

2007 Report to Members

Report from the Chair of the HEPP Board

The Healthcare Employees' Pension Plan (HEPP) Board focuses on the long-term financial stability of HEPP, and preservation of pensions for Manitoba's healthcare workers. Working with HEPP staff, the Board provides services to members and stakeholders in a professional, respectful, and timely manner.

Many of the challenges and trends present in 2006 continued to impact the Plan in 2007. The aging workforce, low interest rates, and financial position of the Plan leave little room for benefit improvements for active members or ad hoc cost of living adjustments for retirees. At the end of December 2007, the Plan's solvency ratio was 98.3% versus 101.0% at the end of 2006; however, the Plan will have sufficient funds to provide for special payments in 2008 in order to make the Plan solvent, and no further action is required by the Board to meet legislated funding requirements.

Complying with Canadian Association of Pension Supervisory Authorities (CAPSA) guidelines for governance remains a priority, as the HEPP Board works collaboratively with the Healthcare Employees' Benefits Plan (HEBP) Board. The Joint Governance Committee is working diligently to ensure appropriate Board policies are in place. The Joint Executive Committee successfully secured knowledgeable and professional senior level staff, facilitating a smooth transition to a fully staffed senior management team.

The Board remains focused on improvements in member services and information systems. Investment continues in the development of systems and processes that will allow for increased service standards and timely provision of information. Through these initiatives, the Board has proven its commitment to long-term strategic planning that is carefully developed, implemented, and measured.

I would like to thank the trustees for their continued commitment, and on behalf of the Board of Trustees, recognize management and extend sincere thanks and appreciation to staff for their continued commitment to serving the interests of Plan members over a particularly challenging year. The team at HEPP plays an essential role in improving our service to members, and their talent and dedication is much appreciated. I would also like to acknowledge the ongoing efforts of our new CEO, Winston Maharaj, whose significant leadership, organizational, and strategic skills are evident in the considerable positive changes experienced over the past year.



Gloria O'Rourke
Chair, Healthcare Employees' Pension Plan

Report from the Chair of the HEBP Board

The Healthcare Employees' Benefits Plan (HEBP) Board remains committed to providing competitive benefits and superior member services. The Board strives to maintain plan designs that balance the interests of members and stakeholders, while keeping costs reasonable, and continues to review options for enhancement of benefits, while maintaining premiums at an acceptable level.

Basic Healthcare Plan premiums increased in June 2007, due to increased utilization; however, no changes were made to benefit levels. Enhanced Healthcare Plan premium rates and benefit levels remained unchanged, as utilization did not increase.

Dental Plan utilization was favourable, allowing premiums to remain unchanged and benefit levels to be enhanced. An increase to the Dental Treatment Annual Maximum and to the Orthodontic Treatment Lifetime Maximum, were phased in incrementally in June 2007 and January 2008.

Level I Retiree Healthcare Plan premiums decreased, effective June 1, 2007, with no change in benefit levels. Level II Retiree Healthcare Plan premiums were increased to support the 2005 increase in prescription drug coverage, and due to increased utilization.

The in-house Disability & Rehabilitation Plan is in a healthy financial position. The Plan has 32,138 active members, with over 1,100 members receiving benefits. In 2007, the Plan focused efforts on early intervention, rehabilitation, and return-to-work strategies. A review of the Plan is underway to assess competitiveness and potential enhancements.

The HEBP Board continues to work collaboratively with the HEPP Board to carry out our shared Mission and Values. In October 2007, HEPP/HEBP Trustees, the CEO, and Senior Management attended a planning session, which included discussion about the current context and future needs of healthcare employees and employers in Manitoba. Trustees reaffirmed their intention to focus on the existing Vision, Mission, and Values, and identified four overarching priorities: member services and stakeholder relations, plan design, organizational culture, and performance and risk management.

I would like to thank the trustees for their commitment in providing sound direction and governance to the Plan. On behalf of the Board, I would like to thank the HEBP management and staff for their diligence and commitment in serving the interests of all Plan members.



Brian Ellis
Chair, Healthcare Employees' Benefits Plan

Report from the HEPP/HEBP Chief Executive Officer

The management and staff of HEPP/HEBP are committed to HEPP/HEBP's mission to meet member expectations for employment benefits and security in retirement through:

- competitive and fairly priced benefits,
- superior member service,
- effective governance,
- sound investment policies,
- best practices in administration, and
- knowledgeable and professional staff.

In 2007, HEPP/HEBP appointed a new Director of Finance in May, a new CEO in June, and a new Director of Pension and Benefits in July. In order to confirm a shared direction for achieving our mission, significant efforts were dedicated to planning, resulting in both a strategic plan and an operational plan being developed. In addition, Senior Management has developed specific, detailed operational plans for carrying out the Board's strategic directions and priorities, and will continue to measure progress based on those plans.

