WINNIPEG POLICE PENSION PLAN

2013 ANNUAL REPORT

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2013 ANNUAL REPORT

This annual report of the *Winnipeg Police Pension Plan* (the *Plan*), for the year ended December 31, 2013, contains audited financial statements for the *Plan* and highlights the activity of the *Winnipeg Police Pension Board* (the *Board*) as well as key operational activities in the year.

2013 AT A GLANCE

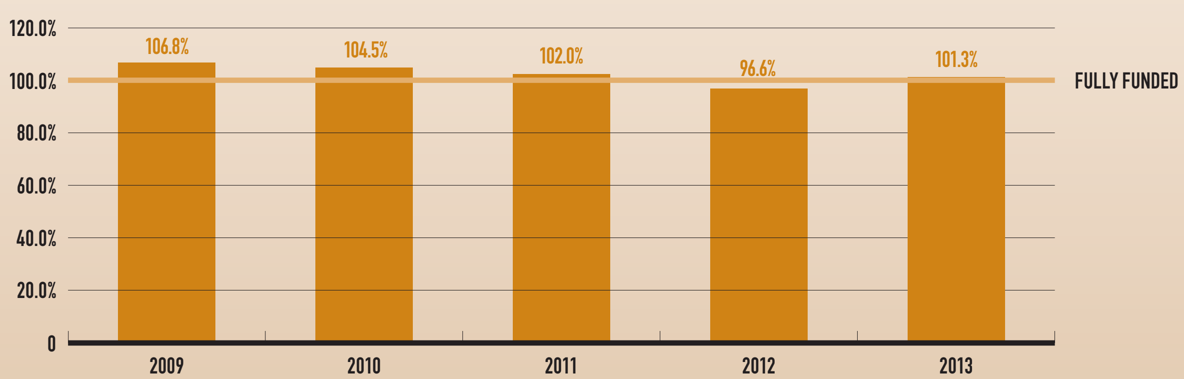
The *Winnipeg Police Pension Plan* currently serves over 2,500 members (including police officers, retired police officers, and other beneficiaries) with assets under management of over $1 billion.

FUNDED STATUS

Actuarial valuation results as at December 31, 2013 show that:

- The *Plan* had an excess of smoothed value of assets over going concern liabilities of $13.1 million and a going concern funded ratio of 101.3% (prior to allocation).
- The *Plan* had a solvency surplus of $10.8 million (includes $39.7 million secured by a letter of credit), and a solvency ratio of 97.3% (excludes amounts secured by letter of credit).
- "Excess" investment returns (those that exceeded the assumed 6.0% rate of investment return) served to eliminate remaining investment losses carried forward from 2011, and generated almost $18 million to be recognized in 2013 and an additional $72.5 million to be recognized for actuarial valuation purposes in future years (through 2017), under the asset smoothing technique used by the *Plan*.

FUNDED RATIO BASED ON ACTUARIAL VALUE OF ASSETS



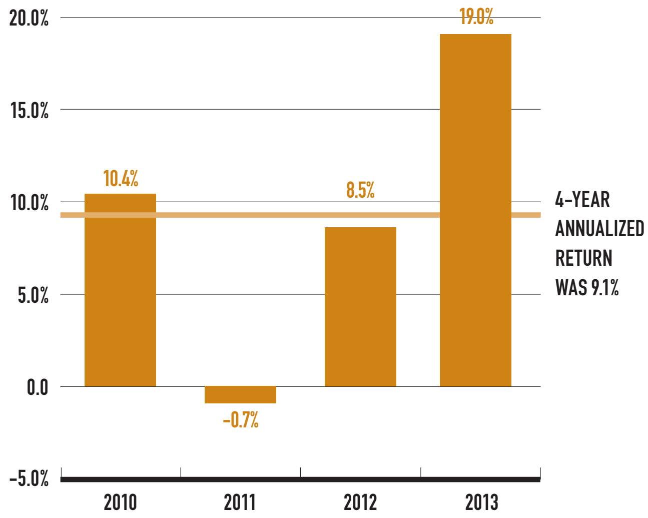
INVESTMENTS

The *Winnipeg Police Pension Plan* investment portfolio achieved a rate of return of 19.0% in 2013.

The *Plan* outperformed its benchmark portfolio by 4.4%, ranking its performance in the top 15% of large pension plans in the country.

Plan assets now total over $1 billion.

ANNUAL INVESTMENT RETURN



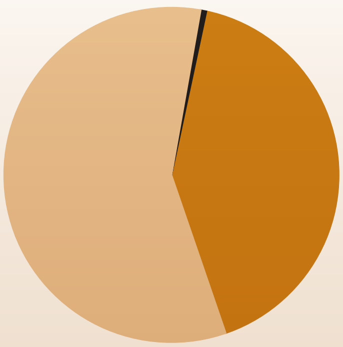
MEMBERSHIP

Total *Plan* membership increased by 45 members. The number of pensioners continues to grow at a rate similar to that of the contributing members.

MEMBERSHIP PROFILE

AS AT DECEMBER 31, 2013

TOTAL MEMBERS: 2,596



- CONTRIBUTING MEMBERS: 1,509 (58.1%)
- INACTIVE MEMBERS: 15 (0.6%)
- PENSIONERS: 1,072 (41.3%)

FINANCIAL POSITION

AS AT DECEMBER 31, 2013

	FAIR VALUE (000's)	ACTUARIAL VALUE (000's)
Net assets available for benefits		
Main Account – General Component	$ 1,110,603	$ 1,038,135
Plan Members' Account	9,660	9,660
	$ 1,120,263	$ 1,047,795
Plan obligations	$ 1,034,654	$ 1,034,654
Funded ratio	108.3%	101.3%

COST OF BENEFITS FOR SERVICE IN 2013

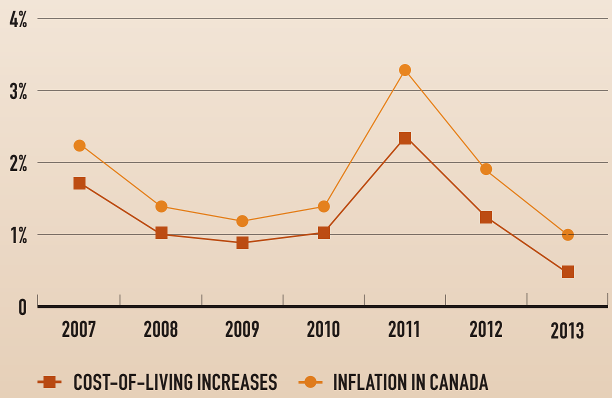
	AS % OF CONTRIBUTORY EARNINGS
Normal actuarial cost of benefits in 2013	**23.51%**
Employee required contributions	8.00%
City of Winnipeg required contributions	15.05%
Balance from surplus which emerged in 2013	0.46%
	23.51%

COLA

The *Winnipeg Police Pension Plan* provides for annual cost-of-living-adjustments (COLA) to both pensions in payment and deferred pensions. The level of COLA granted is tied to the funded status of the *Plan*.

In 2013, COLA was granted at a rate of 47.0% of the annual increase in Canada's Consumer Price Index at March 31.

