



HEALTHCARE EMPLOYEES PENSION PLAN

2000 Annual Report

**Our commitment  
to you is  
stronger  
than ever**



# annua report

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### HEALTHCARE EMPLOYEES PENSION PLAN – MANITOBA

For more detailed financial information or additional information about HEPP, please contact us.

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Phone: (204) 942-6591  
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## **our Commitment**

*We are committed to providing secure and cost effective benefits and services for all healthcare employees on behalf of participating employers and unions through a jointly trusted pension plan.*

### **Our Guiding Principles**

Our actions will be guided by the fair and just treatment of HEPP stakeholders through:

#### **prudent fiscal stewardship**

We will practice prudent investment management of our members' funds.

#### **excellent member service**

We will invest in our people and technology to continually improve the effectiveness of our processes and practices in order to operate in the best interests of stakeholders.

#### **open communication**

We will work together with our stakeholders, providing them with a voice in the administration of the Plan, to achieve the highest value from our communication efforts.

### **Our Goals**

To maintain a fully funded pension plan and stable contribution rates.

To maximize investment returns within an appropriate and prudent level of risk.

To maintain cost-effective administration services.

To maintain a safe, healthy and equitable workplace.

To empower our employees through self-directed work teams and training.

To continually improve service to all members and participating employers and unions.

To communicate with all stakeholders in an open and timely manner.

# vision

# stability

## Our commitment continues.

In 2000, the growth and success of the Healthcare Employees Pension Plan – Manitoba (HEPP) continued.

The value of HEPP's assets continues to increase at a rate that surpasses our financial commitments. The \$188 million surplus at the end of December 2000 is up from \$111 million in 1997. It is remarkable that HEPP has experienced \$77 million in actuarial gains from 1997 to 2000 while substantially increasing pension benefits. During 2000, our investment return was 10%, well above the average for Canadian pension plans.

The surplus protects active and retired members' benefits and allowed us to grant a 2.03 per cent adhoc cost of living adjustment (COLA) to retired members, deferred vested members and disabled members in January 2001.

In response to requests for buybacks from members, we are pleased to allow members retiring on or after January 1, 2002 to buyback eligible service at their retirement. Additionally, all future recognized, allowable leaves will be eligible for employee payment. Further details on these buyback options will be announced soon.

It was a privilege for me to succeed Gary McIntosh as the Chair of the HEPP Board of trustees. The joint board, made up of trustees appointed by employers and trustees appointed by unions, continues to represent the best interests of retirees and active members. They are to be commended for their dedication, skills and knowledge in governing HEPP.

On behalf of the Board I wish to thank HEPP management and staff for continuing to improve administration processes, technology and communication to enhance our service to members, facilities and unions.

During a strategic planning session in October 2000, we reviewed the past, present and future of HEPP and were able to set priorities for service and communication in the future. There was a strong commitment to educating our membership, facilities, trustees and staff, and as a result, HEPP's website will be launched this summer along with an orientation video and employer manual. There was also a strong commitment to maximizing investment returns, protecting the surplus, future benefit improvements and governance policy.

Thanks also go out to the Investment Committee responsible for overseeing the investment of the Fund's assets in accordance with the Statement of Investment Policies and Procedures and to the consultants who provide key services to us including KPMG LLP, Koskie Minsky and Towers Perrin.

To the membership, facilities and unions, thank you for your support of HEPP and for your feedback. The Board, management and staff continues to set initiatives based on this feedback.

The combination of a committed Board of Trustees, knowledgeable administrative team and supportive membership promises to allow HEPP to continue to provide superior service and a strong, stable fund for the future of healthcare employees in Manitoba.

Sincerely,



Bob Malazdrewich  
Chair, HEPP - Manitoba

*COLAs are reviewed every year and may be granted on an ad hoc basis. This means they are not guaranteed, and are granted only if HEPP is in a financial position to do so. Board decisions are based on advice from HEPP's actuary.*

*It is stated in the HEPP Plan Text that, if granted, a COLA will equal 70 per cent of the consumer price index (CPI) during the 12 month period ending as of the preceding June 30. This year's CPI was 2.90 per cent.*

# focus

## Working hard at serving you better.

Since 1997, HEPP's focus has been to build a stable fund and a service driven organization. We are successfully achieving this through the commitment of the HEPP Board of Trustees and staff.