Notwithstanding the transition in leadership, significant operational achievements have occurred in 2007. These achievements include:

- the management and reduction of historical processing backlogs,
- the development of procedures and processes to achieve turnaround times that are compliant with legislation,

- the improvement of systems and processes for receiving member data from employers, to ensure information is transferred in the most timely and accurate manner possible, and
- the continued review of policy and procedures to ensure HEPP/HEBP is appropriately applying plan provisions, as per the original intentions of the signatory employers and unions.

We will continue to build on the progress made in 2007, through investment in the upgrade and development of effective information systems, increased communication with members and stakeholders, and training and development of staff, as well as through consistent interpretation and application of plan provisions, the ongoing review of plan designs, and due diligence in enterprise risk management.

On behalf of our Executive Management Committee and staff, we remain committed to improving service levels for all Plan members and stakeholders, and look forward to a successful 2008.



Winston Maharaj
Chief Executive Officer
Healthcare Employees' Pension Plan
Healthcare Employees' Benefits Plan

Healthcare Employees' Pension Plan

HEPP Financial Summary*

		2007	2006
Increase in Net Assets			
Current period change in market values	\$	39,697,602	301,019,949
Investment income		111,890,902	98,574,039
Contributions from employers		92,519,660	85,064,668
Contributions from employees		92,445,420	85,143,219
Total		336,553,584	569,801,875
Decrease in Net Assets			
Benefits paid to pensioners and beneficiaries		101,724,801	91,247,538
Refunds to terminated members		32,616,124	19,992,030
Investment and Plan administration expenses		17,516,938	16,872,521
Total		151,857,863	128,112,089
Net increase in net assets		184,695,721	441,689,786
Net assets available for benefits, January 1		3,398,115,420	2,956,425,634
Net assets available for benefits, December 31	\$	3,582,811,141	3,398,115,420

*Full Audited Financial Statements are available on our website at www.hepp.mb.ca

Pension Plan Membership

Member Mix	2007	2006	Average Age (years)	2007	2006
Deferred Vested	8,550	8,716	Active member	43	43
Retired	11,404	10,691	Retired member	70	70
Active & Disabled	37,922	36,961	Deferred member	42	42
Total	57,876	56,368			

Pension Plan Highlights

HEPP is subject to the provisions of the Pension Benefits Act, Manitoba. The Act requires that the Plan's actuaries conduct two valuations each year – a going-concern valuation, which assumes the Plan carries on indefinitely, and a solvency valuation, which assumes the Plan terminates on the date the valuation is done. These valuations determine if the Plan has sufficient assets to pay for accrued benefits and if the level of contributions being made is sufficient to cover the cost of future benefit accruals.

The Plan's financial position changed in 2007, with the solvency position of the Plan showing a \$61 million deficit at the end of the year versus a \$34 million surplus at the end of 2006. The solvency funded ratio of the Plan was 98.3% at the end of 2007 versus 101.0% at the end of 2006.

The Plan's going-concern position improved, showing a surplus of \$84 million versus a surplus of \$11 million at the end of 2006. The going-concern funded ratio of the Plan was 102.5% at the end of 2007 versus 100.4% at the end of 2006.

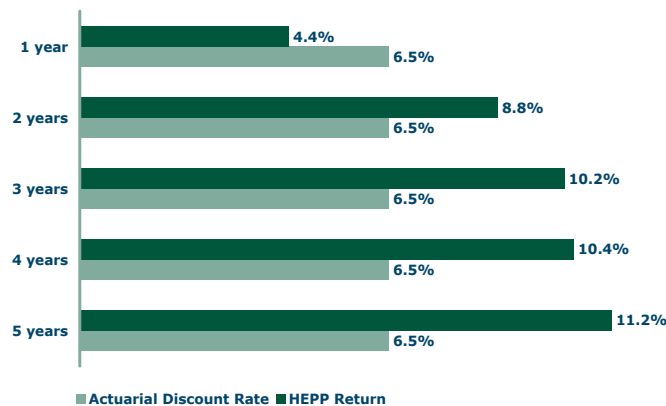
Under legislation, the Plan is required to make special payments to fund the solvency deficiency, and these payments will be made over the course of the next five years. No further action is required at this time, and the Board will continue to monitor the solvency status of the Plan.

No changes were made to benefit levels in 2007. As the Plan reported only a small surplus at the end of 2006, the Board could not consider granting an ad hoc cost of living adjustment for retired members in 2007.