COST OF LIVING INCREASES



FINANCIAL STATUS

GOING-CONCERN BASIS

The most recent actuarial valuation of the *Winnipeg Police Pension Plan*, as at December 31, 2013, disclosed that, measured on a going concern basis (which assumes the *Plan* will continue to exist into the future), the *Plan* was fully funded with respect to benefits accrued for all service up to December 31, 2013. At that date, the *Plan* had an excess of assets over actuarial liabilities of $13,141,000—a funded ratio of 101.3%—based on the value of assets which smooths investment gains and losses over five years. If the fair value of assets had been used instead of the smoothed value, there would have been an excess of $85,609,000—which would have resulted in a funded ratio of 108.3% on a fair value basis. The application of an actuarial asset "smoothing" technique has been used by the *Plan* for many years.

While changes to actuarial assumptions increased the *Plan's* obligations in 2013, the *Plan's* actuarial position benefited from significant investment experience gains. The *Plan's* investment portfolio performed exceptionally well in 2013 with a rate of investment return of 19.0%. The "excess" investment returns (those that exceeded the 6.0% net rate of return assumed for actuarial purposes in 2013) served to eliminate remaining investment losses carried forward from 2011, and generated "excess" investment returns of over $18 million to be recognized in 2013, and an additional $72.5 million to be recognized for actuarial valuation purposes in future years (through 2017) under the *asset smoothing* technique used by the *Plan*.

The actuarial valuation revealed an in-year actuarial surplus of $3,481,000 in the Main Account–General Component related to calendar year 2013 operations. The 2013 actuarial surplus will be allocated, in accordance with the terms of the *Plan*, by i) transferring $18,000 from the Main Account–General Component to the City Account, ii) transferring $1,731,500 from the Main Account–General Component to the Main Account–Contribution Stabilization Reserve, and iii) increasing the rate of future cost-of-living adjustments from 47.0% to 47.8% of inflation with a corresponding increase in the obligations for pension benefits of $1,731,500, effective January 1, 2014.

SOLVENCY BASIS

An actuarial valuation performed on a solvency basis assumes that the *Plan* is terminated and wound up as of the valuation date. Under this scenario, no further contributions are made or pension benefits earned after that date. It is also assumed that pension benefits already earned are paid out to the members either through the purchase of lifetime annuities or through lump sum payments or transfers.

The most recent solvency valuation of the *Plan*, as at December 31, 2013, disclosed that the *Plan* had a solvency ratio of 97.3% (up from 83.0% as at December 31, 2012).

The *Pension Benefits Regulation* would require the City of Winnipeg to make special payments to the *Plan* to resolve this solvency deficiency, but permits the City, instead of making some or all of these special payments, to secure the special payments with an irrevocable letter of credit.

The City of Winnipeg provided the *Winnipeg Police Pension Board* (in trust for the *Winnipeg Police Pension Fund*) with an irrevocable letter of credit from a chartered bank in 2013. The Letter of Credit will be renewed annually until such time as the *Plan* no longer has a solvency deficiency or the City has made all payments required under the *Regulation*.

Although the solvency ratio was determined to be below 100%, the actuarial valuation also disclosed a solvency surplus of $10.8 million. This discrepancy occurred because, as per provincial pension legislation, the solvency surplus position is determined by including amounts secured through a letter of credit.

The solvency surplus position indicates that, on a hypothetical *Plan* wind-up basis, the *Plan's* assets, together with the $39.7 million secured by the Letter of Credit, would be sufficient to cover all the liabilities accrued for benefits earned under the *Plan* as at December 31, 2013.

REPORT ON INVESTMENTS

The portfolio's asset mix continued to shift during 2013. The transition to the *Plan's* new long term policy asset mix resulted in an initial allocation to global infrastructure and a continued increase in the *Plan's* exposure to real estate. Exposure to both bonds and Canadian equities declined during the year.

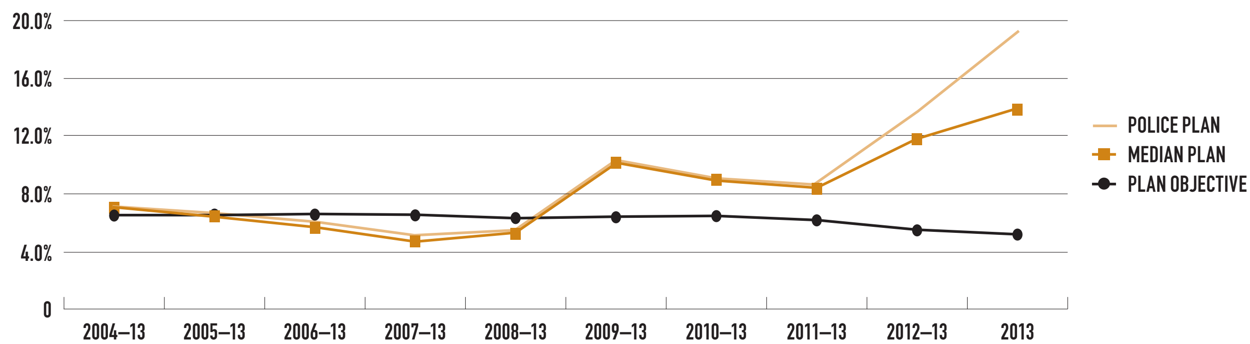
Currently, the *Plan* utilizes external investment managers to manage all asset classes and portfolios. There were several new additions to the manager line up during 2013, including TD Asset Management and Fiera Capital in the fixed income sector, Bentall Kennedy in the real estate sector, and OMERS Investment Management in the global infrastructure sector. The *Plan* expects to continue to add to its complement of asset managers in the real estate and infrastructure sectors in 2014.

PORTFOLIO PERFORMANCE SUMMARY

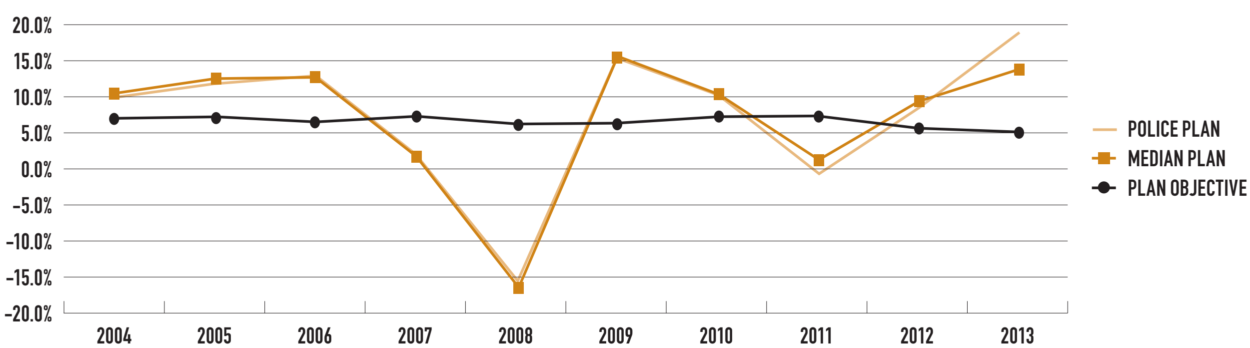
For the year 2013, the investment portfolio achieved an investment return of 19.0%. This was considerably better than the median Canadian pension fund return of 13.8% as measured by RBC Investor Services, an independent measurement service. The outperformance can be attributed to two main factors. Firstly, fixed income markets had a difficult year and the *Plan's* fixed income portfolio had a lower allocation than the median plan. Secondly, global equity markets were very strong and the *Plan's* aggregate equity allocation was higher than the median plan, and all of the *Plan's* active equity managers outperformed their respective benchmarks in 2013.

