2014 ANNUAL REPORT

WCEBP
WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

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THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

PROGRAM PROFILE

The *Program* is comprised of:

- *The Winnipeg Civic Employees' Pension Plan*, a registered pension plan under Manitoba's *Pension Benefits Act* and Canada's *Income Tax Act*
- *The Winnipeg Civic Employees' Long Term Disability Plan*
- *The Winnipeg Civic Employees' Early Retirement Benefits Arrangement*

Nine employers participate in the *Program*:

- City of Winnipeg
- Riverview Health Centre
- Manitoba Hydro (former Winnipeg Hydro employees only)
- Assiniboine Park Conservancy
- Winnipeg Convention Centre
- St. Boniface Museum
- Transcona Historical Museum
- Canlan Ice Sports Corp. (former Highlander employees only; excluding *Disability Plan*)
- *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program*

VISION: To be considered by *Plan* members and industry peers as one of the best-managed pension plan organizations in Canada.

MISSION: To deliver the promised benefits (subject to the terms of the *Pension Trust Agreement* and the *Plan* text) to the *Plan's* members and beneficiaries.

In doing so, the *Board*:

- Maintains an effective and transparent governance structure and process encouraging a culture of excellence
- Preserves the level of benefits agreed to by all parties to the extent possible given financial and any other constraints and subject to the requirements of the *Pension Trust Agreement* and applicable law
- Promotes financial management responsibility by weighing risks and returns for each decision
- Provides high-quality administration services with a focus on members, beneficiaries and employers
- Complies with all laws, rules, regulations, *Plan* provisions and applicable policies and guidelines
- Provides leadership and communication to *Plan* members and other stakeholders on behalf of the *Plan*
- Recognizes that the *Plan* is jointly governed between Participating Employers and members and that this joint governance arrangement entails sharing responsibility for costs and unfunded liabilities and sharing the benefit of any actuarial surpluses

VALUES: Trust • Integrity • Equity • Respect • Service

2014 AT A GLANCE

The *Program* currently serves almost 17,000 members with assets under management of approximately $4.5 billion.

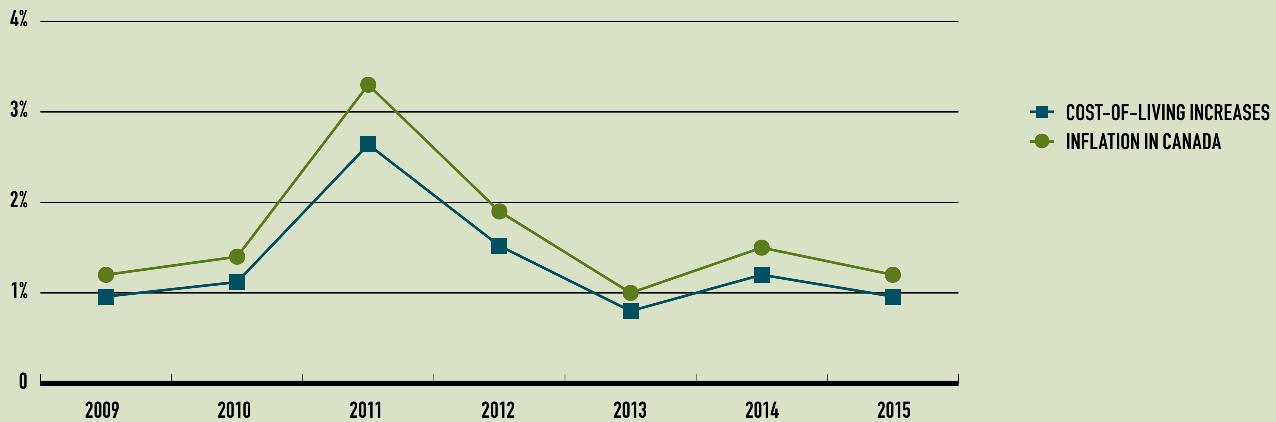
FUNDED STATUS

The most recent actuarial valuation of the *Program* as at December 31, 2014, disclosed that it was fully funded and had an excess of smoothed value of assets over actuarial liabilities of $81,904,000—a funded ratio of 102.0% on the basis of actuarial values.

COST-OF-LIVING ADJUSTMENTS

The *Program's* positive funded status enabled Cost-of-Living Adjustments (COLA) paid to pensioners in July 2014, and again in July 2015, to be granted at a rate of 80% of the annual increase in Canada's Consumer Price Index (CPI) at March 31, although future COLA is expected to decline over time from 80% to 50%.

COST OF LIVING INCREASES

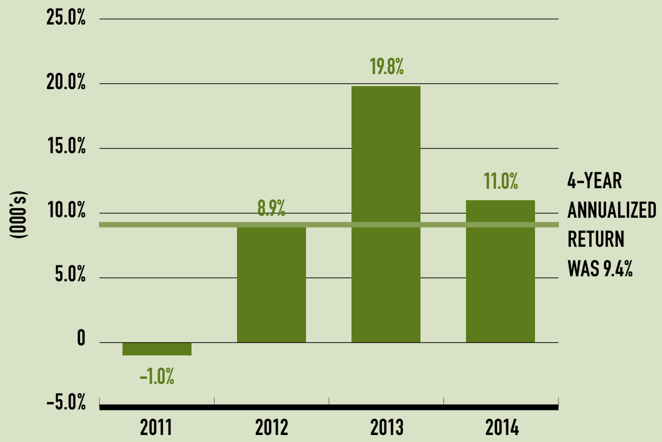


INVESTMENTS

A strong stock market and improved bond market resulted in another year of double-digit returns for the *Program*. Its investment portfolio achieved a rate of return of 11.0% in 2014.

This is the third consecutive year of strong positive returns since the negative return experienced in 2011. The *Program's* four-year and ten-year annualized rates of return as at December 31, 2014 are 9.4% and 7.2%, respectively.

ANNUAL INVESTMENT RETURN

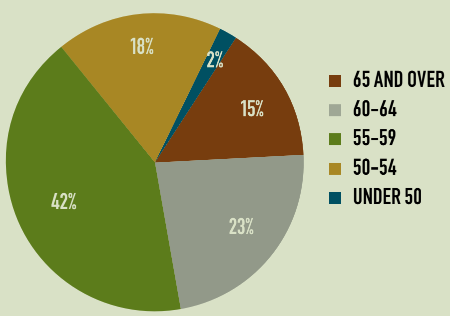


MEMBERSHIP

The demographics of retiring members remains unchanged with the majority of members retiring between the ages of 55 and 59.

AGE AT RETIREMENT

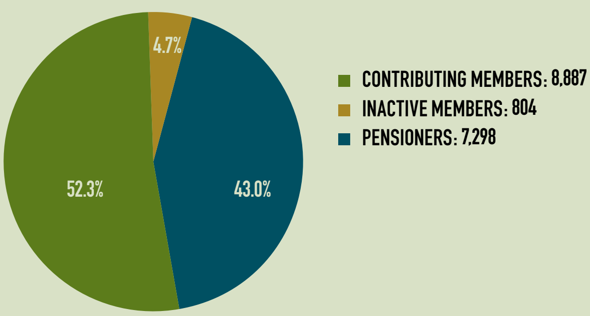
AS AT DECEMBER 31, 2014



MEMBERSHIP PROFILE

AS AT DECEMBER 31, 2014

TOTAL MEMBERS: 16,989



MESSAGE

We entered 2014 from a position of strength, and we are pleased to report that we have maintained and built upon that solid foundation. Highlights of 2014 include continued positive investment returns, and the delivery of several new and enhanced services to *Program* members. We continue to strive to be a leader in pension plan management. The following highlights our progress in 2014.

