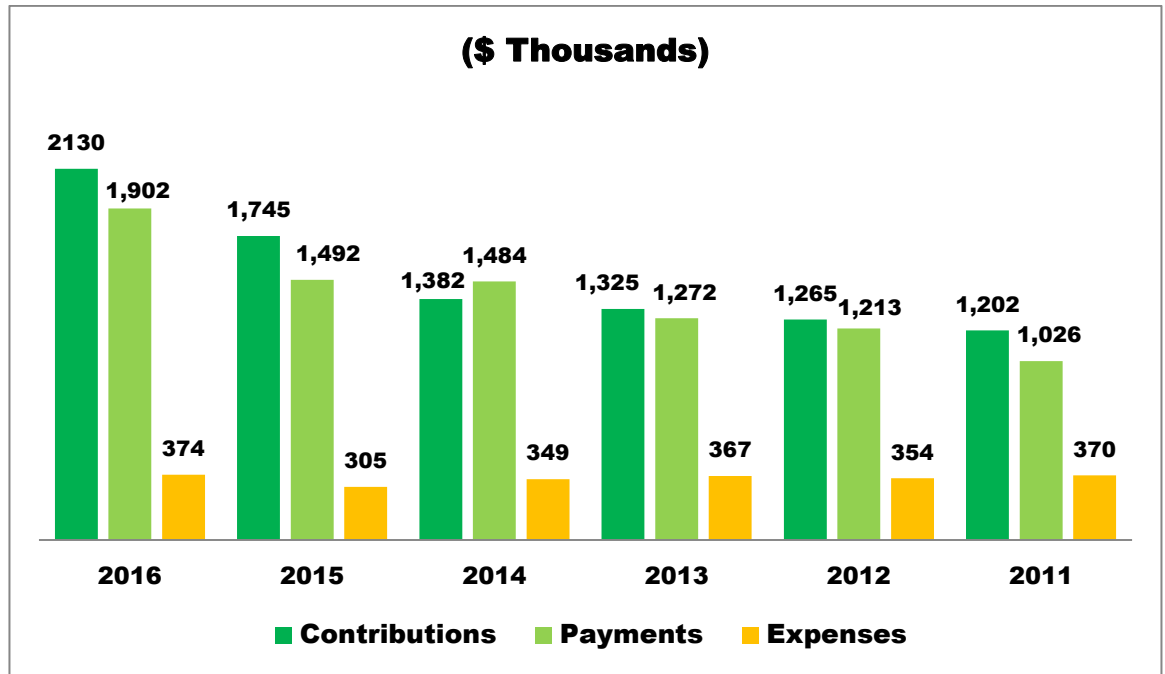
ACTIVE MEMBER PROFILE BY AGE



RETIREMENTS



The Disability Income Plan



The Group Insurance Plan