On a ten-year basis, the portfolio's return was above the *Plan's* "CPI+4%" objective of 6.6%. Positive returns in years 2004–2006, 2009–2010, and 2012-2013 offset negative returns in 2007, 2008, and 2011. The *Plan's* four-year and ten-year annualized rates of return were 9.1% and 7.1% respectively, placing the *Plan* at the 45th percentile ranking of Canadian pension funds for both periods. The better-than-median ten-year performance (median return of 7.0%) can be mainly attributed to the strong investment performance of the portfolio in 2013.

ANNUALIZED RATES OF RETURN



ANNUAL RATES OF RETURN



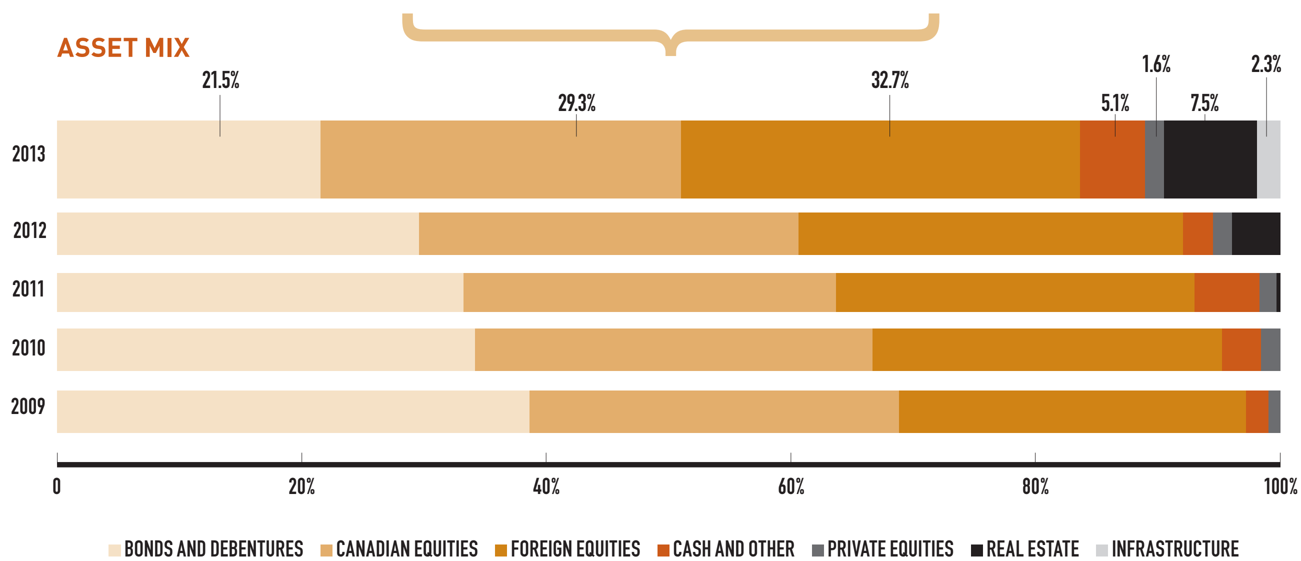
ASSET MIX

The *Plan* continued to move towards its new long term policy asset mix by shifting assets from Canadian fixed income and equities into real estate and global infrastructure. As a result, the *Plan*'s allocation to Canadian fixed income declined to 21.5% from 29.7% the previous year, while its allocation to foreign equities increased to 32.7% from 31.4% the previous year. Real estate and global infrastructure now represent 7.5% and 2.3% of the *Plan's* investment portfolio, respectively.

ASSET MIX

	2013	2012	2011	2010	2009
Bonds and Debentures	21.5%	29.7%	33.2%	34.1%	38.9%
Canadian Equities	29.3%	31.0%	30.3%	32.8%	30.1%
Foreign Equities	32.7%	31.4%	29.2%	28.3%	28.2%
Cash and Other	5.1%	2.3%	5.2%	3.3%	1.7%
Private Equities	1.6%	1.6%	1.7%	1.5%	1.1%
Real Estate	7.5%	4.0%	0.4%	0.0%	0.0%
Infrastructure	2.3%	0.0%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

ASSET MIX



INVESTMENT COMMITTEE

The *Winnipeg Police Pension Plan* delegates the following responsibilities to the Investment Committee of *The Winnipeg Civic Employees' Benefits Program*:

- Determining and maintaining the *Plan's* asset mix, within the parameters of the *Plan's* Statement of Investment Policies and Procedures, as approved by the Board
- Recommending the selection or termination of various investment managers
- Monitoring the performance of these investment managers

ACTUARIAL OPINION

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

Eckler Ltd. has conducted an actuarial valuation of the *Winnipeg Police Pension Plan* as at December 31, 2013. We have relied on data and other information provided to us by staff of *The Winnipeg Civic Employees' Benefits Program*. The results of the valuation and a summary of the data and assumptions used are contained in our Report on the Actuarial Valuation of the *Winnipeg Police Pension Plan* as at December 31, 2013, dated June 11, 2014.

The principal results of the valuation are as follows:

ACTUARIAL POSITION

The *Plan* is fully funded on a going concern basis in respect of benefits earned for service up to December 31, 2013 and has an excess of smoothed value of assets over actuarial liabilities of $13,141,000 as at that date, on the basis of the assumptions and methods described in our report. Of this excess, $9,660,000 has been previously allocated to the Plan Members' Account. In accordance with the terms of the *Plan*, the remaining excess will be allocated by transferring $18,000 from the General Component of the Main Account to the City Account, $1,731,500 from the General Component of the Main Account to the Contribution Stabilization Reserve, and increasing the level of cost-of-living adjustments from 47.0% to 47.8% of the annual percentage change in the Consumer Price Index to provide a matching $1,731,500 increase in the actuarial liabilities.

In accordance with the Regulations of the *Pension Benefits Act of Manitoba*, an irrevocable letter of credit was put in place in 2013 to meet the minimum solvency funding requirements outlined in the December 31, 2012 actuarial valuation prepared by the previous actuarial firm. As at December 31, 2013, the *Plan*, including the amount secured by the existing letter of credit, has a solvency surplus of $10,780,000, based on a smoothed value of assets; however, the solvency assets, not including the amount secured by the existing letter of credit, are less than the solvency liabilities at the valuation date by $28,962,000.

The City of Winnipeg has informed the *Winnipeg Police Pension Board* that it will be arranging for renewal of the irrevocable letter of credit to be held by the *Winnipeg Police Pension Board* in the amount of $28,962,000 together with any applicable interest as required under the Regulation, commencing in 2014. The new letter of credit is expected to take effect in October 2014 and must be renewed annually thereafter until such time as the *Plan* no longer has a solvency deficiency or the City of Winnipeg has made all payments required under the Regulation.

