

2024 Report to Members

Report from the Chair of the HEPP Board and the COLA Plan Board

In uncertain times it is important to stay calm and focus on long-term goals, particularly with respect to retirement.

For the Healthcare Employees' Pension Plan (HEPP) and Cost of Living Adjustment (COLA) Plan, this focus is on the security and sustainability of our Plans so they can contribute to the future of our active and retired members.

Your Boards of Trustees, along with the Investments team at HEB Manitoba, work hard to ensure that the pension assets of your Plans are managed and invested with care. We are pleased to report that 2024 was an excellent year, continuing a run of strong financial performance.

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Report from the Chair of the HEBP Board

2024 was an important year for the Healthcare Employees' Benefits Plan (HEBP). Your Board of Trustees spent the year developing a new strategic plan that will set the future direction of our Plans and services. We also continued to work on the Healthcare and Dental Plan redesign project. Finally, we welcomed the launch of HEB Manitoba's new benefits administration system, a massive undertaking that has been years in the making.

These initiatives are all integral to the success of our Plans and I am pleased to share the progress we made this year.

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Highlights of a Banner Year for HEPP

With a 16.1% return in 2024, HEPP has now had positive returns in 23 of its 28 years. This was the second highest return in our history, and the fund's value is its highest ever at \$12.2 billion. We are one of the fastest growing pension funds in Canada and have risen to the 30th largest. These are impressive achievements that are backed by solid five and ten year returns of 8.0% and 7.4% respectively.

The track record of our investments has been consistent and stable over time, matching the Boards' focus and commitment to our membership. The Plan is healthy and able to maintain its obligations.

COLA Plan Payments

Another element to our commitment is the COLA Plan, which supplies annual cost of living payments to our retired members provided funds are available. Effective January 1, 2025, the Plan granted a payment for the seventh consecutive year.

This payment grows each year it is paid, as the total of the current year's amount is added to the total from previous years. The Plan is working as intended over time, providing retired members with some measure of support in the face of inflation and cost of living increases.

Our Future

2024 was also an important year for the Boards with respect to our future. We have been developing a new strategic plan to chart our course as we approach our 30th year in operation. This will be a significant milestone that marks HEPP as a mature and stable pension plan. I am excited for and confident in the direction our strategy takes us.

I will also note the 2024 implementation of HEB Manitoba's new benefits administration system, complete with new member and employer portals. This has been a necessary modernization project that will better support HEB Manitoba staff, membership and employers. I encourage all members to register for the portal so you can take advantage of its tools and resources.

Finally, thank you to my fellow Board members and everyone at HEB Manitoba who contributed to our successful year. It has been a rewarding journey continuing to serve our province's hard-working healthcare employees.



Matt McLean

Chair
Healthcare Employees' Pension Plan Board and
COLA Plan Board

Charting Our Course

The strength of HEBP is our full suite of benefit plans – we offer healthcare employers the opportunity to participate in our Life Insurance, Healthcare, Dental, Employee Assistance, and Disability & Rehabilitation Plans. This is unique in our industry, and it challenges the Board in how we appropriately and effectively guide the stewardship of each Plan individually and as part of a group.

To meet this challenge we established our new internal strategic plan, which defines our projects and milestones over the next several years. Part of our strategy is focused on the balance required to offer affordable and competitive benefits to Manitoba's diverse range of healthcare employees.

Aligned with this balance is our continued work on the Healthcare and Dental Plans redesign project. We know our members have been seeking improvements and flexibility in these benefits. The Board has been working with stakeholders to review the final design, with implementation currently scheduled for 2026. We hope to share further details next year.

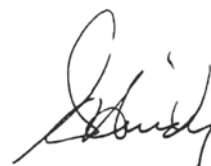
A Complete View of Your Benefits

One of our past challenges was in presenting members with a complete view of their Plans and membership options in one place. In June 2024, HEB Manitoba's new benefits administration system went live. It includes a new secure member portal, where members can go online to see their Plans, manage their personal information, and make coverage choices for events like enrolment, leaves of absence, and life changes.