FINANCIAL STATUS

The most recent actuarial valuation of the *Program*, as at December 31, 2014, showed that, on a going-concern basis, the *Program* continues to be fully funded (going-concern funded ratio of 102.0%) with respect to all benefits in payment and all benefits earned for service up to the valuation date.

The *Board of Trustees* made a decision to revise the funding valuation interest rate for the December 31, 2014 actuarial valuation downward from 6.0% to 5.75% per year. The valuation interest rate is one of the key assumptions that underlies the determination of actuarial liabilities, thereby affecting the actuarial surplus. The change in the valuation interest rate from 6.0% to 5.75% increased *Program* obligations by about $135 million, effectively building an additional measure of conservatism into the going-concern valuation of the *Program*. The *Board* chose this approach—to build up margins while the *Program* is experiencing strong investment returns—with a long-term view to maintaining the financial position of the *Program*, and taking into account the continued low interest rate environment.

The *Program's* going-concern funded status of 102.0% will enable the upcoming cost-of-living adjustment (COLA) to pensions (payable in July 2015) to be maintained at 80% of the year-over-year increase in the Consumer Price Index (CPI) for Canada (measured as at March 31, 2015). It is important to remember, however, the COLA rate granted to pensions in pay and deferred pensions is expected to gradually decline over time from 80% to 50% of the annual percentage increase in CPI.

INVESTMENT PERFORMANCE

Prudent governance and strong investment markets have placed the *Program* in a relatively healthy financial position. We continued to achieve positive investment returns in 2014 with the *Program's* investment portfolio earning a rate of return of 11.0%. The *Program's* four-year and ten-year annualized rates of return as at December 31, 2014 are 9.4% and 7.2%, respectively. Over the ten-year period, the *Program* exceeded its rate of return objective by a margin of 0.7% per year.

Implementation of the *Program's* long term policy asset mix (adopted in 2011) is nearly complete, with additional investments into real estate and new investments into global infrastructure. Real estate and global infrastructure now represent 7.9% and 5.7% of the *Program's* investment portfolio, respectively.

The *Program* will conduct its next asset-liability study in 2015 and determine if any changes are warranted to the long term policy asset mix.

GOVERNANCE

In a continuing effort to provide Trustees with the support they need to fulfill their responsibilities, the *Board* revised and expanded its Policy on Trustee Orientation and Education in 2014. The revised Policy laid the groundwork for the creation of an Orientation Guide for New Trustees—a high-level introduction to the role and responsibilities, and required knowledge and understanding for Trustees—which was also completed in the year.

Eckler Ltd. became the *Program's* Actuary late in 2013, subsequent to the *Program* conducting a market review of actuarial services. The transition to a new actuarial firm has gone well.

At its September 2014 Strategic Planning Session, the *Board* identified service provider market testing as a strategic priority. A market review of audit services is underway for completion in 2015, and the remaining key service providers are scheduled for review in subsequent years.

SERVING OUR MEMBERS

The *Program* delivered a number of exciting new projects in the areas of Communications and Member Services in 2014. A new member website laid the foundation for delivery of an online "pension estimator" tool—the *Program's* first foray into member self-service. The *pension estimator* was extremely well received by our members, and our *Program* administration will continue to build on that success.

IN CLOSING

We would be remiss, in our coverage of the work of the *Program*, if we did not acknowledge the work and dedication of our *Program's* staff, our Trustees, and our Investment Committee members, in their respective roles.

In the pages that follow, we are pleased to report to you, in further detail, the activities of the *Board of Trustees* and key operational activities for the year. This report also contains audited financial statements for the *Pension Plan* and the *Long Term Disability Plan*, as at December 31, 2014.

As always, we hope that you find this report helpful and informative, and we welcome your feedback.

Rob Labossiere
CHAIR

Glenda Willis
CHIEF EXECUTIVE OFFICER

GOVERNANCE

GOVERNANCE STRUCTURE

The *Program* operates under a jointly-trusteed governance structure according to the terms and conditions of the *Pension Trust Agreement* and the *Disability Plan Trust Agreement* entered into by the City of Winnipeg and ten Signatory Unions.

The *Pension Plan* is administered by *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund)*. The City of Winnipeg and the *Program* members have equal representation on this joint board, with the Trustees being appointed equally by the City of Winnipeg and ten Signatory Unions.

The same individuals sit on *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Disability Fund)* (responsible for the administration of the *Disability Plan*), with the exception of one Employer Trustee and the Member Trustee on behalf of pensioners and deferred members.

A listing of the Trustees, as at December 31, 2014, can be found on the inside back cover of this report.

Participating Employers and members share in the surpluses and the risks associated with the *Program*. Benefits are financed entirely by the assets (including investment earnings) of the *Program* and the contributions of the Participating Employers and the active members. *Program* benefits are not guaranteed by the City of Winnipeg or the other Participating Employers.

ROLE OF THE BOARD OF TRUSTEES

The *Board of Trustees* is responsible for the overall operation of the *Program*, including:

- Ensuring the *Program* is administered in accordance with the *Trust Agreement, Program Text*, and applicable legislation
- Adopting and reviewing the investment policy
- Monitoring investment performance
- Adopting and reviewing funding policy

The *Board* is also responsible for ensuring adequate financial records are maintained and for reporting annually on the operations of the *Program* to Participating Employers, unions, and *Program* Members. To discharge its responsibility, the *Board* performs in an oversight capacity with respect to all significant aspects of the management of the *Program's* operations.

BOARD COMMITTEES

The *Board* has established various committees to provide a process to assist in its decisions.

Investment Committee — The Investment Committee is responsible for determining the asset mix of the *Program* (within the parameters of the *Program's* Statement of Investment Policies and Procedures), for recommending the selection or termination of various investment managers, and for monitoring the performance of these investment managers.

The Committee is comprised of three members appointed by Employer Trustees and three members appointed by Member Trustees.

Audit Committee — The Audit Committee oversees the *Program's* financial reporting, and accounting policies and procedures, and makes recommendations to the *Board* in this regard.

Governance Committee — The Governance Committee is charged with making recommendations to the *Board* on governance policies, guidelines and procedures; assessing the effectiveness of the *Board's* governance policies; and with responsibility for the orientation of new Trustees.

ADMINISTRATION

The day-to-day administration of the *Program* is carried out under the direction of its Chief Executive Officer.