COST OF BENEFITS FOR SERVICE IN 2014

The current service cost of the benefits expected to be earned under the *Plan* for service in 2014 is 23.63% of contributory earnings. This cost is expected to be financed by employee contributions of 8.0% of contributory earnings, City contributions of 15.12% of contributory earnings, with the balance of 0.51% of contributory earnings financed from available reserves, future actuarial surplus or future reductions in cost-of-living adjustments.

In our opinion, with respect to the going concern valuation and solvency valuation:

- the data on which the valuation is based are sufficient and reliable for the purposes of the valuations
- the assumptions are appropriate for the purposes of the valuations,
- the methods employed in the valuations are appropriate for the purposes of the valuations, and
- our report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

This report has been prepared in a manner consistent with the recommendations for the preparation of actuarial valuation reports issued by the Canadian Institute of Actuaries and in accordance with the funding and solvency standards set by the *Pension Benefits Act of Manitoba*.

Charly Pazdor
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

Andrew Kulyk
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

INDEPENDENT AUDITOR'S REPORT

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

To the Chairperson and Members of The Winnipeg Police Pension Board

The City of Winnipeg

We have audited the accompanying financial statements of the *Winnipeg Police Pension Plan*, which comprise the statement of financial position as at December 31, 2013, and the statement of changes in net assets available for benefits, changes in pension obligations, and changes in surplus (deficit) for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the *Winnipeg Police Pension Plan* as at December 31, 2013, and the changes in its net assets available for benefits, changes in its pension obligations and changes in surplus (deficit) for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Accountants

JUNE 23, 2014

WINNIPEG, MANITOBA

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31	2013 (000's)	2012 (000's)
ASSETS		
Investments, at fair value		
Bonds and debentures	$ 241,296	$ 282,655
Canadian equities	328,195	295,684
Foreign equities	367,318	299,873
Cash and short-term deposits	57,173	22,506
Private equities	18,190	15,455
Real estate	83,810	37,968
Infrastructure	26,160	-
	1,122,142	954,141
Accrued interest	-	659
Participants' contributions receivable	-	6
Employers' contributions receivable	1	13
Accounts receivable	241	109
Due from The Winnipeg Civic Employees' Pension Plan	7	42
Total assets	1,122,391	954,970
LIABILITIES		
Accounts payable	2,128	1,678
Total liabilities	2,128	1,678
NET ASSETS AVAILABLE FOR BENEFITS	1,120,263	953,292
PENSION OBLIGATIONS	1,034,654	1,014,501
SURPLUS (DEFICIT)	$ 85,609	$ (61,209)
SURPLUS (DEFICIT) COMPRISED OF:		
Main Account—General Component	$ 75,949	$ (87,479)
Main Account—Contribution Stabilization Reserve	-	18,131
Plan Members' Account	9,660	8,139
	$ 85,609	$ (61,209)

See accompanying notes to the financial statements.

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEARS ENDED DECEMBER 31	2013 (000's)	2012 (000's)
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	$ 20,954	$ 17,129
Employees	11,282	11,367
Reciprocal transfers from other plans	598	9
	32,834	28,505
Investment income (Note 5)	26,978	29,542
Current period change in fair value of investments	153,056	45,908
Total increase in assets	212,868	103,955
DECREASE IN ASSETS		
Pension payments	41,660	39,470
Lump sum benefits (Note 7)	553	2,769
Administrative expenses (Note 8)	909	989
Investment management and custodial fees	2,775	2,054
Total decrease in assets	45,897	45,282
Increase in net assets	166,971	58,673
Net assets available for benefits at beginning of year	953,292	894,619
Net assets available for benefits at end of year	$ 1,120,263	$ 953,292

See accompanying notes to the financial statements.

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

FOR THE YEARS ENDED DECEMBER 31	2013 (000's)	2012 (000's)
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	$ 1,014,501	$ 933,774
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	58,047	57,464
Benefits accrued	33,429	32,689
Changes in actuarial assumptions	-	38,612
Total increase in accrued pension benefits	91,476	128,765
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	42,213	42,239
Experience gains and losses and other factors	10,176	4,971
Changes in actuarial assumptions	18,063	-
Administration expenses	871	828
Total decrease in accrued pension benefits	71,323	48,038
NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR	20,153	80,727
ACCRUED PENSION BENEFITS, END OF YEAR	$ 1,034,654	$ 1 ,014,501

See accompanying notes to the financial statements.

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN SURPLUS (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31	2013 (000's)	2012 (000's)
(DEFICIT) SURPLUS, BEGINNING OF YEAR	$ (61,209)	$ (39,155)
Increase in net assets available for benefits for the year	166,971	58,673
Increase in accrued pension benefits for the year	(20,153)	(80,727)
SURPLUS (DEFICIT), END OF YEAR	$ 85,609	$ (61,209)

See accompanying notes to the financial statements.

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 1: SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY ACCOUNT

2013

FOR THE YEAR ENDED DECEMBER 31	MAIN ACCOUNT— GENERAL COMPONENT (000's)	MAIN ACCOUNT— CONTRIBUTION STABILIZATION RESERVE (000's)	PLAN MEMBERS' ACCOUNT (000's)	TOTAL (000's)
INCREASE IN ASSETS				
Contributions				
The City of Winnipeg	$ 20,954	$ -	$ -	$ 20,954
Employees	11,282	-	-	11,282
Reciprocal transfers from other plans	598	-	-	598
	32,834	-	-	32,834
Investment income (Note 5)	26,746	-	232	26,978
Current period change in fair value of investments	151,742	-	1,314	153,056
Transfer from Contribution Stabilization Reserve—				
Resolution of funding deficiency (Note 3)	18,131	(18,131)	-	-
Total increase (decrease) in assets	229,453	(18,131)	1,546	212,868
DECREASE IN ASSETS				
Pension payments	41,660	-	-	41,660
Lump sum benefits (Note 7)	553	-	-	553
Administrative expenses (Note 8)	909	-	-	909
Investment management and custodial fees	2,750	-	25	2,775
Total decrease in assets	45,872	-	25	45,897
Increase (decrease) in net assets	183,581	(18,131)	1,521	166,971
Net assets available for benefits at beginning of year	927,022	18,131	8,139	953,292
Net assets available for benefits at end of year	$ 1,110,603	$ -	$ 9,660	$ 1,120,263

See accompanying notes to the financial statements.

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 2: SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS BY ACCOUNT

FOR THE YEAR ENDED DECEMBER 31	MAIN ACCOUNT— GENERAL COMPONENT (000's)	MAIN ACCOUNT— CONTRIBUTION STABILIZATION RESERVE (000's)	PLAN MEMBERS' ACCOUNT (000's)	2012 TOTAL (000's)
INCREASE IN ASSETS				
Contributions				
The City of Winnipeg	$ 17,129	$ -	$ -	$ 17,129
Employees	11,367	-	-	11,367
Reciprocal transfers from other plans	9	-	-	9
	28,505	-	-	28,505
Transfer from Contribution Stabilization Reserve (Note 1)	4,196	-	-	4,196
Transfers to Main Account	-	(4,196)	-	(4,196)
Investment income (Note 5)	28,670	622	250	29,542
Current period change in fair value of investments	44,552	967	389	45,908
Transfer from Contribution Stabilization Reserve— Resolution of funding deficiency (Note 3)	9,162	(9,162)	-	-
Total increase (decrease) in assets	115,085	(11,769)	639	103,955
DECREASE IN ASSETS				
Pension payments	39,470	-	-	39,470
Lump sum benefits (Note 7)	2,769	-	-	2,769
Administrative expenses (Note 8)	989	-	-	989
Investment management and custodial fees	1,994	43	17	2,054
Total decrease in assets	45,222	43	17	45,282
Increase (decrease) in net assets	69,863	(11,812)	622	58,673
Net assets available for benefits at beginning of year	857,159	29,943	7,517	894,619
Net assets available for benefits at end of year	$ 927,022	$ 18,131	$ 8,139	$ 953,292

See accompanying notes to the financial statements.