A key feature of this new operating environment is that the member portal is integrated with HEB Manitoba's internal systems and a new employer portal. This streamlines how information moves, reducing the need for paper forms and simplifying the work for members and employers.

As with any major change, the staff, management, and executive at HEB Manitoba have been working hard to make the transition to this new world as smooth as possible. On behalf of the HEBP Board of Trustees I thank them for their valuable effort.

I will end by extending my appreciation to the rest of the Board for their diligence and care during this eventful year. I look forward to continuing to serve our members and meeting our next set of challenges with the plan we created together.



Shawn Hnidy

Chair
Healthcare Employees' Benefits Plan Board

Report from the Chief Executive Officer

This past year was a historic one for HEB Manitoba.

After several years of hard work by our staff, stakeholders and technology partners, our new benefits administration system launched on June 3, 2024. On this “go-live” date we flipped the switch to turn on IRIS, our new Pension and Benefits management environment that provides integrated member and employer portals. At that time we announced the transition with an update to our Plan publications and website that reflects our new way of administering our Plans.

Before getting into the details of what this change means for you, our members, I want to first and foremost acknowledge the dedication and effort put in by the entire HEB team on this project. Their efforts during this very stressful period were the key to the success of this project. I must also acknowledge the unwavering level of support for this effort from our Boards of Trustees. An endeavor such as this requires total buy-in throughout an organization and that must begin at the top. From day one our Trustees have been our partners in seeing this project achieve its goal. It has been a complex journey as we have had to maintain our regular operations while bringing the new technology and processes to life. I am happy to share that our people were up to the task.

Our New World

This transformative system has introduced new levels of automation and integration that have streamlined our processes, allowing us to be more efficient, responsive, and better prepared to work with and provide services to our members.

Beyond the crucial technology work, we had to overhaul our member-focused communications, which involved updating or creating over four hundred pieces of correspondence. Much of our past administration was based on paper forms which have been modernized and moved online. Our members can now make their selections for processes like enrolment, leaves of absence, and retirement directly with HEB on our new portal.

In the future these improvements will allow us to introduce more individualized focus and service to our members by leveraging information along with the knowledge and capabilities of our HEB team. The hard work isn't quite done. We are still in a period of stabilization for our new operations, but I am excited about the future and the opportunities that will continue to arise from this investment.

I would like to invite all members to register for the new highly secure member portal where you can now view and manage all your Plan information in one place. Once registered you can also receive most of your correspondence on the portal, which reduces the need for printing and mailing.

On a related note, this is the final year that we mail our annual Report to all members. Going forward members will be notified on the member portal when the Report is available online.

Excellent Pension Plan Results

While much of my message this year is focused on the move to our new operating environment, I do want to share some of the spotlight with our Pension Plan. Our investments returned over 16% in 2024, the second-highest results in our history. At year end the fund's value was over \$12 billion and it continues to exceed its benchmark returns. The Plan remains well positioned to meet its obligations to retirees into the future.

We are fortunate to have an outstanding Investments team that continues to provide stable leadership and strong direction for the Plan on behalf of Manitoba's healthcare workers. Our membership is well served by their success.

Finally, I would like to thank our Boards of Trustees for their diligence and thoughtfulness. This has been a particularly busy year for the Trustees and they deserve to be recognized for their dedication and guidance of your Pension and Benefit Plans.



Kerry Poole

Chief Executive Officer
HEB Manitoba



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Pension Plan Investment Highlights

HEPP Investment Returns*

The Healthcare Employees' Pension Plan's (HEPP) investments returned 16.1% in 2024, following a 10.8% return in 2023. We outperformed our benchmark return of 14.5% and this was the second highest return in the Plan's history. Our five and ten year returns of 8.0% and 7.4% exceeded our benchmark returns of 7.2% and 7.0% respectively. Our Canadian, International, US, and Global equity portfolios returned 21.8%, 17.4%, 29.1%, and 28.2% respectively. Our other asset class returns were 0.4% in real estate, 6.6% in fixed income, 16.8% in infrastructure, 20.3% in private equity, and 31.4% in private debt. Since its inception, HEPP has had positive returns in 23 of 28 years.