ACTUARIAL OPINION

AS AT DECEMBER 31, 2014

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

The principal results of the valuation are as follows:

ACTUARIAL POSITION

The *Program* is fully funded on a going concern basis in respect of benefits earned for service up to December 31, 2014 and has an excess of smoothed value of assets over the actuarial liabilities of $81,904,000 as at that date, on the basis of the assumptions and methods described in our report and including a future provision for COLAs equal to 80% of assumed inflation consistent with the current practice of granting increases. The actuarial liabilities in the *Program* are comprised of *Pension Plan* liabilities equal to $4,007,186,000, *Disability Plan* liabilities equal to $42,447,000, and *Early Retirement Benefits Arrangement* liabilities equal to $5,027,000.

Of the $81,904,000 excess, $3,506,000 has been previously allocated to the Plan Members' Account and $41,631,000 to the City Account. Therefore the remaining excess is $36,767,000. Since this amount is greater than zero and less than 5% of the actuarial liabilities at December 31, 2014, there is no actuarial surplus or funding deficiency at that date in accordance with the terms of the *Pension Trust Agreement*.

The *Program* has a solvency shortfall of $1,365,615,000 as at December 31, 2014, based on a smoothed value of assets. The *Board of Trustees* has elected to have *The Winnipeg Civic Employees' Pension Plan* exempted from the solvency provisions and the transfer deficiency provisions of *The Pension Benefits Act* (Manitoba) and Regulations, pursuant to the *Solvency Exemption for Public Sector Pension Plans Regulation*. As a result, there is no requirement to fund any solvency deficiency.

COST OF BENEFITS FOR SERVICE IN 2015

The current service cost of the benefits expected to be earned under the *Program* for service in 2015, including future provision for COLAs equal to 50% of assumed inflation consistent with the current practice for funding future increases, is 21.86% of contributory earnings. The cost of benefits accruing in the *Program* as a percent of contributory earnings is comprised of 17.90% for the cost of non-indexed pension benefits, 1.97% for the cost of COLAs, and 1.99% for the cost of disability benefits. This cost is expected to be financed by employee contributions averaging 10.03% of contributory earnings, and employer contributions and transfers from the City Account totalling 10.03% of contributory earnings. The remaining 1.80% of contributory earnings would be drawn from funding excess.

In our opinion, with respect to the going concern valuation and the 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, and
- the methods employed in the valuation are appropriate for the purposes of the valuations.

Our report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

Our 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* (Manitoba).

FOR THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

Charly Pazdor
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

Andrew Kulyk
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

FOR THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

Ellen Whelan
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

Kwame Smart
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

PENSION PLAN—YEAR IN REVIEW

MEMBER SERVICES

In an effort to meet the changing needs of its members, the *Program* launched a redesigned member website in 2014. The new site includes self-service features such as an e-mail news subscription service (called *Email Alerts*) and a *Pension Estimator* tool which allows members to calculate pension estimates for themselves online.

The *Pension Estimator* was very well received by members and the *Program* will be actively promoting the tool in 2015. Member Services currently processes approximately 800 retirement estimates annually, although it is anticipated that in the longer-term perhaps fewer estimates will be calculated in-house as more members take advantage of the *Estimator.*

Member Service staff continue to meet face-to-face with members and their spouses at retirement. In addition to processing retirements, services to members also include new enrolments; processing of relationship breakdowns, terminations and deaths; an in-house biweekly payroll for pensioners and survivors; and the ongoing provision of information and assistance.

MEMBERSHIP ACTIVITY DURING THE YEAR

	2014	2013	2012	2011	2010
Retirements	347	309	332	345	314
Deaths in service	20	14	20	16	18
Pensioner deaths	212	236	249	241	249
New enrolments	850	822	799	778	723
Terminations	529	444	477	401	350

FUNDING

The results of the most recent actuarial valuation, as at December 31, 2014, continued to portray a picture of relative health for the *Program* with a funded ratio of 102.0% using the smoothed value of assets (with respect to benefits accrued for all service up to December 31, 2014).

FUNDED STATUS AT DECEMBER 31, 2014

An actuarial valuation performed on a **going-concern basis** assumes that the *Program* will continue to operate indefinitely. Members are assumed to continue to earn pension benefits for future service, and it is assumed that contributions will continue to be made to the *Program*.

The most recent actuarial valuation of the *Program* as at December 31, 2014, disclosed that it was fully funded and had an excess of smoothed value of assets over actuarial liabilities of $81,904,000—a funded ratio of 102.0% on the basis of actuarial values. If the fair value of assets had been used instead of the smoothed value, there would have been an excess of $493,567,000—which would have resulted in a funded ratio of 112.2% on a fair value basis. The application of an actuarial asset "smoothing" technique has been used by the *Program* for many years.

The *Program's* rate of investment return for 2014 was 11.0%, significantly exceeding the assumed rate of investment return for 2014 of 6.0%. The excess investmentreturn of in 2014, together with unrecognized investment market gains for 2013, generated excess investment returns of $122,806,000 in 2014, under the asset smoothing technique.

FINANCIAL POSITION

AS AT DECEMBER 31, 2014
(IN THOUSANDS)

	FAIR VALUE	ACTUARIAL VALUE
Net assets available for benefits		
Main Account	$ 4,503,090	$ 4,091,427
Plan Members' Account	3,506	3,506
City Account	41,631	41,631
	$ 4,548,227	$ 4,136,564
Program obligations	$ 4,054,660	$ 4,054,660
Funded ratio	112.2%	102.0%

See *Notes to the Financial Statements*, note 1.c) *Financial Structure*, for descriptions of the three accounts.

It is important to note that there is a remaining balance of $411,663,000 of unrecognized investment market gains that occurred in 2013 and 2014, to be recognized for actuarial valuation purposes in future years. Accordingly, should the *Program* earn exactly the assumed future investment rate of return of 5.75% on the actuarial value of assets over the next four years (see Key Actuarial Assumptions, which follows), the remaining $411,663,000 smoothing difference would be expected to emerge as in-year surplus of $122,806,000 per year in each of 2015, 2016, 2017 and $43,245,000 in 2018. Such an outcome would be beneficial to the financial position of the *Program*.

The above referenced excess of smoothed value of *Program* assets over actuarial liabilities, in the amount of $81,904,000 includes $36,767,000 which remains accounted for within the Main Account. Under the *Pension Trust Agreement*, any emerging excess or "surplus" related to ongoing *Program* operation is accumulated within the Main Account and retained as a buffer unless it exceeds 5% of *Program* liabilities. If, in the future, the 5% retention threshold is exceeded, an equal allocation of the portion of the excess which exceeds the retention threshold would be transferred to the special-purpose Accounts held within the *Program* (specifically the Plan Members' Account and the City Account). At December 31, 2014, the balance of the Plan Members' Account was $3,506,000 and the balance of the City Account was $41,631,000.

Under the *Pension Trust Agreement*, the Plan Members' Account may be used to fund improvements in benefits or to reduce member contributions. The City Account is available to finance, through transfers to the Main Account, any reduction in the Participating Employers' contributions from the amounts needed to match the *Program* members required contributions. Actuarial surpluses and funding deficiencies are dealt with in accordance with the Pension Trust Agreement. The prescribed steps to resolve a funding deficiency generally include revising the actuarial assumptions, reducing the anticipated level of future cost-of-living adjustment, increasing contributions (if agreed upon by the City of Winnipeg and the Signatory Unions), drawing upon available funds within special-purpose Accounts, and if necessary, reducing benefits.