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 3: SCHEDULE OF CHANGES IN SURPLUS (DEFICIT) BY ACCOUNT

2013

FOR THE YEAR ENDED DECEMBER 31	MAIN ACCOUNT— GENERAL COMPONENT (000's)	MAIN ACCOUNT— CONTRIBUTION STABILIZATION RESERVE (000's)	PLAN MEMBERS' ACCOUNT (000's)	TOTAL (000's)
(DEFICIT) SURPLUS, BEGINNING OF YEAR	$ (87,479)	$ 18,131	$ 8,139	$ (61,209)
Increase (decrease) in net assets available for benefits for the year	183,581	(18,131)	1,521	166,971
Net increase in accrued pension benefits for the year	(20,153)	-	-	(20,153)
SURPLUS, END OF YEAR	$ 75,949	$ -	$ 9,660	$ 85,609

2012

FOR THE YEAR ENDED DECEMBER 31	MAIN ACCOUNT— GENERAL COMPONENT (000's)	MAIN ACCOUNT— CONTRIBUTION STABILIZATION RESERVE (000's)	PLAN MEMBERS' ACCOUNT (000's)	TOTAL (000's)
(DEFICIT) SURPLUS, BEGINNING OF YEAR	$ (76,615)	$ 29,943	$ 7,517	$ (39,155)
Increase (decrease) in net assets available for benefits for the year	69,863	(11,812)	622	58,673
Net increase in accrued pension benefits for the year	(80,727)	-	-	(80,727)
(DEFICIT) SURPLUS, END OF YEAR	$ (87,479)	$ 18,131	$ 8,139	$ (61,209)

See accompanying notes to the financial statements.

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. DESCRIPTION OF PLAN

a) General

The *Winnipeg Police Pension Plan* is a defined benefit pension plan, which provides pension benefits for City of Winnipeg police officers. All police officers are required to become members of the *Plan* at the commencement of their employment.

b) Administration

The *Plan* is administered by the *Winnipeg Police Pension Board* which is comprised of two voting members appointed by the Winnipeg Police Association, appointed on behalf of Police Officers who are Active Members; one voting member appointed by the Winnipeg Police Senior Officers' Association, appointed on behalf of the senior police officers who are Active Members; one voting member elected by the Non-Active Members and other beneficiaries under the *Plan*; and five voting members appointed by the City.

The *Board* also consists of a maximum of four non-voting members, one of whom may be appointed by each of the Winnipeg Police Association, the Winnipeg Police Senior Officers' Association, and the City of Winnipeg, respectively, and one of whom may be elected by the Non-Active Members or, if no election is held, appointed by the Non-Active Member Representative on behalf of the Non-Active Members.

The *Plan* is registered under the *Pension Benefits Act of Manitoba*. The *Plan* is a registered pension plan under the *Income Tax Act*, and is not subject to income taxes.

c) Financial structure

The *Winnipeg Police Pension Plan* is comprised of three Accounts, namely the Main Account (which has two components being the General Component and the Contribution Stabilization Reserve), the Plan Members' Account and the City Account.

i) Main Account—General Component

All benefits of the *Pension Plan* are paid from the Main Account—General Component.

Employees contribute 8% of earnings to the Main Account. If the Contribution Stabilization Reserve is sufficient to provide a transfer to fund the difference between the current service cost of benefits accrued during the year and matching employee and City contributions and to the extent provincial funding regulations permit such a transfer, then the City matches the employee contributions during the year.

If the Contribution Stabilization Reserve is insufficient to provide the above transfer or if provincial funding regulations restrict such a transfer, then the City contributes the balance of the current service cost of benefits accrued during the year, including 2% of earnings for post-retirement cost-of-living adjustments, in excess of the employees' contributions.

ii) Main Account—Contribution Stabilization Reserve

The Contribution Stabilization Reserve is credited with a portion of actuarial surpluses. The Contribution Stabilization Reserve finances, through transfers to the Main Account—General Component, the portion of the current service cost of benefits that exceeds the employees' and City's contributions. In accordance with Provincial funding regulations the Contribution Stabilization Reserve can be used to reduce the City's contributions only to the extent of the balance in excess of 5% of the *Plan's* solvency liabilities. The balance of the Contribution Stabilization Reserve has been below this threshold since 2012.

iii) Plan Members' Account

In order to ensure that the *Plan* members will receive a benefit equal to the benefit received by the City through the contribution holidays that it took in 2001 and 2002, the Plan Members' Account was established effective January 1, 2003 with an initial balance equal to the amount of the City's contribution holidays adjusted for investment income up to December 31, 2002.

The Plan Members' Account will be credited with any share of future actuarial surpluses that are allocated to the Plan Members in accordance with the *Plan*.

iv) City Account

The financial structure provides for a City Account which will be credited with the share of future actuarial surpluses that are allocated to the City in accordance with the *Plan*. To date, no actuarial surplus has been credited to the City Account.

d) Retirement pensions

The *Plan* provides for retirement at or after age 55 or following completion of 25 years of credited service. The *Plan* allows early retirement at age 50 or completion of at least 20 years of credited service subject to an early retirement pension reduction. The pension formula prior to age 65 is equal to 2% of the average earnings in the 60 consecutive months in which the earnings are highest ("Best Average Earnings") for each year of credited service. The pension formula after age 65 is equal to 1.4% of Best Average Canada Pension Plan earnings plus 2% of Best Average Non-Canada Pension Plan earnings for each year of credited service. Pensions are subject to the maximum benefit limits prescribed for registered pension plans under the *Income Tax Act*.

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the *Plan* text, which level is currently 47.0% (2012—66.2%) of the percentage change in the Consumer Price Index for Canada.

e) Disability pensions

A member, who has completed at least fifteen years of credited service, and who has become totally and permanently disabled may apply for a disability pension.

f) Survivor's benefits

The *Plan* provides survivor pensions or lump sum benefits on death prior to retirement. On death after retirement, eligible surviving spouses normally receive 66 ⅔% of the member's pension.

g) Termination benefits

Upon application and subject to vesting and locking-in provisions, deferred pensions or equivalent lump sum benefits are payable when a member terminates employment with the City.

h) Variation in benefits

The *Plan* provides that the rate of cost-of-living adjustment to pensions may be increased using funds available in the Plan Members' Account or may be reduced in the event of a funding deficiency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for pension plans on a going concern basis and present the aggregate financial position of the *Plan* as a separate financial reporting entity, independent of the City and Plan members. They are prepared to assist *Plan* members and others in reviewing the activities of the *Plan* for the fiscal period.

