2009 SUMMARY ANNUAL REPORT

THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

We are pleased to present this summary of the activities of *The Winnipeg Civic Employees' Benefits Program* for the year ended December 31, 2009. We hope you find this new summary format helpful and informative. As always, we welcome your feedback.

The Winnipeg Civic Employees' Benefits Program is comprised of your Pension Plan, Disability Plan and Early Retirement Benefits Arrangement. The *Program* is governed by two Boards, a 14-member Pension Plan Board and a 12-member Disability Plan Board. Board Trustees are appointed equally by the City of Winnipeg and the civic unions.

INVESTMENT PERFORMANCE

Following a tumultuous 2008, in which the market value of our pension fund declined by 15.5%, our investment portfolio rebounded in 2009, achieving a positive rate of return[1] of 15.5% (although on a smaller asset base due to 2008 losses). While we are not back to prior levels, these gains do help take the edge off the previous year's dramatic decline.

As our investments needed to earn a rate of return of 6% in 2008 to meet the actuarial funding assumption, the 2008 investment shortfall amounted to 21.5% of the *Program's* assets. Of the 2009 rate of return of 15.5%, 6.25% was needed to meet the 2009 actuarial funding assumption, leaving 9.2% to offset a portion of the 2008 investment shortfall.

The remainder of the 2008 investment shortfall (approximately $142 million at the end of 2009) will be recognized over five years (through 2012) by applying actuarial asset "smoothing" techniques. These techniques are a standard way of managing assets over a long term and have been used by the *Program* for many years.

LOOKING FORWARD

A significant challenge going forward is that the cost of benefits accruing under the *Program* each year is approximately 24% of pensionable earnings. Combined employee and matching employer contributions amounted to about 13.4% of pensionable earnings in 2009 (increased to 16% in 2010). The difference of 8% is being financed out of the *Program's* special-purpose reserves. The Pension Trust Agreement articulates how *Program* benefits will be adjusted if the special-purpose reserves are exhausted or funding deficiencies arise. The *Program* contribution rate of 8% (for both employees and employers) is already at the maximum under the current provisions of the Agreement.

The Board has encouraged the City and the Signatory Unions to determine (subject to appropriate approval by the parties) the rates of contribution to be made to the *Program* by employees and Participating Employers in 2011 and subsequent years, in order to make the *Program* sustainable in the long term and to enable the Board to establish and maintain an appropriate balance between future benefit levels and contribution rates. We understand that a joint committee of representatives of the City and the Signatory Unions has undertaken discussions in this regard.

[1] Reference to *rate of return* or *investment return* (used interchangeably) includes interest, dividends and realized and unrealized capital gains or losses.

Cost of Benefits for Service in 2009

	Employee Contributions	Employer Contributions*	Allocation from Reserves	Total Cost
As % of Contributory Earnings				
1999 Benefits Level	6.70%	6.70%	8.55%	21.95%
Benefit Enhancements	-	-	2.45%	2.45%
	6.70%	6.70%	11.00%	24.40%

* Includes amounts transferred from City Account within the *Program.*

PENSION PLAN MEMBERSHIP AND BENEFITS

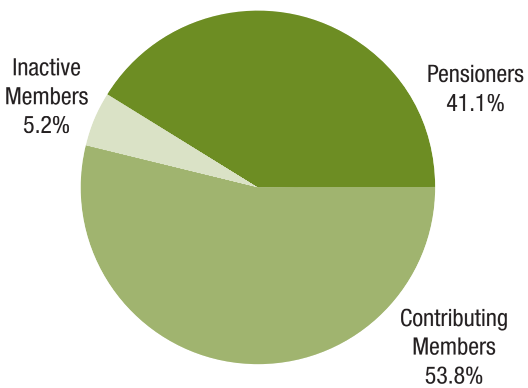
Total *Program* membership increased 1.8% to 15,863 at December 31, 2009. The number of contributing members increased 1.7% in 2009 to 8,527. This follows a trend of small increases over the last three years; however, the number of contributing members has decreased over the longer term from a high of 9,617 in 1990. The number of pensioners continues to grow at a higher rate, increasing 3.0% to 6,517 during 2009.

Normal retirement age under the Pension Plan is 65, however, several early retirement options are also available. When a member dies, survivor benefits may also be paid to an eligible spouse/partner or dependent children, or other eligible beneficiaries.