An actuarial valuation performed on a **solvency basis** assumes the *Pension Plan* is terminated and wound up as of the valuation date. Under this scenario, all employment is assumed to end on the valuation date, all benefits earned before that date are immediately vested and 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 *Program*, as at December 31, 2014, revealed a solvency ratio of 75.2%. This indicates that, on a plan termination basis, the *Program's* assets would not be sufficient to cover all the liabilities accrued for benefits under the *Program* as at December 31, 2014. No action is required to be taken on the basis of this solvency valuation as the *Board of Trustees* has elected, under the *Solvency Exemption for Public Sector Pension Plans Regulation*, that *The Winnipeg Civic Employees' Pension Plan* be exempt from the solvency and transfer deficiency provisions of Manitoba's *Pension Benefits Act* and *Regulations*.

GOING CONCERN FINANCIAL STATUS

	DECEMBER 31, 2014 (IN THOUSANDS)
1. Actuarial value of assets	
Main Account	$ 4,091,427
Plan Members' Account	3,506
City Account	41,631
	$ 4,136,564
2. Actuarial liabilities	
Pension Plan	$ 4,007,186
Long Term Disability Plan	42,447
Early Retirement Benefits Arrangement	5,027
	$ 4,054,660
3. Excess of actuarial value of *Program* assets over actuarial liabilities	$ 81,904
4. Amounts previously allocated	
Plan Members' Account	3,506
City Account	41,631
	$ 45,137
5. Financial position (3. *minus* 4.)	$ 36,767
6. Actuarial surplus (1. *minus* 4. *minus (105% x 2.)*, or zero; whichever is greater)	$ 0
7. Funded ratio (1. *divided by* 2.)	
Including Plan Members' and City Accounts	102.0%
Excluding Plan Members' and City Accounts	100.9%

KEY ACTUARIAL ASSUMPTIONS—DECEMBER 31, 2014 ACTUARIAL VALUATION

One of the key assumptions that underlies the determination of actuarial liabilities, thereby affecting the actuarial surplus, is the valuation interest rate. The valuation interest rate assumed was 5.75% per year in the 2014 actuarial valuation (down from 6.0% in the 2013 actuarial valuation), and was developed with reference to expected long-term economic and investment conditions. The valuation interest rate assumed was carefully and prudently developed, giving recognition to the long-term asset mix expected to be utilized by the *Program*, and after assuming an equity premium that was considered relatively normal by historical standards.

Other key economic assumptions in the 2014 actuarial valuation include future inflation at 2.00% per year (unchanged from the 2013 actuarial valuation), resulting in an assumed real rate of investment return of 3.75% per year and future general increases in pay of 3.50% per year (unchanged from the 2013 actuarial valuation). The change in the valuation interest rate from 6.0% to 5.75% increased *Program* obligations by $135,250,000. The economic assumptions with respect to commuted values were revised, increasing *Program* obligations by $2,468,000.

Although these assumptions were considered appropriate both for funding and accounting purposes in 2014, there nonetheless is measurement uncertainty associated with these estimates versus actual future investment returns, salary escalation, and demographics that will impact on the future financial position of the *Program*, possibly in a material way.

COST-OF-LIVING ADJUSTMENTS

The *Pension Plan* provides for annual Cost-of-Living Adjustments (COLA) to both pensions in payment and deferred pensions. The level of COLA granted in a particular year is tied to the funded status of the *Program*.

As at December 31, 2014, the *Program* was fully funded with respect to all pensions currently in payment and pension benefits earned for service to date by current and former employees, assuming such pensions are indexed at a rate equal to 80% of the annual percentage change in Canada's Consumer Price Index (CPI) measured at March 31 each year. The inflation assumption used was reflective of the current inflation environment.

The level of funding within the *Program* which supports COLA is expected to vary over time, and will be affected by both future *Program* experience (especially investment experience) and future contributions which support COLA.

It is important to note that commencing September 1, 2011, when the *Program* was restructured, contributions are expected to fund COLAs related to pensions derived from service on/after September 1, 2011 at a rate equal to 50% of the annual percentage change in CPI. Accordingly, in the absence of emerging surplus or other positive *Program* experience, the level of funding within the *Program* to support COLA will dilute and the level of COLA granted can be expected to gradually decline over time to 50% of the annual percentage change in CPI. However, should the *Program's* investments perform better than expected, some actuarial surplus may be used to supplement COLA at a rate higher than 50% of the annual percentage change in CPI.

The *Program* has been able to maintain COLA funding to support 80% of the annual percentage change in CPI to date. However, this level of funding is not expected to be sustainable over the long term.

LONG TERM OUTLOOK

Based on the funding assumption, adopted by the Actuary and the *Board* as at December 31, 2014, of an average 3.75% per annum real rate of investment return, net of investment expenses, the *Program* is fully funded with respect to all pensions currently in payment and pension benefits earned for service to date by current and former employees.

Notwithstanding the assumed 3.75% per year real investment return used for the actuarial valuation at December 31, 2014, it remains desirable to strive for a real rate of investment return in excess of 3.75% per year over the long-term in order to: i) finance any contribution shortfalls relative to the cost of benefits that may arise from time to time, ii) strengthen the existing surplus position, and iii) in as far as possible, maintain COLA at a rate higher than the 50% of Consumer Price Index increases at which it is being funded, as long as the current level of investment risk does not significantly increase. Given the above considerations, a 4% long term real rate of investment return objective is reflected in the *Program's* Statement of Investment Policies and Procedures for 2014.

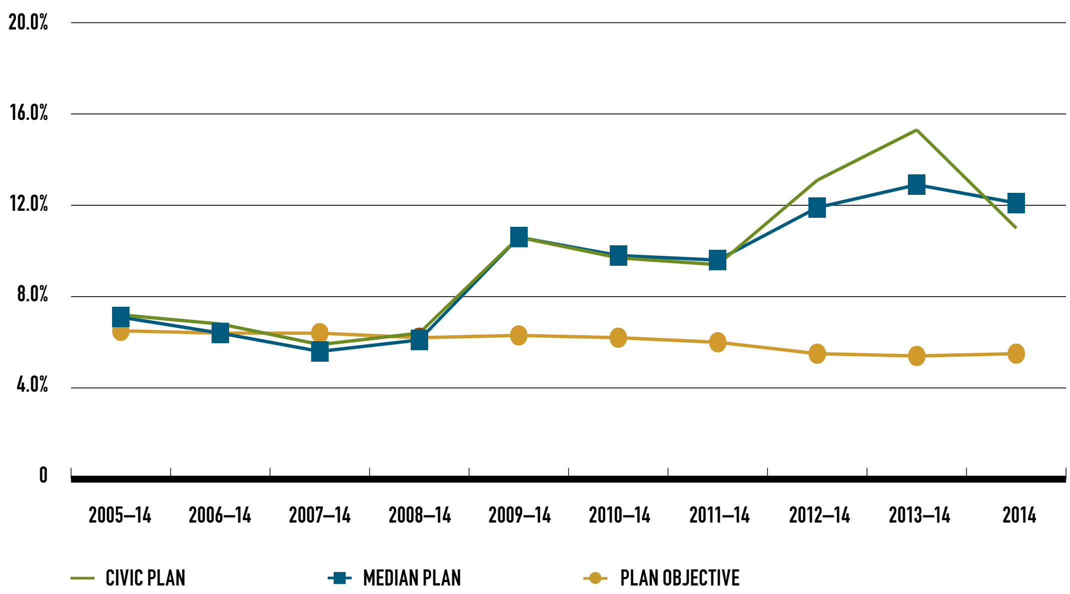
As the *Program* is presently constituted, it is the achievement of sufficient investment returns in the future which will have the most significant bearing on the ultimate sustainability of current benefits and contribution levels.