Your jointly trusted HEPP Board remains committed to ensuring that HEPP is a leader in pension administration and communication. Work towards a governance document is underway to define the process and structure used to supervise HEPP's operation. The governance document will further strengthen HEPP and assist us in achieving our objectives.

During the year 2000, we successfully continued to improve our administrative systems and procedures, decreasing turnaround and response times for pension queries and calculations.

We continue to focus on improving our written documents to foster better communication with you, our plan members and participating employers.

Our commitment to member service is stronger than ever. Member service is what HEPP is all

about. We want to ensure that you have the confidence that your benefits are looked after by professional, knowledgeable, competent and friendly people supported by up to date technology, accurate, secure and complete data.

By the time you read this report, our new website will be in operation. Log on to **[www.hepp.mb.ca](http://www.hepp.mb.ca)** and see what we are all about. In addition to the latest information on plan benefits and changes, you will find contact information, forms to download, newsletters and annual reports. The website will be expanded in the future to offer even more services for you, the member, such as the ability to calculate your own pension benefit estimates quickly, online at your convenience.

Your feedback is important to us. Improved service quality comes from hearing your questions, comments and suggestions. We want to know what is on your mind and what your needs are so we can ensure quality, timely service for you. We invite you to complete and return the enclosed response card.

I am very thankful for the support of our Board members and the outstanding staff at HEPP.

As their commitment continues, HEPP continues to grow strong both financially and as an organization.

In the year 2000, HEPP staff has responded to record numbers of requests for information and retirement benefit estimates, and conducted over 75 pension seminars. As we are part of an ever-changing world and face growing job and family demands, I am truly appreciative of their admirable efforts to provide the best possible service to the members of HEPP.

It is our privilege to continue to serve you.



Brian LaBelle  
Executive Director



Helen Allwood  
Lab Technologist, HEPP Member

*"I think it's important to live for today, but a pension plan like HEPP is good to have for security in the future. I like getting plan information in PlanTalk newsletters, and my annual pension statement helps me keep track of information about my pension benefits."*

# How we work for you.

The Healthcare Employees Pension Plan - Manitoba (HEPP) was established in 1997 to meet the retirement needs of Manitoba's healthcare employees. It is one of the 60 largest pension plans in Canada.

At the end of 2000, HEPP had 29,656 active and disabled members, 3,310 deferred members, 7,540 pensioners, over 175 participating employers and \$2.0 billion in assets.

As a defined benefit pension plan, HEPP provides eligible members with a retirement income based on their credited service and average earnings for their best five years of membership out of their last 11 worked. HEPP features include death benefits and disability pension benefits.

Dedicated people allow us to continue to grow and improve service to you, the member.

HEPP is governed by an independent, 12 member joint board of trustees representing both union and employer participants:

*Trustees representing employers include three appointed by the Regional Health Authorities of Manitoba, one appointed by*

*the Health Sciences Centre, one appointed by the St. Boniface General Hospital and one appointed by the majority vote of the above organizations.*

*Six union trustees represent employees: one appointed by the Manitoba Nurses Union, one by the Canadian Union of Public Employees, one by the United Food and Commercial Workers, one by the Manitoba Council of Health Care Unions, one by the Manitoba Government Employees Union and one by the Manitoba Association of Healthcare Professionals.*

The HEPP Board is supported by the Investment Committee, the Management Team and a full time staff of 35. Staff provides administrative and member services for HEPP as well as for the Healthcare Employees Benefits Plan (HEBP).

Trustees are selected based on their experience in pensions, finances, human resources and the healthcare industry. HEPP supports Trustees' continuing education to ensure they are informed and knowledgeable about pension legislation, trends and governance issues.



## On the horizon.

Providing you with Plan information and updates is one of our top priorities at HEPP. You will continue to receive PlanTalk newsletters, and in the coming year, we are pleased to be introducing a new website and orientation video in addition to a manual for employers.