As a result of strong markets in 2024, the fund's value rose to \$12.2 billion, the highest level in the Plan's history, from \$10.6 billion at year-end 2023. Over the past 10 years, our investment returns have added \$539 million of value when compared to the Plan's benchmark returns.

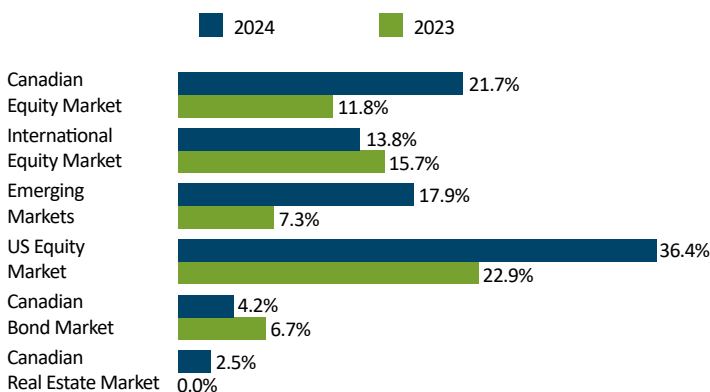
Currently a return of 5.9% is required to fund the Plan's obligations. The Plan's exposure to equity-type investments has generated strong returns over the history of the fund. At the time of this report there is a high level of global uncertainty regarding policy initiatives in the US. On balance, we will maintain our long-term investment focus and asset mix, but will review opportunities that become available due to market volatility.

**Total fund returns are after external management, custodial, and performance fees, transaction costs and operating expenses. Asset class returns are after transaction costs and performance fees but before external management and custodial fees, and operating expenses.*

Major Market Returns

Public market equity returns were quite strong in 2024, with the US equity market up over 36% in Canadian dollars following a 23% return in 2023. A decline of over 8% in the value of the Canadian dollar vs. the US dollar in 2024 contributed to this return. The Canadian equity market returned almost 22% after a 12% return in 2023. Emerging markets more than doubled their 2023 return to earn 18% in 2024 vs. 7% in 2023. International equity markets were up in 2024, returning almost 14% compared to 16% in 2023.

At year-end 2024, Government of Canada 10-year bond yields were at 3.2%, largely unchanged from their 3.1% level at year-end 2023. Corporate bond returns were double the return of federal government bonds, with the fixed income market returning 4% for year.

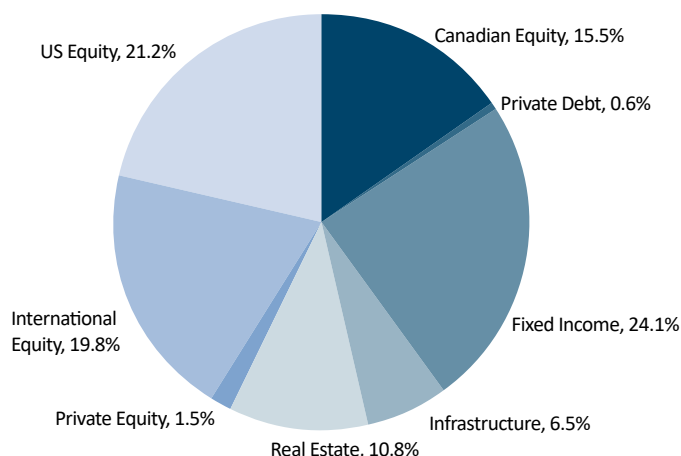


Canadian real estate returned 3% for the year following a 0% return in 2023. Returns for Canadian real estate sectors once again had a wide outcome. Industrial properties rose 3%, Multi-Family Residential rose 3%, retail properties rose 6%, while office properties fell -1%. Infrastructure returns remained strong during 2024.