INVESTMENTS

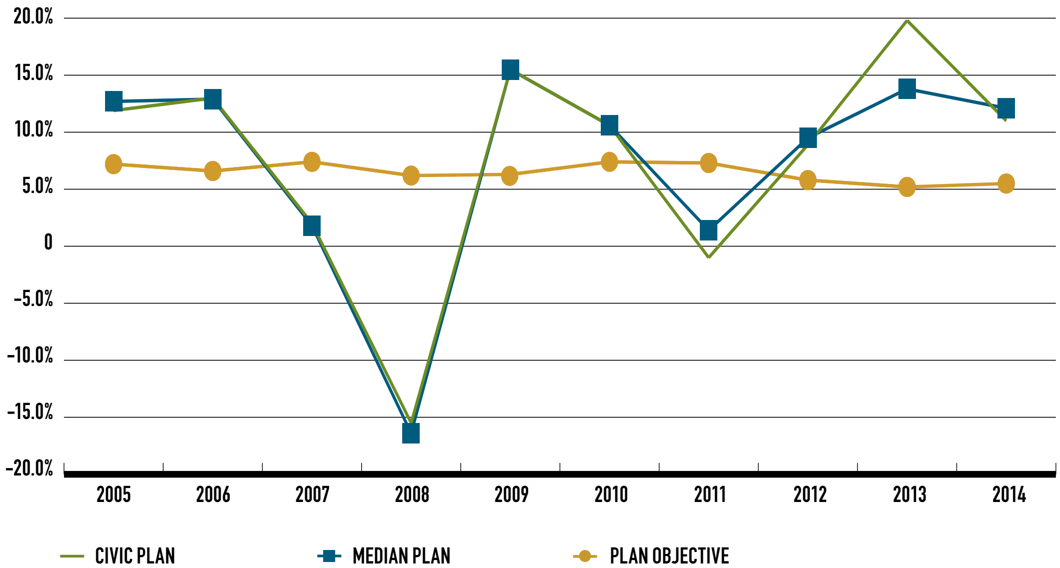
The investment portfolio recorded a strong positive return of 11.0% in 2014, the second year in a row of double-digit returns. However, this performance trailed the median Canadian pension fund return of 12.1%, as measured by RBC Investor Services, an independent measurement service. The underperformance can primarily be attributed to the *Program's* lower allocation to the fixed income markets which performed well in 2014, and the below-median returns of the *Program's* Canadian equity managers.

Over the last ten years, the *Program* achieved an average rate of return of 7.2% per year, ranking second quartile (40th percentile) among larger pension plans in Canada. The long-term goal of the *Program* during this ten-year period was to achieve a rate of return that exceeded inflation by 4.0% per year commencing in 2013 and 5.0% per year for the eight years prior to 2013. With the ten-year annualized inflation rate being 1.7%, the *Program* exceeded its goal over the last ten years by a margin of 0.7% per year. It should be noted that such measurements are end date sensitive, and in particular, the strong investment performance in 2013 has contributed significantly to this outperformance.

ANNUALIZED RATES OF RETURN



ANNUAL RATES OF RETURN



INVESTMENT MANAGERS

The *Program* utilizes external investment managers to manage all asset classes and portfolios. There were several changes to the *Program's* investment manager line up during 2014. Franklin Templeton was terminated as the *Program's* international equity value manager (but continues to be engaged for small cap international equity mandate) and was replaced by two new managers: Causeway Capital Management and Pyrford International. In addition, capital was newly allocated to J.P. Morgan Asset Management and OMERS Investment Management in the infrastructure category, and Brookfield Asset Management was hired to manage a portion of the *Program's* real estate allocation. At year end, a search for an additional asset manager in the private capital sector was ongoing.

ASSET MIX

The *Program's* long term policy asset mix (established following an asset-liability study in 2010) is expected, over the long term, to achieve an objective of CPI+4% at an acceptable level of risk exposure.

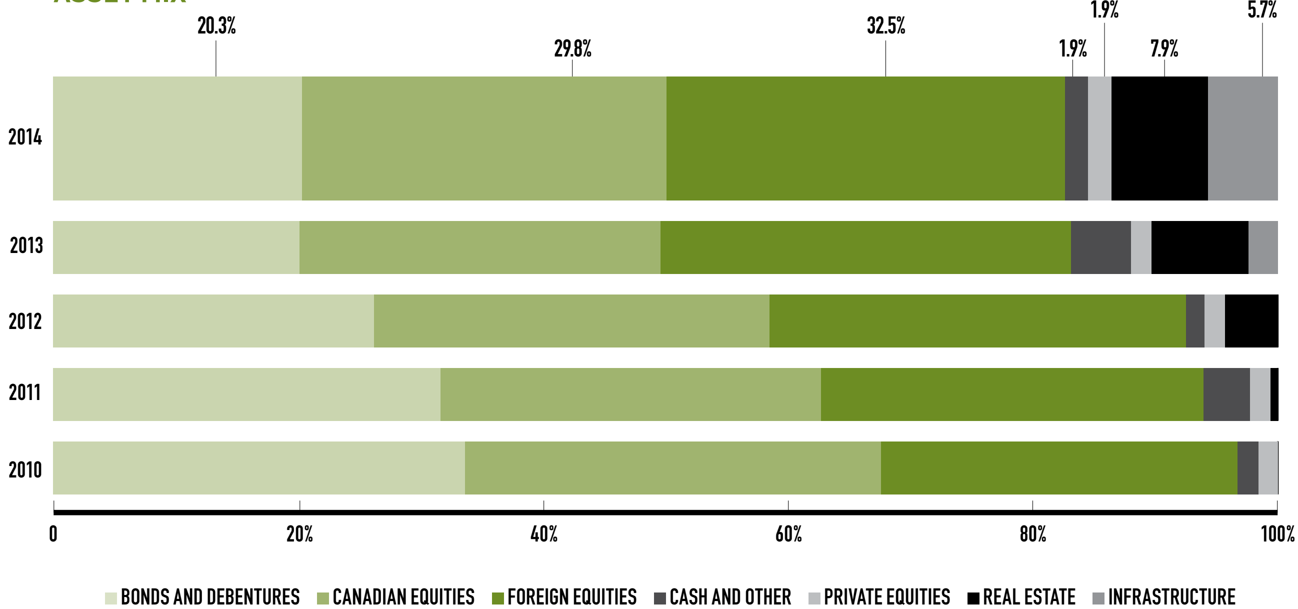
The *Program* continued implementation of its long term policy asset mix in 2014 by shifting assets from global equities into real estate and global infrastructure. However, despite that shift, strong fixed income and equity markets caused the *Program's* percentage of assets in fixed income and Canadian equities to increase slightly as well.