Investment Highlights

HEPP Investment Returns

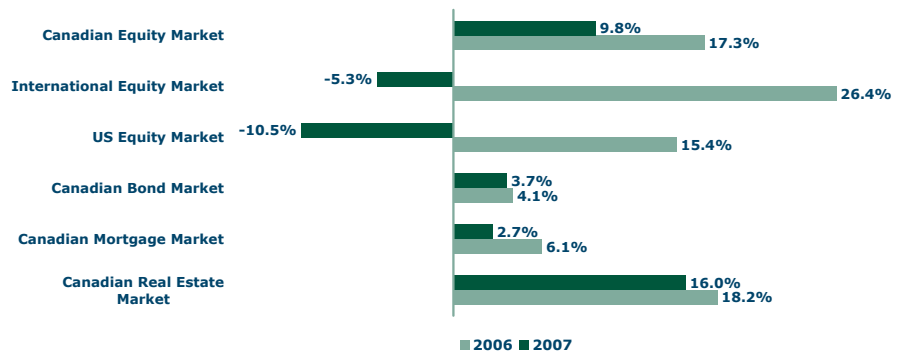
Returns for the Plan's investments for 2007 were 4.4%. This follows four years of strong double-digit investment returns. This was the first year in five years where the investment return was below the actuarial discount rate.



Major Market Returns

In 2007, all but two of the major asset classes that HEPP invests in produced positive returns. Our investments in US and International equities had negative returns, as the strong Canadian dollar impacted returns from these markets. However, these returns were positive when measured in local currencies.

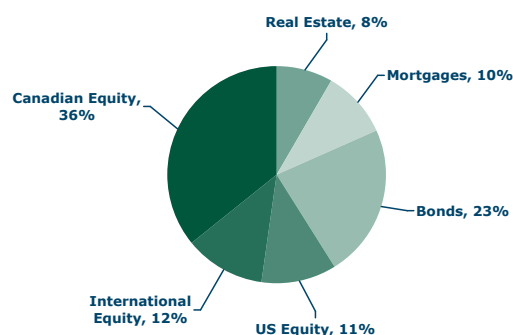
Returns from Canadian equities and real estate remained strong for 2007, while returns from fixed-income assets were positive but below levels achieved in 2006.



HEPP Asset Mix

Our asset mix at the end of 2007 continued to favour Canadian equity markets over foreign markets, a position we have held for several years.

Our real estate program continued to evolve with 8% of the Fund committed vs. 6% at the end of 2006. Our target for this program is 10%, which we expect to achieve during 2008.



Healthcare Employees' Benefits Plan

Benefits Information

HEBP offers Healthcare, Dental, Disability & Rehabilitation, and Life Insurance plans to eligible healthcare employees and their families throughout Manitoba. All employers do

not necessarily participate in each of the benefit plans offered by HEBP. Employees should check with their employer for coverage clarification.

Financial Summary*

	Basic Healthcare Plan	
	2007	2006
Increases		
Premiums	\$ 2,663,188	2,370,963
Investment income	33,981	38,390
	2,697,169	2,409,353
Decreases		
Claims and related expenses	2,545,850	2,409,548
Administrative expenses	149,644	163,280
	2,695,494	2,572,828
Net increase (decrease) prior to change in obligations	1,675	(163,475)
Change in obligations and internally restricted funds	(50,948)	108,715
Net decrease after change in obligations	(49,273)	(54,760)
Net Assets Beginning	256,612	311,372
Net Assets Ending	\$ 207,339	256,612

Benefits Highlights

In order to support anticipated claim costs of the Basic Healthcare Plan, a rate increase was implemented in 2007. No changes were made to benefit levels. Claims and related expenses were at 96% of premiums in 2007, down from 102% in 2006. The Plan's funded position decreased slightly during the year, and all reserves are fully funded. Of claims incurred, 78% were for drugs, 10% were for physiotherapy, 6% were for ambulance/hospital, and 6% were for other benefits.

Plan Membership: 10,603

Enhanced Healthcare Plan

	2007	2006
Increases		
Premiums	\$ 8,805,256	8,724,698
Investment income	34,277	50,959
	8,839,533	8,775,657
Decreases		
Claims and related expenses	8,181,798	7,756,078
Administrative expenses	523,097	599,423
	8,704,895	8,355,501
Net increase prior to change in obligations	134,638	420,156
Change in obligations and internally restricted funds	(134,670)	420,991
Net increase (decrease) after change in obligations	(32)	841,147
Net Assets Beginning	(59,618)	(900,765)
Net Assets Ending	\$ (59,650)	(59,618)

Current premium levels were determined sufficient to pay anticipated claim costs of the Enhanced Healthcare Plan; as a result, no changes were made to premium rates or benefit levels. Claims and related expenses were at 93% of premiums in 2007, up from 89% in 2006. We anticipate that the Plan and all reserves will be fully funded in three years. Of claims incurred, 42% were for drugs, 11% were for vision care, and 47% were for paramedic and other benefits.