### **PlanSite**

Our new website at [www.hebp.mb.ca](http://www.hebp.mb.ca) will feature the latest information on Plan benefits and changes as well as contact information, forms to download, newsletters and annual reports. The website will be updated and expanded on an ongoing basis.

### **PlanView**

An orientation video is being produced to help inform new healthcare employees about their Pension and Benefits Plans and to assist employers with enrolment and orientation.

### **PlanTalk**

The PlanTalk newsletter for employees and retirees participating in the Healthcare Employees Pension and Benefits Plans continues to be distributed two times each year, in the spring and in the fall.

### **PlanFacts**

Introduced in 2000, PlanFacts continues to be sent to facility administrators as necessary to inform them of important Plan issues.

### **Employer Manual**

Employer manuals will be distributed to facilities for administrators to refer to when counseling employees, particularly when a new employee is hired and being enrolled in the Plans, or when an employee is being transferred from or to a facility or terminating employment.

# outlook

# service

Our focus is on service.

The Healthcare Employees Pension Plan (HEPP) continued one-on-one counseling for members attending pension and retirement seminars in 2000.

Currently, there are 6 Member Services Representatives (MSR's) at HEPP. During 2000, HEPP MSR's conducted over 75 pension seminars, 3 employer training sessions and counseled more than 600 members on-site about their retirement benefits. In 1999, over 30 pension seminars and more than 1,000 on-site counsels were held.

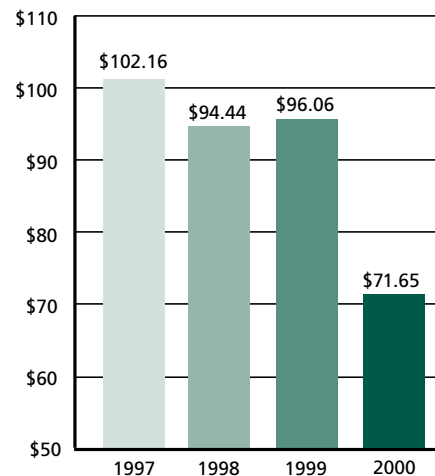
As HEPP staff become cross-trained to provide support in all service areas and have access to better tools such as Penfax, the computerized pension administration system introduced last year, response times continue to improve, especially for requests requiring involved calculations.

Over 2,300 pension estimates and more than 1,400 termination calculations were prepared in 2000, and over 600 retirements were processed. On average, processing pension estimates and other calculations such as marriage breakups and reciprocal transfers took four weeks in 2000. Pension option statements required two to three weeks to process. Buybacks took approximately two weeks once information was received from facilities.

Annual pension statements were sent to over 28,000 members in 2000. The annual pension statement tells the member:

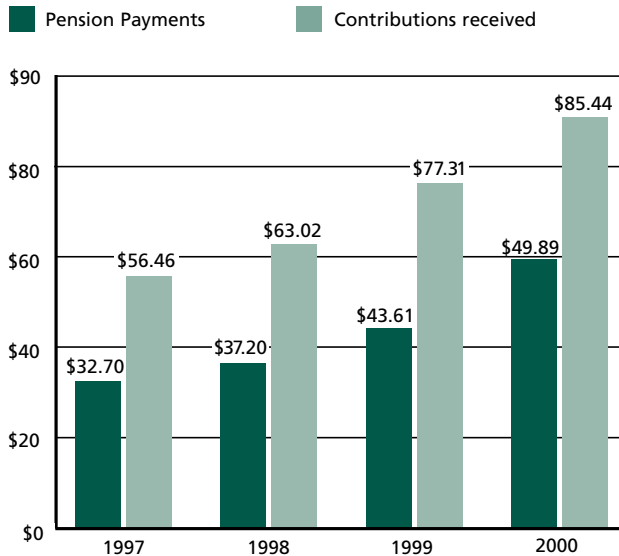
- how many years of credited service they have earned,
- how much they have contributed to the Plan (with interest),
- what their estimated monthly pension benefit would be if they were to terminate now and collect a monthly pension benefit at age 65, and
- what the earliest date is that they may retire with an unreduced pension benefit.