Real estate and global infrastructure now represent 7.9% and 5.7% of the *Program's* investment portfolio, respectively. Cash decreased during the year to 1.9% (from 4.9%) as funds were deployed towards these new investments.

ASSET MIX

	2014	2013	2012	2011	2010
Bonds and debentures	20.3%	20.1%	26.2%	31.6%	33.6%
Canadian equities	29.8%	29.5%	32.3%	31.1%	34.0%
Foreign equities	32.5%	33.5%	34.0%	31.2%	29.1%
Cash and other	1.9%	4.9%	1.5%	3.8%	1.7%
Private equities	1.9%	1.7%	1.7%	1.7%	1.6%
Real estate	7.9%	7.9%	4.3%	0.6%	0.0%
Infrastructure	5.7%	2.4%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

ASSET MIX



EQUITY INVESTMENTS

In 2014, the *Program's* Canadian equity managers posted a combined return of 8.9%, trailing both the median pension fund return of 10.5% and the S&P/TSX Composite Index return of 10.6%.

The *Program's* foreign equity managers, collectively, reported a return of 14.5% in Canadian dollar terms for 2014, placing the group at the 31st percentile ranking of Canadian pension funds, and ahead of the benchmark (50% S&P 500 [CAD], 50% MSCI Europe, Australasia, Far East [CAD] Index) return of 14.1%.

The *Program's* US equity managers registered a return of 24.6%, in Canadian dollars, outperforming both the median pension fund return of 22.0%, and the S&P 500 (CAD) Index return of 23.9%.

The *Program's* Non-North American equity managers reported a collective return of 4.3%, slightly better than the MSCI Europe, Australasia, Far East (CAD) Index return of 3.7%, but below the median pension fund return of 6.5%.

FIXED INCOME INVESTMENTS

The *Program's* bond portfolio posted a return of 12.1% in 2014, outperforming the median pension fund return of 11.0%, but lagging the benchmark (40% DEX Universe Bond Index, 60% DEX Long Bond Index) return of 13.5%. The underperformance versus the benchmark was due to the bond portfolio's lower duration in a low interest rate environment.

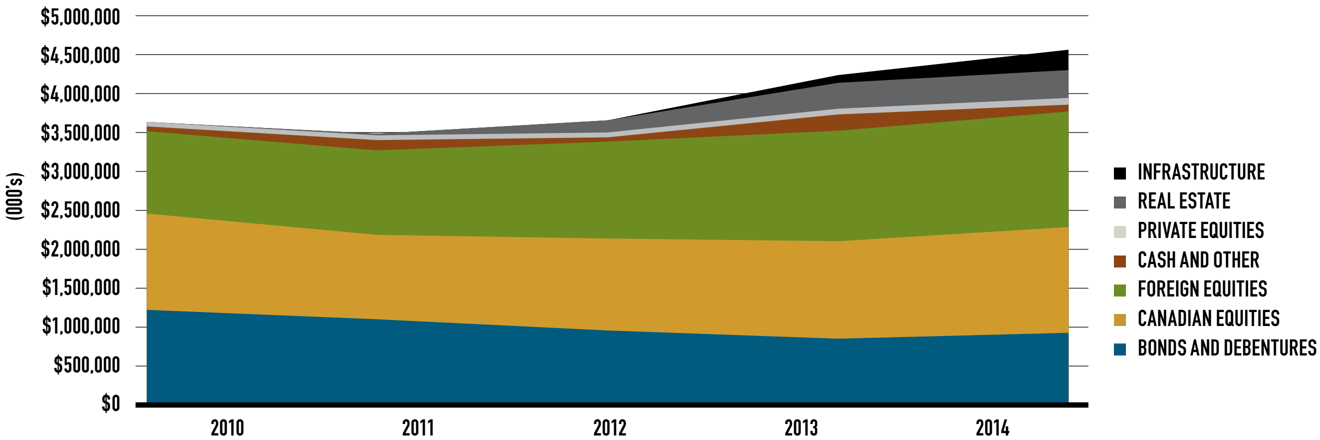
For the four- and ten-year periods ended December 31, 2014, the bond portfolio returned 5.3% and 5.4%, respectively. Over the past ten years, the portfolio has underperformed both the benchmark (5.7%) and the median pension fund (5.8%).

FIXED INCOME INVESTMENTS SUMMARY

AS AT DECEMBER 31, 2014

DESCRIPTION	PENSION PLAN MARKET VALUE (IN THOUSANDS)
Government of Canada bonds	$ 198,456
Provincial bonds	307,000
Canadian cities and municipalities	16,200
Corporate and other institutions bonds	405,490
Total bonds and debentures	$ 927,146
Call funds—City of Winnipeg	$ 22,661
Cash	65,156
Total short-term investments	$ 87,817

INVESTMENTS



TOTAL RETURNS

	ONE YEAR	FOUR YEARS	TEN YEARS
Total Fund	**11.0%**	**9.4%**	**7.2%**
Bonds and debentures	12.1%	5.3%	5.4%
Canadian equities	8.9%	7.2%	8.3%
Foreign equities	14.5%	15.4%	6.5%
Real estate	5.0%	N/A	N/A
Infrastructure	8.9%	N/A	N/A
Benchmarks			
FTSE TMX Canada Universe Index	8.8%	5.1%	5.3%
S&P / TSX Composite Index	10.6%	5.2%	7.6%
S&P 500 (CAD$)	23.9%	20.1%	7.3%
Europe, Australasia, Far East Stock Market Index (CAD$)	3.7%	8.8%	4.1%
IPD Canadian Property Index	5.4%	11.3%	10.9%
Consumer Price Index (CPI)	1.5%	1.5%	1.7%

LOOKING AHEAD

Looking forward to 2015, the *Board* and its Investment Committee will continue to prudently manage the *Program's* assets towards its long term objective of CPI+4%. It is expected that a new private capital manager and one more global infrastructure manager will be added to the line-up.

The *Program* will also conduct its next asset-liability study in 2015 and determine if any changes are warranted to the long term policy asset mix.

CONTRIBUTIONS

As approved by the City of Winnipeg and the Signatory Unions, the rate of contribution to the *Program* increased an average of 0.5% of pensionable earnings for both employees and employers effective the first pay period in January 2014. This was the fourth and final increase in a series of increases phased in from 2011 to 2014.

The average contribution rate to the *Program* is now 10.0% of pensionable earnings for both employees and employers. Employee contributions are lower on earnings up to the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan, and higher on earnings above the YMPE. The breakdown for 2014 was as follows:

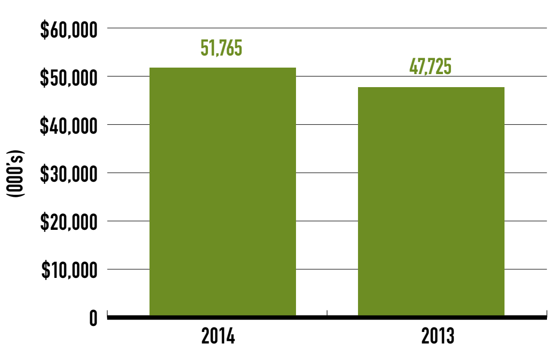
EMPLOYEE CONTRIBUTION RATE IN 2014

Earnings up to the 2014 CPP earnings ceiling[1] of $52,500	9.5%
Earnings over the 2014 CPP earnings ceiling[2] up to $161,850	11.8%

1. The Year's Maximum Pensionable Earnings (YMPE) is the maximum pensionable earnings under the Canada Pension Plan, which was $52,500 for 2014.
2. Contributions are only required on salary up to the maximum salary for which a benefit can be accrued under the Income Tax Act, which was $161,850 for 2014.