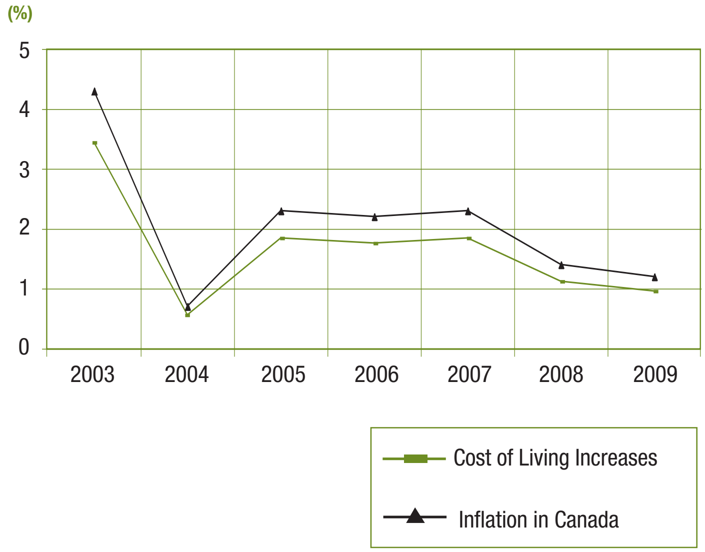
The Pension Plan Text also allows for indexing of pensions, currently at a rate of 80% of the annual increase in Canada's Consumer Price Index, at March 31.

Membership Profile

As at December 31, 2009
Total Members 15,863



Cost of Living Increases



DISABILITY PLAN

If an employee qualifies for disability benefits under the terms of the Disability Plan, the amount payable, together with disability benefits from the Canada Pension Plan, will equal at least 66⅔% of an employee's average bi-weekly earnings at the date of disability.

Orthopaedic and psychological related illnesses continue to be the basis for the majority of claims being processed.

Activity Summary

For The Years Ended December 31	2009	2008	2007	2006	2005
Employees Receiving Disability Benefits	424	456	498	498	470
Employees Returning to Pre-Disability Duties	36	46	51	37	23
Employees Working in Alternate Duties	113	117	128	105	104
Disability Benefits Paid	$ 8,653,000	$9,502,000	$10,035,000	$9,009,000	$8,233,000

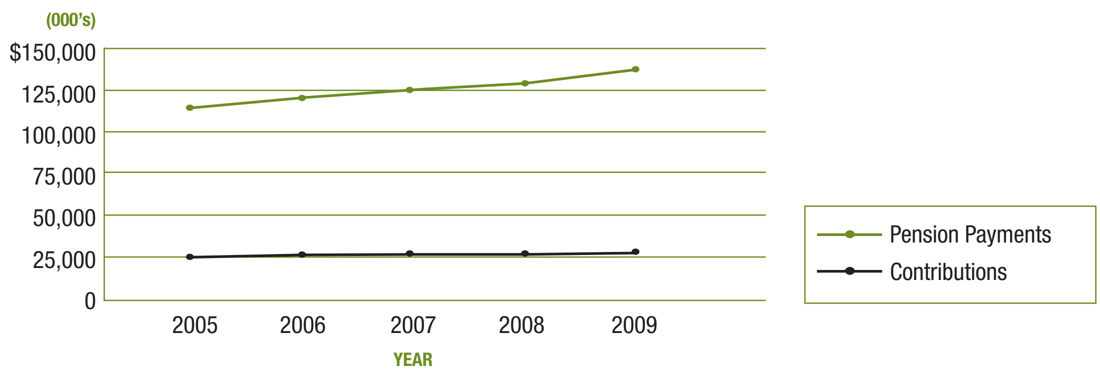
CONTRIBUTIONS

We reported previously that, while the *Program* was well-positioned heading into the market turmoil of 2008, an increase in contributions and/or a reduction in benefits could be required at a future date.

In 2009, the Board recommended to the City of Winnipeg and the Signatory Unions that they approve a contribution rate increase to an average rate of 8% for both employees and employers. That rate increase was approved and came into effect the first pay period in 2010.

The proactive implementation of a contribution rate increase is positive in that it reduces the reliance on special-purpose reserves within the *Program*.