### **Annual Administrative Cost per member**



## Pension Payments & Contributions received

(in millions of dollars)



Ricky Vargas  
Unit Assistant, HEPP Member

*“Even though it will be a long time until I retire, I’m glad to have a pension plan that will provide added income in retirement. I receive annual reports and pension statements and think it will be convenient for lots of people to have information available on a website.”*

<b>Member Mix</b>	<b>2000</b>	<b>1999</b>	<b>1998<sup>2</sup></b>	<b>1997</b>
Active & Disabled Members	29,656	28,483	27,153	24,029
Deferred vested Members <sup>1</sup>	3,310	3,050	2,779	2,621
Pensioners	7,540	7,088	6,799	6,169
<b>Total Members</b>	<b>40,506</b>	<b>38,621</b>	<b>36,731</b>	<b>32,819</b>
Average age active member	42.5 years	42.6 years	42.4 years	42.1 years
Average age retired member	69.8 years	70.3 years	70.0 years	69.7 years

<sup>1</sup>Members who no longer work for a participating HEPP employer or contribute to the Plan, but who have left money in HEPP so that they can collect a pension at a later date.

<sup>2</sup>St. Boniface General Hospital/Unions Jointly Trusteed Pension Plan members included in 1998.

## Management's Responsibility for Reporting.

The financial statements of HEPP have been prepared by management and approved by the Board of Trustees. The management is responsible for the integrity and fairness of the data presented.

The financial statements have been prepared in accordance with generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgements. Financial information presented in the 2000 annual report that relates to the operations and financial position of HEPP is consistent with that in the financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training employees, a code of conduct, the establishment of an organizational structure that provides a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines throughout the organization.

The ultimate responsibility of the financial statements rests with the Board, assisted by the management. HEPP's external auditors, KPMG LLP, have conducted an independent examination of the financial statements in accordance with generally accepted auditing standards, performing such tests and procedures as they consider necessary to express the opinion in their audit report. The external auditors have full and unrestricted access to the Board to discuss the audit and related findings as to the integrity of HEPP's financial reporting and adequacy of internal control systems.



Brian LaBelle  
Executive Director,  
HEPP – Manitoba



Rohini Halli, CA  
Director of Finance,  
HEPP – Manitoba

# Fund Highlights.

<b>Financial Summary</b>	<b>2000</b>	<b>1999</b>
<b>Increase in assets</b>		
Investment income	\$ 69,146,384	\$ 69,679,196
Change in market values of investments	117,124,236	67,309,309
Contributions from employers	42,720,033	38,658,203
Contributions from members	42,720,033	38,658,203
<b>Total</b>	<b>\$ 271,710,686</b>	<b>\$ 214,304,911</b>
<b>Decrease in assets</b>		
Benefits paid to pensioners, beneficiaries	\$ 49,894,904	\$ 43,617,109
Investment and plan administration expenses	8,297,365	8,820,360
Refunds to terminating members and transfers	15,662,539	15,988,361
<b>Total</b>	<b>\$ 73,854,808</b>	<b>\$ 68,425,830</b>
<b>Change in assets</b>		
Net assets available for benefits, as of January 1	\$1,836,183,388	\$1,526,239,422
Net assets transferred into plan	—	164,064,885
Net increase in assets	197,855,878	145,879,081
<b>Net assets available for benefits, as of December 31</b>	<b>\$2,034,039,266</b>	<b>\$1,836,183,388</b>

stable

# value

## Key Actuarial Information.

The Plan Text requires that an annual actuarial valuation be performed on both a going concern basis and a solvency basis by an independent actuary.

Towers Perrin, a firm of consulting actuaries, prepared the most recent actuarial valuation, as at January 1, 2001.

The principal purposes of the valuation are:

- To present information on the financial condition of HEPP as at January 1, 2001;
- To compare actual and expected experience under the plan since the previous valuation;
- To present information on the sufficiency of member and participating employer contributions during 2001 to meet the cost of benefits accruing in 2001.