These financial statements include the financial statements of the *Plan* and its wholly-owned subsidiary, 5332665 Manitoba Ltd., which was incorporated on July 14, 2006. The *Plan* accounts for its investment in its subsidiary on a non-consolidated basis and presents it at fair value. The purpose of the subsidiary corporation is to invest in and hold certain private equity investments on behalf of the *Plan*.

b) Investments and Investment Income

Investments are stated at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions.

Publicly traded equity investments are valued using published market prices. For private equity and infrastructure investments, where quoted market prices are not available, various methods of valuation are used by the external managers to determine fair value including the use of: discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Real estate investments are valued based on the most recent valuations or appraisals of the underlying properties.

Fixed income investments are valued either using published market prices or by applying valuation techniques that utilize observable market inputs.

Cash and short-term investments are recorded at cost, which, together with accrued interest income, approximates fair value.

Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

The *Plan's* investment income, current period change in fair value of investments and investment management and custodial fees are allocated between the Accounts and Reserve based on the average balance of each Account and Reserve during the year.

c) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

d) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets, obligations, and surplus during the year. Actual results could differ from those estimates. Items within the financial statements which require significant estimates and judgment include the pension obligations and the fair value of investments.

e) Accounting change

In accordance with the Accounting Standards for Pension Plans, the *Plan* is applying International Financial Reporting Standard ("IFRS") 13, Fair Value Measurement, for the first time in the current year for the measurement of its investment assets. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instruments and non-financial instruments for which other IFRSs and accounting standards require or permit fair value measurements and disclosures about fair value measurements.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions. In some instances, the disclosure requirements in IFRS 13 are more extensive than those previously required by the Standards.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the new disclosure requirements set out in IFRS 13 in the comparative information provided for periods before the initial application of the standard. In accordance with theses transitional provisions, the *Plan* has not made any new disclosures required by IFRS 13 for the 2012 comparative period. The application of IFRS 13 has not had any material impact on the amounts recognized or disclosures made in the financial statements.

3. OBLIGATIONS FOR PENSION BENEFITS

An actuarial valuation of the *Plan* was performed as of December 31, 2013 by Eckler Ltd. This valuation was used to determine the actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2013. For the comparative 2012 figures, the actuarial present value of accrued benefits at December 31, 2012 is based on the December 31, 2012 actuarial valuation performed by Mercer (Canada) Limited. The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6.0% (2012—6.0%) per year, inflation of 2.0% (2012—2.0%) per year and general increases in pay of 3.25% (2012—3.25%) per year. The economic assumptions with respect to commuted values were revised, decreasing obligations for pension benefits by $2,682,000. The demographic assumptions, including rates of termination of employment, retirement and mortality, were chosen after detailed analysis of past experience. The demographic assumptions for annual rates of mortality improvements were revised to utilize the Canadian Pensioners' Mortality Improvement Scale B (CPM-B), increasing obligations for pension benefits by $26,846,000.

These assumptions were approved by the *Winnipeg Police Pension Board* for purposes of preparing the financial statements. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2013 disclosed a $3,481,000 funding surplus to be allocated in accordance with the Plan, by transferring $18,000 to the City Account, by transferring $1,731,500 from the Main Account—General Component to the Main Account—Contribution Stabilization Reserve and by increasing future cost-of-living adjustments from 47.0% to 47.8% of inflation, effective January 1, 2014.

The actuarial valuation as at December 31, 2012 disclosed a $60,358,000 funding deficiency which was resolved in accordance with the Plan, by transferring $18,131,000 from the Main Account—Contribution Stabilization Reserve to the Main Account—General Component and by reducing future cost-of-living adjustments from 66.2% to 47.0% of inflation (with a corresponding reduction in obligations for pension benefits of $42,227,000), effective January 1, 2013.

The assets available to finance the *Plan's* accrued benefits are those allocated to the Main Account—General Component. In determining the surplus or deficiency for actuarial valuation purposes, and to be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets of the Main Account—General Component was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The effect of using a smoothed value of assets for the Main Account—General Component in determining the estimated actuarial surplus or deficiency, before allocation of surplus or deficit resolution, is as follows:

	2013 (000's)	2012 (000's)
Surplus (deficit) for financial statement reporting purposes,		
Main Account—General Component	$ 75,949	$ (87,479)
Fair value changes not reflected in actuarial value of assets	(72,468)	27,121
Surplus (deficit), for actuarial valuation purposes,		
Main Account—General Component	3,481	(60,358)
Add: special purpose reserves and accounts		
Main Account—Contribution Stabilization Reserve	-	18,131
Plan Members' Account	9,660	8,139
Surplus (deficit), for actuarial valuation purposes,		
including special purpose reserves and accounts, as estimated	$ 13,141	$ (34,088)

The most recent actuarial valuation for funding purposes as at December 31, 2013 will be filed with the Manitoba Pension Commission and the Canada Revenue Agency. The valuation disclosed a solvency liability measured on a hypothetical Plan wind up basis of $1,065,297,000 and a solvency surplus of $10,780,000 as at December 31, 2013; however, the solvency assets, not including the amount secured by the existing letter of credit, are less than the solvency liabilities by $28,962,000.

The *Pension Benefits Regulation* provides that an irrevocable letter of credit may be used to secure some or all of the special payments that would otherwise be required from the City of Winnipeg. The City of Winnipeg has informed the *Winnipeg Police Pension Board* that it will be arranging for renewal of the irrevocable letter of credit to be held by the *Winnipeg Police Pension Board* in the amount of $28,962,000 together with any applicable interest as required under the *Regulation*, commencing in 2014. The new letter of credit is expected to take effect in October 2014 and must be renewed annually thereafter until such time as the *Plan* no longer has a solvency deficiency or the City of Winnipeg has made all payments required under the *Regulation*.

In 2013, the City of Winnipeg provided an irrevocable letter of credit from a chartered bank to the *Winnipeg Police Pension Board* to be held by the *Winnipeg Police Pension Board* in trust for the *Plan* in lieu of making special payments of $3,563,000 per month together with any applicable interest as required under the Regulation, commencing in 2013. The letter of credit took effect from October 27, 2013 and as of December 31, 2013 the irrevocable letter of credit secured special payments that would otherwise be required from the City of Winnipeg in the amount of $39,742,000.

4. MANAGEMENT OF FINANCIAL RISK

In the normal course of business, the *Plan's* investment activities expose it to a variety of financial risks. The *Plan* seeks to minimize potential adverse effects of these risks on the *Plan's* performance by hiring professional, experienced portfolio managers, by regular monitoring of the *Plan's* position and market events, by diversifying the investment portfolio within the constraints of the investment policy and objectives, and occasionally through the use of derivatives to hedge certain risk exposures. Significant risks that are relevant to the *Plan* are discussed below.

a) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the *Plan*, and is concentrated in the *Plan's* investment in bonds and debentures and short-term deposits. At December 31, 2013, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $298,469,000 (2012—$305,820,000).