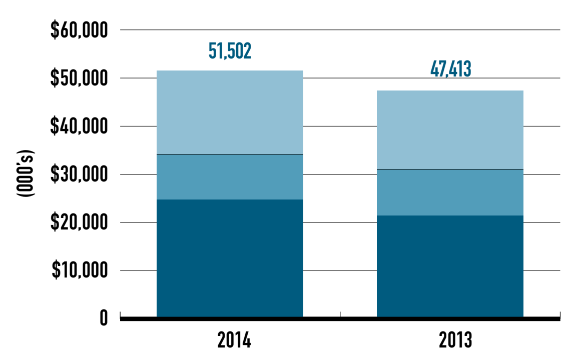
Employees are required to make regular contributions to the *Pension Plan* each pay period. Employers contribute to the *Pension Plan* as well—and also to cover the costs of the *Disability Plan* and *Early Retirement Benefits Arrangement*. Employers match employee contributions either in cash or cash in combination with a transfer from the City Account.

EMPLOYEE CONTRIBUTIONS*



*Employee contributions also include such items as voluntary Employee Additional Contributions and past service contributions for which there are no required Employer contributions.

EMPLOYER CONTRIBUTIONS AND TRANSFERS*



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

- TRANSFERS FROM CITY ACCOUNT
- LONG TERM DISABILITY PLAN
- EARLY RETIREMENT BENEFITS ARRANGEMENT
- PENSION PLAN

COST OF BENEFITS FOR SERVICE IN 2014

	EMPLOYEE CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS*	ALLOCATION FROM SURPLUS	TOTAL
As a percentage of contributory earnings				
September 1, 2011 benefits level	9.99%	9.99%	0.76%	20.74%

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

FIVE YEAR FINANCIAL SUMMARY

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

(IN $ THOUSANDS)	2014	2013	2012	2011	2010
FINANCIAL POSITION					
Investments at fair value:					
Bonds and debentures	$ 927,146	$ 851,719	$ 934,944	$1,078,947	$1,201,536
Real return bonds	-	-	22,132	22,221	20,325
Canadian equities	1,358,530	1,252,195	1,181,201	1,084,250	1,237,028
Foreign equities	1,484,449	1,419,084	1,244,725	1,085,645	1,058,070
Cash and short-term deposits	87,817	209,302	55,099	131,564	61,704
Private equities	86,645	73,719	62,680	61,071	56,888
Real estate	357,711	332,185	155,957	20,741	-
Infrastructure	261,500	99,551	-	-	-
Other liabilities	(15,571)	(10,046)	(10,023)	(7,300)	(9,210)
Net assets available for benefits	4,548,227	4,227,709	3,646,715	3,477,139	3,626,341
Pension obligations	4,054,660	3,793,023	3,609,182	3,443,897	3,357,855
Surplus	$ 493,567	$ 434,686	$ 37,533	$ 33,242	$ 268,486
Surplus (deficit) comprised of:					
Main Account	$ 448,430	$ 377,506	$ (25,247)	$ (39,409)	$ 176,635
Plan Members' Account	3,506	3,164	2,645	2,434	9,772
City Account	41,631	54,016	60,135	70,217	82,079
	$ 493,567	$ 434,686	$ 37,533	$ 33,242	$ 268,486
CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS					
Contributions:					
Employees	$ 51,765	$ 47,725	$ 43,166	$ 38,444	$ 36,712
City of Winnipeg and Participating Employers	24,742	21,480	18,089	18,130	15,771
Reciprocal transfers	842	1,160	845	417	375
Net investment income (loss)	449,301	703,176	296,272	(35,850)	348,155
	526,650	773,541	358,372	21,141	401,013
Pension payments	176,637	169,270	162,149	152,907	144,169
Lump sum benefits	26,128	19,955	23,421	14,389	14,330
Administration	3,367	3,322	3,226	3,047	3,324
	206,132	192,547	188,796	170,343	161,823
Increase (decrease) in net assets available for benefits	$ 320,518	$ 580,994	$ 169,576	$ (149,202)	$ 239,190
Annual rates of return	11.0%	19.8%	8.9%	-1.0%	10.6%

(IN $ THOUSANDS)	2014	2013	2012	2011	2010
CHANGES IN PENSION OBLIGATIONS					
Accrued pension benefits, beginning of year	$3,793,023	$3,609,182	$3,443,897	$3,357,855	$3,236,533
Increase in accrued pension benefits:					
Interest on accrued pension benefits	224,521	213,907	211,633	204,767	199,229
Benefits accrued	113,635	113,987	98,883	104,574	112,186
Change in actuarial assumptions	137,718	113,642	82,931	-	-
	475,874	441,536	393,447	309,341	311,415
Decrease in accrued pension benefits:					
Benefits paid	211,142	197,746	193,616	175,068	166,365
Experience gains and losses and other factors	(1,430)	55,586	30,411	41,723	19,821
Change in actuarial assumptions	-	-	-	2,705	-
Administration	4,525	4,363	4,135	3,803	3,907
	214,237	257,695	228,162	223,299	190,093
Net increase in accrued pension benefits for the year	261,637	183,841	165,285	86,042	121,322
Accrued pension benefits, end of year	$ 4,054,660	$ 3,793,023	$ 3,609,182	$ 3,443,897	$3,357,855
CHANGES IN SURPLUS (DEFICIT)					
Surplus, beginning of year	$ 434,686	$ 37,533	$ 33,242	$ 268,486	$ 150,618
Increase (decrease) in net assets available for benefits	320,518	580,994	169,576	(149,202)	239,190
Net increase in accrued pension benefits for the year	(261,637)	(183,841)	(165,285)	(86,042)	(121,322)
Surplus, end of year	$ 493,567	$ 434,686	$ 37,533	$ 33,242	$ 268,486
Surplus (deficit) comprised of:					
Main Account	$ 448,430	$ 377,506	$ (25,247)	$ (39,409)	$ 176,635
Plan Members' Account	3,506	3,164	2,645	2,434	9,772
City Account	41,631	54,016	60,135	70,217	82,079
	$ 493,567	$ 434,686	$ 37,533	$ 33,242	$ 268,486

(IN $ THOUSANDS)	2014	2013	2012	2011	2010
RECONCILIATION OF SURPLUS (DEFICIT) FOR FINANCIAL STATEMENT REPORTING PURPOSES TO ACTUARIAL VALUATION POSITION					
Surplus (deficit) for financial statement reporting purposes—Main Account	$ 448,430	$ 377,506	$ (25,247)	$ (39,409)	$ 176,635
Fair value change not reflected in actuarial value of assets	(411,663)	(318,247)	78,063	174,461	(22,601)
Surplus for actuarial valuation purposes—Main Account (2010-2011, as estimated)	36,767	59,259	52,816	135,052	154,034*
Add: special purpose accounts					
Plan Members' Account (2010, *Plan Members' Account—Enhancement Cost Reserve*)	3,506	3,164	2,645	2,434	9,772
City Account	41,631	54,016	60,135	70,217	82,079
Surplus for actuarial valuation purposes—including special purpose accounts (2010-2011, as estimated)	$ 81,904	$ 116,439	$ 115,596	$ 207,703	$ 245,885

**Main Account—General Component and Main Account—Future Contribution Reserve* were combined September 1, 2011. Comparative figures for 2010 include the former Main Account—Future Contribution Reserve in the amount of $148,908,000.