HEPP Asset Mix

Our overall public equity exposure at year-end 2024 was 57%; largely unchanged from 2023. Our public equity exposure, with a 23% return, contributed substantially to our very strong results. Within our fixed income portfolios, we hold roughly 1/3 each in government bonds, investment grade bonds and high yield bonds. Our high yield portfolio returned 9%, investment grade over 7%, and government bonds 3%.

Internally, we prefer to look at private market returns over longer periods due to the less liquid nature of these holdings. Our infrastructure portfolio returned 17%, up from 10% in 2023. Our private equity portfolio, now in its third year of investing, generated a 20% return. Our private debt portfolio, which is in its first full year, generated a 31% return. We have a 5% target allocation for each. All of our private market investments are invested over time, meaning that it will be several years before we reach our target allocation.



Real estate returns continue to be impacted by high interest rates, weak demand for office space, and recession concerns based on US policy uncertainty. Our Canadian real estate returned 1% while our non-Canadian real estate returned less than 1%. Our non-Canadian real estate has a larger exposure to office properties than we have in Canada. Office properties, particularly in the US, remain challenged.

We actively monitor our exposure to equities and our allocations to Canadian, US and International equity markets as part of our risk management framework. These allocations change over time, reflecting fluctuating return expectations and risk profiles.

We currently hold 6% of the fund in infrastructure, with a target weight of 10%. We continue to commit funds for our global infrastructure investment program, which continues to perform as expected. Our 11% real estate exposure is above our target at 10.0% and is slowly being reduced, as we are not committing any new funds to this asset class.

More information about our investments is available at hebmanitoba.ca.

Pension Plan and COLA Plan Information

Pension Plan Financial Summary*

	2024	2023
Increase in net assets		
Current period change in market value	\$ 1,402,757,695	\$ 800,052,071
Investment income	321,308,056	279,082,387
Contributions from employers	217,234,422	207,328,463
Contributions from employees	217,207,124	207,330,980
Reciprocal transfers	3,608,703	3,249,839
Total	2,162,116,000	1,497,043,740
Decrease in net assets		
Benefits paid to pensioners and beneficiaries	412,751,302	396,781,004
Refunds to terminated members	52,208,437	53,287,420
Plan administration expenses	16,838,062	15,091,956
Investment management fees	52,547,764	46,662,492
Total	534,345,565	511,822,872
Net increase		
in net assets available for benefits	1,627,770,435	985,220,868
Net assets available for benefits, January 1	10,550,568,826	9,565,347,958
Net assets available for benefits, December 31	\$ 12,178,339,261	\$ 10,550,568,826

COLA Plan Financial Summary

Active Employees Fund

	2024	2023
Increase in net assets		
Current period change in market value	\$ 14,214,406	\$ 20,276,751
Investment income	35,754,594	18,801,012
Contributions from employers	23,459,514	22,736,805
Contributions from employees	23,447,312	22,732,046
Total	96,875,826	84,546,614
Decrease in net assets		
Benefit payments	11,674,503	9,426,861
Investment and Plan administrative expenses	2,409,032	2,216,475
Total	14,083,535	11,643,336
Net increase		
in net assets available for benefits	82,792,291	72,903,278
Net assets available for benefits, January 1	425,413,318	352,510,040
Net assets available for benefits, December 31	\$ 508,205,609	\$ 425,413,318

Past Retirees Fund**

	2024	2023
Increase in net assets		
Current period change in market value	\$ 512,468	\$ 727,020
Investment income	1,507,458	908,370
Contributions from employers	2,635,655	2,398,280
Contributions from employees	2,632,626	2,394,486
Total	7,288,207	6,428,156
Decrease in net assets		
Benefit payments	3,983,712	3,528,512
Investment and Plan administrative expenses	980,146	836,014
Total	4,963,858	4,364,526
Net increase		
in net assets available for benefits	2,324,349	2,063,630
Net assets available for benefits, January 1	21,825,698	19,762,068
Net assets available for benefits, December 31	\$ 24,150,047	\$ 21,825,698

*Full Audited Financial Statements for all Plans are available at hebmanitoba.ca.