The notable features of the actuarial opinion are as follows:

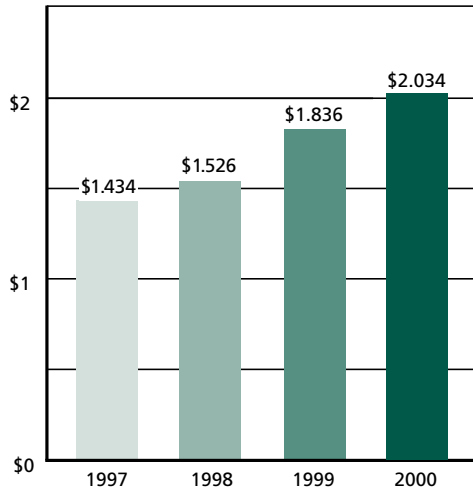
- The going concern actuarial surplus determined by comparing the actuarial value of assets to the actuarial liability is \$188 million (compared to \$212 million at January 1, 2000);

- The market value of the assets exceeds the solvency liability by \$417 million (compared to \$420 million at January 1, 2000);
- The current employer and employee contribution rates are sufficient to fund the plan, having regard to the actuarial surplus in the plan.

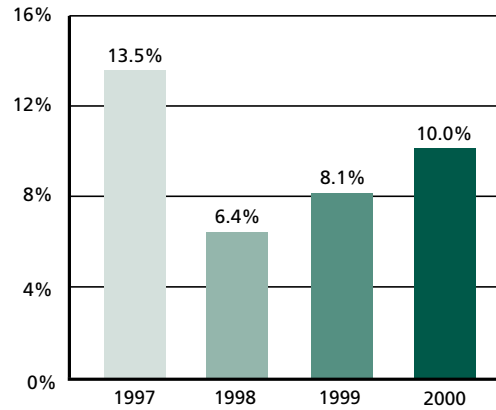
### ***Assets and liabilities***

	<b>Jan. 1, 2001</b>	<b>Jan. 1, 2000</b>
<b>Actuarial value of assets</b>		
	\$1,959,433,000	\$1,767,232,000
<b>Actuarial liabilities</b>		
Active & disabled	1,132,311,000	989,884,000
Retired & deferred	516,367,000	461,927,000
Reserves	122,256,000	103,579,000
	1,770,934,000	1,555,390,000
Actuarial surplus	\$188,499,000	\$211,842,000

**Growth of Net Assets:**  
(in billions of dollars)

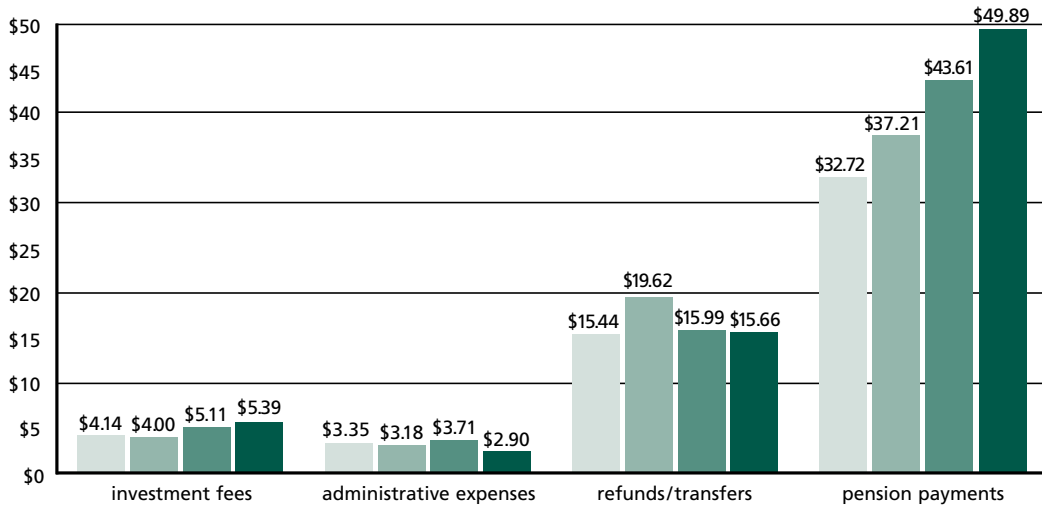


**Annual Rate of Returns:**



**Payments from the Fund**  
(in millions of dollars)

1997 1998 1999 2000



# future

We continue to build for the future.