Plan Membership: 13,008

Retiree Healthcare Plan

	2007	2006
Increases		
Premiums	\$ 2,644,336	2,216,199
Investment income	28,497	44,916
	2,672,833	2,261,115
Decreases		
Claims	2,746,835	2,606,714
Administrative expenses	186,674	199,654
	2,933,509	2,806,368
Net decrease prior to change in obligations	(260,676)	(545,253)
Change in obligations and internally restricted funds	321,890	84,885
Net increase (decrease) after change in obligations	61,214	(460,368)
Net Assets Beginning	(37,587)	422,781
Net Assets Ending	\$ 23,627	(37,587)

In order to support the 2005 improvement in drug coverage, and anticipated claim costs of other benefits under the Level II Retiree Healthcare Plan, a rate increase was implemented in 2007. No changes were made to benefit levels. For Level I coverage, premiums decreased and benefit levels remain unchanged. The Plan's financial position improved during 2007, and we anticipate that the Plan and all reserves will be fully funded in three years.

Plan Membership: 5,183

*Full Audited Financial Statements are available on our website at www.hepp.mb.ca

Benefits Information *continued*

Financial Summary*

	Dental Plan	
	2007	2006
Increases		
Premiums	\$ 14,804,336	14,422,155
Investment income	149,819	103,385
	14,954,155	14,525,540
Decreases		
Claims	13,507,754	12,613,691
Administrative expenses	770,199	728,080
	14,277,953	13,341,771
Net increase prior to change in obligations	676,202	1,183,769
Change in obligations and internally restricted funds	(68,140)	(52,676)
Net increase after change in obligations	608,062	1,131,093
Net Assets Beginning	1,266,376	135,283
Net Assets Ending	\$ 1,874,438	1,266,376

	Life Insurance Plan	
	2007	2006
Increases		
Premiums	\$ 8,028,075	7,626,986
Investment income	968,533	3,320,469
	8,996,608	10,947,455
Decreases		
Claims and related expenses	6,136,387	6,308,011
Administrative expenses	757,003	671,345
	6,893,390	6,979,356
Net increase prior to change in obligations	2,103,218	3,968,099
Change in obligations and internally restricted funds	(2,682,000)	(669,090)
Net increase (decrease) after change in obligations	(578,782)	3,299,009
Net Assets Beginning	14,573,124	11,274,115
Net Assets Ending	\$ 13,994,342	14,573,124

	Disability & Rehabilitation (D&R) Plan	
	2007	2006
Increases		
Premiums	\$ 28,303,500	26,465,213
Investment income	2,617,543	3,635,071
	30,921,043	30,100,284
Decreases		
Claims and related expenses	16,291,594	14,597,508
Administrative expenses	4,260,139	3,711,184
	20,551,733	18,308,692
Net increase prior to change in obligations	10,369,310	11,791,592
Change in obligations	3,032,000	(2,280,000)
Net increase after change in obligations	13,401,310	9,511,592
Net Assets Beginning	25,829,094	16,317,502
Net Assets Ending	\$ 39,230,404	25,829,094

Benefits Highlights

A Dental Plan enhancement was implemented, increasing benefit maximums in two phases, effective June 1, 2007 and January 1, 2008. No rate adjustments were required, as there were sufficient funds generated by the current premium rates to offset both the benefit increase and the Manitoba Dental Association fee guide increase. Claims were at 91% of premiums in 2007 versus 87% in 2006. The Plan's reserves remain fully funded. Of claims incurred, 84% were for basic services and 16% were for major and orthodontic services.

Plan Membership: 21,463

In 2007, the \$300,000 No Evidence Maximum (NEM) was removed from the Employee Life Insurance contract. Removing the NEM eliminated the need to track coverage and submit Evidence of Insurability forms for the \$300,000 NEM insurance provision on a go-forward basis. Claims and related expenses were at 76% of premiums in 2007, down from 83% in 2006. There were no premium increases or benefit changes during 2007, nor are any expected for 2008. The Plan's funded position improved during the year, and all reserves are fully funded.

Plan Membership: 32,045

There were 1,147 members receiving D&R Benefits at December 31, 2007. Of these claims, 683 were being administered by our in-house program, up from 625 in 2006. Premium rates and Benefit levels were unchanged in 2007. The Plan is fully funded. A Global Review is currently being undertaken to assess potential enhancements to the Plan.

Plan Membership: 32,138

Board and Committee Members as of December 31, 2007

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