**Retirees prior to 2009.

Membership

	Number of Members		Average Age	
	2024	2023	2024	2023
Active & Disabled	48,105	47,289	43	42
Retired	26,922	26,133	72	71
Deferred Vested	21,804	21,865	45	44
Total	96,831	95,287		

Plan Information

The Healthcare Employees' Pension Plan (HEPP) uses the contributions paid by you and your employer, plus any accumulated investment income, to pay your monthly pension, but these amounts are not used to determine what your monthly pension entitlement will be. As a defined benefit pension plan, HEPP uses a formula based on your years of credited service and the average of your highest five years of pensionable earnings in the final 11 years you work.

HEB Manitoba provides member services related to pension benefit entitlements for eligible employees and their families of participating healthcare facilities.

We are actively working to enhance our service standards and improve responsiveness, ensuring members continue to receive the support they need as efficiently as possible.

Cost of Living Adjustment (COLA) Plan Funds

A COLA in the amount of 0.8% was paid January 1, 2025. Future COLA payments are expected to be paid January 1 of each year, provided sufficient funds are available.



Benefit Plans Information

The Healthcare Employees' Benefits Plan (HEBP) offers Healthcare, Dental, Disability & Rehabilitation, Life Insurance, and Employee Assistance Plans to eligible healthcare employees and their families throughout Manitoba. The Healthcare Plan includes a Healthcare Spending Account, not administered by HEB Manitoba.

**Not all employers participate in each of the Benefit Plans offered by HEBP. Employees should check with their employer to confirm which Plans they are eligible to join.*

Financial Summary

Active Healthcare Plan

	2024	2023
Increases		
Current period change in market value	\$ 61,204	\$ 65,640
Investment income	1,057,064	846,740
Premiums	39,279,026	36,634,368
Total	40,397,294	37,546,748
Decreases		
Claims	35,996,887	34,243,494
Administrative expenses	3,665,473	3,338,750
Total	39,662,360	37,582,244
Net increase (decrease) prior to change in obligations	734,934	(35,496)
Change in obligations	(67,910)	(156,426)
Net increase (decrease) after change in obligations	667,024	(191,922)
Net assets available for benefits, January 1	13,118,322	13,310,244
Net assets available for benefits, December 31	\$ 13,785,346	\$ 13,118,322

Plan Information

Plan Membership: 41,533

After comparing Plan premiums with anticipated claim costs and reserve levels, we determined that a premium increase of 6.0% was required in 2024.

The Plan and all reserves are fully funded as at the end of 2024.

Plan members are eligible for the HSA, which provides an additional way to pay for healthcare and dental expenses that exceed benefit maximums.

Dental Plan

	2024	2023
Increases		
Investment income	\$ 723,000	\$ 961,682
Premiums	36,668,143	33,673,257
Total	37,391,143	34,634,939
Decreases		
Claims	32,593,502	31,042,294
Administrative expenses	3,260,345	2,950,147
Total	35,853,847	33,992,441
Net increase prior to change in obligations	1,537,296	642,498
Change in obligations	(32,316)	(61,015)
Net increase after change in obligations	1,504,980	581,483
Net assets available for benefits, January 1	15,557,487	14,976,004
Net assets available for benefits, December 31	\$ 17,062,467	\$ 15,557,487

Plan Membership: 33,988

After comparing the Plan's premiums with anticipated claim costs and reserve levels, we determined that a premium increase of 4.7% was required in 2024.

The Plan and all reserves are fully funded as at the end of 2024.