### **Investment Committee**

The Board has established an Investment Committee responsible for overseeing the investment of the Fund's assets in accordance with the Statement of Investment Policies and Procedures. The Committee is comprised of 8 members appointed by the Board (see directory on p.18 for Committee members). This past year, Mr. Ray Spokes was appointed to the Committee, replacing Mr. Ed Bergen.

### **Custodian**

CIBC Mellon is the custodian of HEPP's assets and is responsible for their safekeeping, as well as for providing accounting and reporting services on those assets.

### **External Performance Measurement**

Russell/Mellon Analytics provides the fund with investment return calculations for the overall plan and each individual manager, as well as certain portfolio analytical information.

### **Investment Management**

External investment management firms are hired to manage all HEPP assets and are retained based on their asset management expertise for a given asset class.

### **Statement of Investment Policies and Procedures**

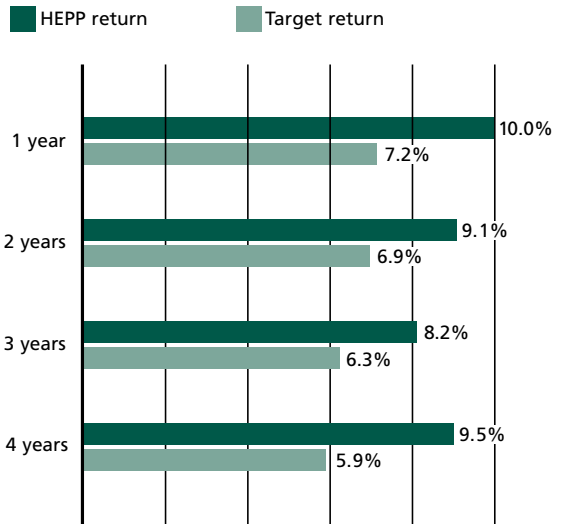
HEPP's assets are invested in accordance with the Statement of Investment Policies and Procedures (SIPP). The Board is responsible for establishing the SIPP and the Investment Committee is responsible for reviewing the SIPP annually and recommending appropriate changes to the Board.

The number one investment priority of HEPP is to ensure that there are enough assets in the plan to meet HEPP's obligations. Based on the current liability structure of HEPP (where 69% of liabilities are represented by active members and the balance by retired and other members), HEPP has set a target investment return of inflation plus 4%. Achieving this objective will fund all the basic promises of HEPP and establish a reserve for ad-hoc cost of living adjustment payments to existing pensioners and deferred vested members.

HEPP's investment horizon is long term, typically over 20 years. Based on the structure and the long-term nature of HEPP's liabilities, an overall asset mix of 60% equities and 40% fixed income has been established. The Investment Committee believes that this asset mix will generate a return that will exceed the target investment return without introducing undue risk to HEPP's surplus position.

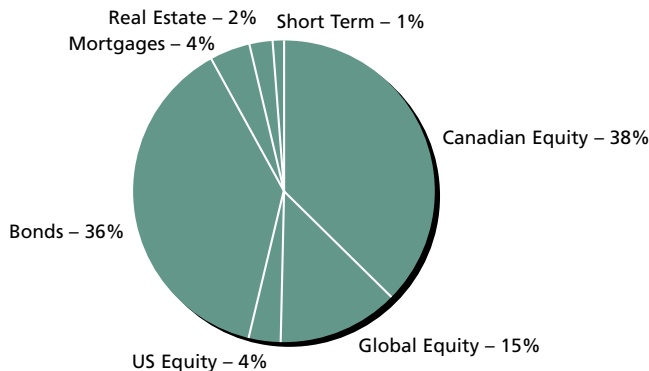


**HEPP Investment Returns vs. Target Return – December 31, 2000**



HEPP's assets are diversified across different asset classes in order to reduce the overall volatility of returns.