The *Plan's* concentration of credit risk as at December 31, 2013, related to bonds and debentures, is categorized amongst the following types of issuers:

TYPE OF ISSUER	2013 FAIR VALUE (000's)	2012 FAIR VALUE (000's)
Government of Canada and Government of Canada guaranteed	$ 62,414	$ 30,954
Provincial and Provincial guaranteed	71,531	190,222
Canadian cities and municipalities	4,266	1,747
Corporations and other institutions	103,085	59,732
	$ 241,296	$ 282,655

The *Plan's* investments include short-term deposits with the City of Winnipeg which have a fair value of $41,374,000 at December 31, 2013 (2012—$22,459,000).

The *Plan* limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

As at December 31, bonds and debentures analyzed by credit rating are as follows:

	2013		2012	
CREDIT RATING	PERCENT OF TOTAL BONDS	PERCENT OF NET ASSETS	PERCENT OF TOTAL BONDS	PERCENT OF NET ASSETS
AAA	33.4	7.2	15.4	4.6
AA	28.7	6.2	76.2	22.6
A	27.9	6.0	6.8	2.0
BBB	8.7	1.8	1.1	0.3
BB	1.3	0.3	0.5	0.2
	100.0	21.5	100.0	29.7

The Plan participates in a securities lending program, managed by the *Plan's* custodian, wherein securities are loaned to counterparties in exchange for lending fees. In this regard, the *Plan's* exposure to credit risk relates to the potential for a counterparty to not return a security and the related collateral held is insufficient to replace the security in the open market. The Manager has responsibility to monitor the credit worthiness of counterparties and to regularly monitor and maintain collateral greater than the value of the loans.

b) Liquidity risk

Liquidity risk is the risk that the *Plan* will encounter difficulty in meeting obligations associated with financial liabilities. The *Plan* ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund the pensioner payroll costs and to fund investment commitments. The *Plan* primarily invests in securities that are traded in active markets and can be readily disposed. The *Plan* may invest in private equity, which is not traded in an organized market and may be illiquid, but only up to a maximum of 5% of the *Plan's* assets, as stipulated in the *Plan's* Statement of Investment Policies and Procedures. The *Plan* may also invest in real estate, which is not traded in an organized market and may be illiquid, but only up to a maximum of 16% of the *Plan's* assets, as stipulated in the *Plan's* Statement of Investment Policies and Procedures. Finally, the *Plan* may also invest in infrastructure, which is not traded in an organized market and may be illiquid, but only up to a maximum of 8% of the *Plan's* assets, as stipulated in the Plan's Statement of Investment Policies and Procedures.

c) Interest rate risk

Interest rate risk is the risk that the fair value of the *Plan's* interest bearing investments will fluctuate due to changes in market interest rates. The *Plan's* exposure to interest rate risk is concentrated in its investment in bonds and debentures and short-term investments.

The *Plan's* actuarial liabilities are also exposed to fluctuations in long term interest rates as well as expectations of inflation and salary escalation. The *Plan's* primary exposure is to a decline in the long-term real rate of return which may result in higher contribution rates or lower benefit levels.

The *Plan* has approximately 27% (2012—32%) of its assets invested in fixed income securities as at December 31, 2013. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related fair values of investments in bonds and debentures held by the *Plan* at December 31, 2013 are as follows:

TERM TO MATURITY	2013 FAIR VALUE (000's)	2012 FAIR VALUE (000's)
Less than one year	$ 4,143	$ 51,970
One to five years	65,218	129,189
Greater than five years	171,935	101,496
	$ 241,296	$ 282,655

As at December 31, 2013, had prevailing interest rates raised or lowered by 0.5% (2012—0.5%) assuming a parallel shift in the yield curve, with all other variables held constant, the fair value of investments in bonds and debentures would have decreased or increased, respectively, by approximately $11,063,000 (2012—$5,441,000), approximately 1.0% of total net assets (2012—0.6%). The *Plan's* sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the *Plan's* holdings of foreign equity investments. The *Plan's* investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the *Plan's* net foreign currency exposure after giving effect to the net related economic hedge as at December 31, 2013.

The table also illustrates the potential impact to the *Plan's* net assets, all other variables held constant, as a result of a 10% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

	2013				2012	
	GROSS EXPOSURE (000's)	NET FOREIGN CURRENCY HEDGE (000's)	NET EXPOSURE (000's)	IMPACT ON NET ASSETS (000's)	NET EXPOSURE (000's)	IMPACT ON NET ASSETS (000's)
United States	$ 222,621	$ -	$ 222,621	$ 22,262	$ 178,689	$ 17,869
Euro countries	53,382	17	53,365	5,337	41,817	4,182
United Kingdom	28,835	34	28,801	2,880	27,075	2,707
Japan	16,435	-	16,435	1,644	10,418	1,042
Switzerland	10,771	-	10,771	1,077	11,430	1,143
Hong Kong	10,108	-	10,108	1,011	7,430	743
Sweden	9,717	-	9,717	972	8,578	858
China	4,884	-	4,884	488	1,693	169
Other	21,823	-	21,824	2,182	23,481	2,348
	$ 378,576	$ 51	$ 378,525	$ 37,853	$ 310,611	$ 31,061

e) Other price risk

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. All securities present a risk of loss of capital. The *Plan's* policy is to invest in a diversified portfolio of investments. As well, the *Plan's* Managers moderate this risk through careful selection of securities and other financial instruments within the parameters of the investment policy and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For this Plan, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2013, had the prices on the respective stock exchanges for these securities increased or decreased by 15%, with all other variables held constant, net assets would have increased or decreased by approximately $104,327,000 (2012—$89,334,000), approximately 9.3% of total net assets (2012—9.4%). In practice, the actual results may differ and the difference could be material.

The *Plan* also has exposure to valuation risk through its holdings of private equity and real estate investments, for which quoted market prices are not available. As at December 31, 2013, the estimated fair value of private equity investments is $18,190,000 (2012—$15,455,000), approximately 1.6% of total net assets (2012—1.6%), and the related change in fair value of investments recognized for the year ended December 31, 2013 is $4,811,000 (2012—$2,641,000). As at December 31, 2013, the estimated fair value of real estate investments is $83,810,000 (2012—$37,968,000), approximately 7.5% of total net assets (2012—4.0%), and the related change in fair value of investments recognized for the year ended December 31, 2013 is $5,914,000 (2012—$2,397,000).

The *Plan* also has exposure to valuation risk through its holdings of infrastructure investments, for which quoted market prices are not available. In 2013, the Plan became a client of OMERS Investment Management, and has made a payment of $25,850,000 in a Contractual Return Arrangement. The Contractual Return Arrangement provides the Plan with the annual rate of return (which may be positive or negative) based on the total investment return reported in the OMERS Annual Report for the assets and related liabilities allocable to the OMERS Primary Pension Plan fund that are directly or indirectly owned by OMERS Administration Corporation ("OAC") and managed by Borealis Infrastructure (the "Borealis Assets). Under this arrangement the Plan is the sole limited partner in an Ontario limited partnership (OIM B4 2013 L.P.), and it has entered into a derivative contract with that limited partnership, which provides the return described above each year on the outstanding value of the contract. The arrangement provides for annual cash distributions to the *Plan* to the extent that cash distributions are received by OAC in respect of the operations of any investment forming part of the Borealis Assets. In addition, further cash distributions may be made under the arrangement, to the extent that cash distributions are received by OAC and distributed to the partnership in respect of the full or partial disposition of any investment forming part of the Borealis Assets. As at December 31, 2013, the estimated fair value of the infrastructure investments is $26,160,000 (2012—$Nil), approximately 2.3% of total net assets (2012—Nil), and the related change in fair value of investments recognized for the year ended December 31, 2013 is $310,000 (2012—$Nil).

f) Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1—valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2—valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and, Level 3—valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following tables present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2013 and December 31, 2012, classified using the fair value hierarchy described above:

	LEVEL 1 (000's)	LEVEL 2 (000's)	LEVEL 3 (000's)	2013 TOTAL INVESTMENT ASSETS AT FAIR VALUE (000's)
Bonds and debentures	$ -	$ 241,296	$ -	$ 241,296
Canadian equities	328,195	-	-	328,195
Foreign equities	364,358	2,960	-	367,318
Cash and short term deposits	49,293	7,880	-	57,173
Private equities	-	-	18,190	18,190
Real estate	-	-	83,810	83,810
Infrastructure	-	-	26,160	26,160
	$ 741,846	$ 252,136	$ 128,160	$ 1,122,142

	LEVEL 1 (000's)	LEVEL 2 (000's)	LEVEL 3 (000's)	2012 TOTAL INVESTMENT ASSETS AT FAIR VALUE (000's)
Bonds and debentures	$ 1,777	$ 280,878	$ -	$ 282,655
Canadian equities	292,885	2,799	-	295,684
Foreign equities	298,654	1,219	-	299,873
Cash and short term deposits	22,506	-	-	22,506
Private equities	-	-	15,455	15,455
Real estate	-	-	37,968	37,968
	$ 615,822	$ 284,896	$ 53,423	$ 954,141

During the year, there has been no significant transfer of amounts between Level 1 and Level 2.

The following table reconciles the fair value of financial instruments classified in Level 3 from the beginning balance to the ending balance:

PRIVATE EQUITIES	2013 (000's)	2012 (000's)
Fair value, beginning of year	$ 15,455	$ 15,024
Gains recognized in increase in net assets	4,811	2,641
Purchases	750	1,217
Sales	(2,826)	(3,427)
	$ 18,190	$ 15,455

REAL ESTATE	2013 (000's)	2012 (000's)
Fair value, beginning of year	$ 37,968	$ 3,885
Gains recognized in increase in net assets	5,914	2,397
Purchases	40,574	31,686
Sales	(646)	-
	$ 83,810	$ 37,968

INFRASTRUCTURE	2013 (000's)	2012 (000's)
Fair value, beginning of year	$ -	$ -
Gains recognized in increase in net assets	310	-
Sales	25,850	-
	$ 26,160	$ -

Section 3.29 of the *Pension Benefits Act Regulations* requires disclosure of each investment asset that has a fair value greater than one percent of the of the fair value of the investment assets of the Fund. As at December 31, 2013, the Fund held the following investments that met this classification:

	2013 (000's)
Bonds and debentures	
TD Emerald Long Bond Broad Market Pooled Fund	$ 95,056
TD Lancaster Fixed Income Fund II	74,317
Fiera Active Fixed Income Fund	71,923
Canadian equities	
TD Emerald Canadian Equity Index Fund	103,603
Bank of Nova Scotia	14,345
Royal Bank of Canada	13,271
Toronto-Dominion Bank	13,233
Foreign equities	
State Street S&P 500 Index Common Trust Fund	83,642
Templeton Global Smaller Companies Fund	19,801
Cash and short term deposits	
City of Winnipeg short term deposit	41,374
Private equities	
5332665 Manitoba Ltd. common shares	17,005
Real Estate	
Greystone Real Estate Fund Inc.	45,190
Bentall Kennedy Prime Canadian Property Fund Ltd.	38,620
Infrastructure	
OIM B4 2013 L.P.	26,160

5. INVESTMENT INCOME

	2013 (000's)	2012 (000's)
Bonds and debentures	$ 11,723	$ 16,360
Canadian equities	8,383	7,004
Foreign equities	5,607	5,535
Cash and short term deposits	619	643
Real estate	646	-
	$ 26,978	$ 29,542

Allocated to:

	2013	2012
Main Account—General Component	$ 26,746	$ 28,670
Main Account—Contribution Stabilization Reserve	-	622
Plan Members' Account	232	250
	$ 26,978	$ 29,542

6. INVESTMENT TRANSACTION COSTS

During 2013, the *Plan* incurred investment transaction costs in the form of brokerage commissions, in the amount of $273,000 (2012—$258,000). Investment transaction costs are included in the current period change in fair value of investments.

7. LUMP SUM BENEFITS

		2013 (000's)		2012 (000's)
Termination benefits	$	97	$	172
Death benefits		-		1,397
Payments on relationship breakdown		367		1,177
Other		89		23
	$	553	$	2,769

8. ADMINISTRATIVE EXPENSES

		2013 (000's)		2012 (000's)
The Winnipeg Civic Employees' Benefits Program	$	610	$	603
Actuarial fees		248		340
Legal fees		40		33
General and administrative expenses		11		13
	$	909	$	989

9. COMMITMENTS

The *Plan's* wholly-owned subsidiary, 5332665 Manitoba Ltd., has entered into an investment management agreement wherein it has authorized an investment manager to make private equity investment commitments on its behalf, with aggregate commitments not to exceed $20,000,000. Commitments will be funded over the next several years. As at December 31, 2013, $16,546,000 had been funded.

10. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

ADMINISTRATION

The *Winnipeg Police Pension Plan* is constituted under City of Winnipeg By-Law No. 126/2011. The *Winnipeg Police Pension Board* is responsible for administration of the *Plan*.

The *Board* is made up of nine voting members: five are appointed by the City of Winnipeg, two are appointed by the Winnipeg Police Association, one is appointed by the Winnipeg Police Senior Officers' Association, and one is elected by non-active members and other beneficiaries. In addition, a maximum of four non-voting members may be appointed to the *Board*, one from each of the groups identified above.

BOARD MEMBERS

Winnipeg Police Pension Board as at December 31, 2013

Appointed by Winnipeg City Council

Shelley Hart (Chair)
DEPUTY CHIEF OF POLICE

Betty Holsten Boyer
MANAGER OF FINANCIAL PLANNING AND REVIEW

Richard Kachur
CITY CLERK

Mike Ruta
CHIEF FINANCIAL OFFICER

Vacant Position

Krista Boryskavich (non-voting)
SOLICITOR, CITY OF WINNIPEG

Appointed by Winnipeg Police Association

Mike Sutherland (Vice-Chair)

George Van Mackelbergh

Richard Schroeder (non-voting)

Appointed by Winnipeg Police Senior Officers' Association

Gord Perrier

Appointed by Non-Active Members and Other Beneficiaries

Loren Schinkel

INVESTMENT COMMITTEE MEMBERS

Eric Stefanson, F.C.A. (Chair)

Jon Holeman, RBC Dominion Securities

Sam Pellettieri, CFA

Bob Romphf, Manitoba Nurses Union

Gary Timlick, Wawanesa Insurance

Vacant

MANAGEMENT

The day-to-day administration of the *Plan* is carried out by the management and staff of *The Winnipeg Civic Employees' Benefits Program* under the direction of its Chief Executive Officer.

Glenda Willis
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