Member Contributions & Pension Payments



FINANCIAL POSITION

As at December 31, 2009		Fair Value		Actuarial Value
		(000's)		*(000's)*
Net Assets Available For Benefits				
Main Account - General Component	$	3,042,493	$	3,184,463
Main Account - Future Contribution Reserve		239,531		239,531
Plan Members' Account - Enhancement Cost Reserve		19,799		19,799
City Account		85,328		85,328
	$	3,387,151	$	3,529,121
Program Obligations - as extrapolated	$	3,236,533	$	3,236,533
Funded Ratio - on extrapolated obligations		104.7%		109.0%

The *Program* came into being in 2003 as a result of the restructuring of the former Employee Benefits Program. A number of special-purpose accounts were created under the new structure:

Future Contribution Reserve – exists to finance the future service cost of the benefits that exceed matching employee and employer contributions, subject to the availability of reserves.

Enhancement Cost Reserve – exists to finance the future service cost of benefit improvements over and above the 1999 level, subject to the availability of reserves.

City Account – available to the City and other Participating Employers to finance any reduction in employer *Program* contributions below those that match employee contributions, subject to the availability of funds.

The full version of the 2009 Annual Report can be downloaded from: *wcebp.winnipeg.ca*

We will continue to update you on the status of the *Program* via this newsletter twice annually. You can expect the next issue to arrive early in the new year.

HAVE NEWS DELIVERED TO YOUR INBOX

Save paper — go to *wcebp.winnipeg.ca* to sign up for the e-version of this newsletter.

You may request a printed copy of the full report by contacting us.

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MANAGING ASSETS PRUDENTLY

At the time the year-end financial statements were being prepared, the results of the actuarial valuation of the *Program* as at December 31, 2009, were not available. Accordingly, the results of the December 31, 2008 actuarial valuation were extrapolated to December 31, 2009.

After taking into account all special-purpose reserves and accounts, the extrapolated funded status of the *Program* remains at 109.0% on an actuarial basis and 104.7% on a fair value basis. These funded positions compare with those from the most recent actuarial valuation one year earlier of 113.4% and 97.6%, respectively.

The application of a five-year asset smoothing method has had the continuing effect of deferring a still significant portion of the investment market losses in 2008 to future years. However, excess investment returns realized in 2009 have been applied against the balance of unrecognized 2008 investment losses.

It is not expected that the results of the December 31, 2009 valuation will result in further changes to 2010 contribution rates or 2010 benefit levels under the *Program*. However, there is uncertainty for years that follow.

LONG-TERM INVESTMENT GOALS AND PERFORMANCE

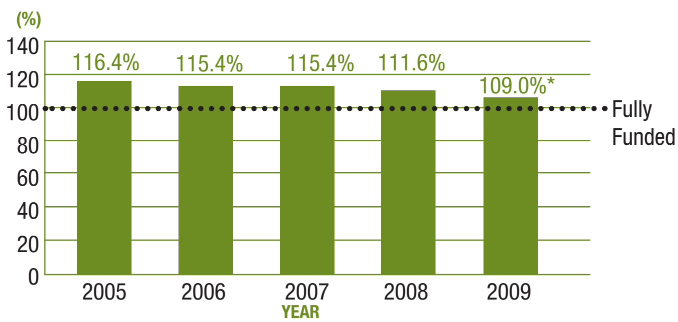
The current long-term goal of the *Program* is to achieve a rate of return that exceeds inflation by 5.0% per year.

A long-term investment return which exceeds inflation by 4.25%, together with matching contributions from the employees and employers, is expected to adequately finance the benefits derived from past service for the existing *Program* members. However, ongoing future actuarial surplus generation will be required to achieve the target levels and continuously top up the Future Contribution Reserve and Enhancement Cost Reserve and to finance the shortfall of matching contributions versus the benefit cost for new employees as they replace current employees retiring from the workforce. Actuarial surplus generation will also be needed to enable Participating Employers to continue contributing below matching levels into the future.

It is the achievement of sufficient excess investment returns in the future (both to continue to reverse 2008 investment losses and to permit ongoing surplus generation) which will have the most significant bearing on the ultimate sustainability of current benefits (including Cost-of-Living Adjustments) and contribution levels.

*NOTE: Actions that are required under the Pension Trust Agreement, relative to the funded status of the *Program*, are undertaken only with reference to the reported results of the formal actuarial valuation. Readers should, therefore, treat extrapolated results as preliminary.

Funded Ratio Based on Actuarial Value of Assets



* Extrapolated: at the time the year-end financial statements were being prepared, the results of the actuarial valuation of the *Program* as at December 31, 2009 were not available. Accordingly, the results of the December 31, 2008 actuarial valuation were extrapolated to December 31, 2009.

Annual Investment Return