Retiree Healthcare Plan

	2024	2023
Increases		
Investment income	\$ 15,815	\$ 31,787
Premiums	7,839,335	7,686,942
Total	7,855,150	7,718,729
Decreases		
Claims	7,648,642	7,226,528
Administrative expenses	819,566	701,016
Total	8,468,208	7,927,544
Net decrease prior to change in obligations	(613,058)	(208,815)
Change in obligations	(35,058)	(53,337)
Net decrease after change in obligations	(648,116)	(262,152)
Net assets available for benefits, January 1	4,516,603	4,778,755
Net assets available for benefits, December 31	\$ 3,868,487	\$ 4,516,603

Plan Membership: Level 1 – 1,259

Level II – 11,050

After comparing the Plan's premiums with anticipated claim costs and reserve levels, we determined that the premiums for Level I coverage could be decreased by 5% in 2024. A premium increase of 6% was required for Level II coverage.

The Plan and all reserves are fully funded as at the end of 2024.

Financial Summary

Life Insurance Plan

	2024	2023
Increases		
Current period change in market value	\$ 9,346,346	\$ 6,333,310
Investment income	4,929,133	6,195,168
Premiums	18,440,768	17,645,163
Total	32,716,247	30,173,641
Decreases		
Claims and related expenses	15,828,458	13,323,325
Administrative expenses	3,492,320	3,085,386
Total	19,320,778	16,408,711
Net increase		
in net assets available for benefits	13,395,469	13,764,930
Net assets available for benefits, January 1	139,814,499	126,049,569
Net assets available for benefits, December 31	\$ 153,209,968	\$ 139,814,499

Plan Information

Plan Membership: 45,707

There were no premium increases during 2023, and the Plan's reserves are fully funded.

We did not sent out the Annual Statement of Life Insurance Benefits in 2024 due to the conversion to our new benefits administration system halfway through the year.

Disability & Rehabilitation (D&R) Plan

	2024	2023
Increases		
Current period change in market value	\$ 4,989,374	\$ 8,653,338
Investment income	9,677,243	8,721,869
Premiums	57,984,607	54,440,674
Total	72,651,224	71,815,881
Decreases		
Claims and related expenses	42,895,397	45,886,670
Administrative expenses	10,249,829	8,763,471
Total	53,145,226	54,650,141
Net increase prior to change in obligations	19,505,998	17,165,740
Change in obligations	(2,449,000)	(651,000)
Net increase after change in obligations	17,056,998	16,514,740
Net assets available for benefits, January 1	236,206,680	219,691,940
Net assets available for benefits, December 31	\$ 253,263,678	\$ 236,206,680

Plan Membership: 46,450

The Disability & Rehabilitation Plan was established in 2002 as a non-adversarial, fully self-insured and self-administered Plan. It is designed to replace a portion of a member's income if the member is unable to work because they are Totally Disabled as defined by the *Disability and Rehabilitation Plan Text*.

There were 1,541 members receiving D&R Benefits at December 31, 2024.

Obligations include reserves and assumption changes that occurred in 2023. The Plan is fully funded.

Employee Assistance Plan (EAP)

	2024	2023
Increases		
Interest income	\$ 17,397	\$ 22,982
Premiums	2,822,633	2,653,331
Total	2,840,030	2,676,313
Decreases		
EAP service costs	2,790,053	2,548,643
Administrative expenses	288,064	245,096
Total	3,078,117	2,793,739
Net decrease		
in net assets available for benefits	(238,087)	(117,426)
Net assets available for benefits, January 1	327,545	444,971
Net assets available for benefits, December 31	\$ 89,458	\$ 327,545

Plan Membership: 60,958

The Employee Assistance Plan (EAP) offers members and their families' access to comprehensive counselling services through the Manitoba Blue Cross Employee Assistance Centre.

The EAP is a confidential and voluntary service funded by participating employers. It provides assessment and short-term counselling services to a maximum of ten sessions per family per calendar year.

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