**HEPP Asset Mix – December 31, 2000**



**Investment Performance**

HEPP's investment return for 2000 was 10.0%, up from 8.1% in 1999. For the past 4 years, HEPP has generated an annualized return of 9.5% which exceeds our actuarial target rate (inflation plus 4%) by 3.6%.

HEPP's investment returns not only exceeded those required to ensure the financial security of the plan, but the 10.0% investment return in 2000 was in excess of our composite benchmark return of 4.3%. Our composite benchmark is the result of combining the individual asset class benchmark returns. It is calculated by multiplying the normal policy weight of each asset class by that asset class' index return.

**Canadian Equities**

As measured by the TSE 300 Index, the Canadian stock market rose 7.4% in 2000 after rising 31.7% in 1999. HEPP's overall Canadian equity returns were 19.4% in 2000 vs. 16.1% in 1999. Our strong performance relative to the index was a direct result of our investment managers being under-weight, or not heavily invested in the overall technology sector.

# goals

## Global Equities

As measured by the MSCI World Index, global equities fell 9.9% in 2000 after rising 18.5% in 1999. Our global equity returns for 2000 were -3.8% vs. 10.0% in 1999. Despite incurring a negative return for the year, our global equity returns were ahead of our benchmark, as our investment managers had avoided the high risk technology areas.

## US Equities

The US stock market, as measured by the S&P500 fell 5.9% last year after rising 14.4% in 1999. HEPP's overall US equity returns in 2000 were 1.1% vs. 14.6% in 1999. Our returns were ahead of our benchmark as a result of our exposure to mid-capitalization equities which outperformed large capitalization stocks during the year.

## Bonds

Interest rates fell in 2000 after rising through most of 1999. The return for the Canadian bond market as measured by the SCMU Index was 10.2% for 2000 vs. -1.1% for 1999. HEPP's overall bond returns for 2000 were 11.0% as compared to a return of -1.6% in 1999.

## Mortgages

The mortgage market in Canada, as represented by the SCM 5 Year Mortgage Index, returned 9.8% in 2000 vs. 0.6% in 1999. HEPP's mortgage returns for 2000 were 11.4% vs. 0.4% in 1999.

## Real Estate

As measured by the Russell Canadian Property Index, Canadian real estate returned 10.4% in 2000 vs. 10.6% in 1999. HEPP's overall real estate returns for 2000 were 7.6% vs. 9.2% in 1999.



Ronald Queck, CFA  
Director of Investments

# 2001 HEPP Directory

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## Board of Trustees

### Union Representatives

Ray Erb

John Irvine

Bob Malazdrewich\*

Bob Romphf

Robin Smith\*\*\*

Robert Ziegler

\*Chair

\*\*Vice-Chair

\*\*\*Replacement by Ken Swan in May 2001

### Employer Representatives

Gary McIntosh\*\*

Gloria O'Rourke

Marilyn Robinson

Penny Sorensen

Ray Spokes

Darcy Strutinsky

## Management Team

Brian LaBelle, Executive Director

Rohini Halli, CA, Director of Finance

Ronald Queck, CFA, Director of Investments

Kay Dunthorne, Manager, Benefits

Roger Mousseau, B.Sc., Manager, Information Systems

## Trustees Retiring in 2000

Gary Buchanan

Ed Bergen

Frank Ryplanski

John Sinclair

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## Investment Committee

Bob Darling

*Investors Group*

Ray Erb\*\*

*MGEU*

Bob Malazdrewich

*CUPE*

Michael Nesbitt

*Montrose Mortgage Corp.*

Bob Romphf

*MNU*

Ray Spokes

*St. Boniface General Hospital*

Darcy Strutinsky\*

*Health Sciences Centre*

Darcy Zaporzan

*RBC Dominion Securities*

\*Chair

\*\*Vice-Chair

## Consultants

Auditor – KPMG LLP

Legal Counsel – Koskie Minsky

Actuary – Towers Perrin



#### HEALTHCARE EMPLOYEES PENSION PLAN – MANITOBA

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