INDEPENDENT AUDITOR'S REPORT
THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

To the Chairperson and Members of The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund)

We have audited the accompanying financial statements of The Winnipeg Civic Employees' Pension Plan, which comprise the statement of financial position as at December 31, 2014, and the statement of changes in net assets available for benefits, changes in pension obligations and changes in surplus 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 controls 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 Civic Employees' Pension Plan as at December 31, 2014, and the changes in its net assets available for benefits, changes in its pension obligations and changes in surplus for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Accountants
JUNE 18, 2015
WINNIPEG, MANITOBA

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31 (IN $ THOUSANDS)	2014	2013
ASSETS		
Investments, at fair value		
Bonds and debentures	$ 927,146	$ 851,719
Canadian equities	1,358,530	1,252,195
Foreign equities	1,484,449	1,419,084
Cash and short-term deposits	87,817	209,302
Private equities	86,645	73,719
Real estate	357,711	332,185
Infrastructure	261,500	99,551
	4,563,798	4,237,755
Participants' contributions receivable	4	-
Employers' contributions receivable	21	8
Accounts receivable	1,669	1,471
Due from other plans	174	-
Total Assets	4,565,666	4,239,234
LIABILITIES		
Accounts payable	17,439	11,480
Due to other plans	-	45
Total Liabilities	17,439	11,525
NET ASSETS AVAILABLE FOR BENEFITS	4,548,227	4,227,709
PENSION OBLIGATIONS	4,054,660	3,793,023
SURPLUS	$ 493,567	$ 434,686
SURPLUS COMPRISED OF:		
Main Account	$ 448,430	$ 377,506
Plan Members' Account	3,506	3,164
City Account	41,631	54,016
	$ 493,567	$ 434,686

See accompanying notes to the financial statements

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31 (IN $ THOUSANDS)	2014	2013
INCREASE IN ASSETS		
Contributions		
Employees	$ 51,765	$ 47,725
City of Winnipeg and Participating Employers	24,742	21,480
Reciprocal transfers from other plans	842	1,160
	77,349	70,365
Investment income (Note 5)	104,503	100,652
Current period change in fair value of investments	358,755	613,608
Total increase in assets	540,607	784,625
DECREASE IN ASSETS		
Pension payments	176,637	169,270
Lump sum benefits (Note 7)	26,128	19,955
Administrative expenses (Note 8)	3,367	3,322
Investment management and custodial fees	13,957	11,084
Total decrease in assets	220,089	203,631
Increase in net assets	320,518	580,994
Net assets available for benefits at beginning of year	4,227,709	3,646,715
Net assets available for benefits at end of year	$ 4,548,227	$ 4,227,709

See accompanying notes to the financial statements

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

	2014	2013
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	$ 3,793,023	$ 3,609,182
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	224,521	213,907
Benefits accrued	113,635	113,987
Changes in actuarial assumptions	137,718	113,642
Total increase in accrued pension benefits	475,874	441,536
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	211,142	197,746
Experience gains and losses and other factors	(1,430)	55,586
Administration expenses	4,525	4,363
Total decrease in accrued pension benefits	214,237	257,695
NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR	261,637	183,841
ACCRUED PENSION BENEFITS, END OF YEAR	$ 4,054,660	$ 3,793,023

See accompanying notes to the financial statements

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN SURPLUS

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

	2014	2013
SURPLUS, BEGINNING OF YEAR	$ 434,686	$ 37,533
Increase in net assets available for benefits for the year	320,518	580,994
Net increase in accrued pension benefits for the year	(261,637)	(183,841)
SURPLUS, END OF YEAR	$ 493,567	$ 434,686

See accompanying notes to the financial statements

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

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

FOR THE YEAR ENDED DECEMBER 31 (IN $ THOUSANDS)	2014 MAIN ACCOUNT	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
INCREASE IN ASSETS				
Contributions				
Employees	$ 51,765	$ -	$ -	$ 51,765
City of Winnipeg and Participating Employers	24,742	-	-	24,742
Reciprocal transfers from other plans	842	-	-	842
	77,349	-	-	77,349
Transfers from/to other accounts (Note 1)				
City Account	17,282	-	(17,282)	-
	94,631	-	(17,282)	77,349
Investment income (Note 5)	103,284	80	1,139	104,503
Current period change in fair value of investments	354,572	273	3,910	358,755
Total increase (decrease) in assets	552,487	353	(12,233)	540,607
DECREASE IN ASSETS				
Pension payments	176,637	-	-	176,637
Lump sum benefits (Note 7)	26,128	-	-	26,128
Administrative expenses (Note 8)	3,367	-	-	3,367
Investment management and custodial fees	13,794	11	152	13,957
Total decrease in assets	219,926	11	152	220,089
Increase (decrease) in net assets	332,561	342	(12,385)	320,518
Net assets available for benefits at beginning of year				
Main Account	4,170,529	-	-	4,170,529
Plan Members' Account	-	3,164	-	3,164
City Account	-	-	54,016	54,016
	4,170,529	3,164	54,016	4,227,709
Net assets available for benefits at end of year	$ 4,503,090	$ 3,506	$ 41,631	$ 4,548,227

See accompanying notes to the financial statements

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

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

FOR THE YEAR ENDED DECEMBER 31 (IN $ THOUSANDS)	2013 MAIN ACCOUNT	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
INCREASE IN ASSETS				
Contributions				
Employees	$ 47,725	$ -	$ -	$ 47,725
City of Winnipeg and Participating Employers	21,480	-	-	21,480
Reciprocal transfers from other plans	1,160	-	-	1,160
	70,365	-	-	70,365
Transfers from/to other accounts (Note 1)				
City Account	16,313	-	(16,313)	-
	86,678	-	(16,313)	70,365
Investment income (Note 5)	99,119	74	1,459	100,652
Current period change in fair value of investments	604,259	453	8,896	613,608
Total increase (decrease) in assets	790,056	527	(5,958)	784,625
DECREASE IN ASSETS				
Pension payments	169,270	-	-	169,270
Lump sum benefits (Note 7)	19,955	-	-	19,955
Administrative expenses (Note 8)	3,322	-	-	3,322
Investment management and custodial fees	10,915	8	161	11,084
Total decrease in assets	203,462	8	161	203,631
Increase (decrease) in net assets	586,594	519	(6,119)	580,994
Net assets available for benefits at beginning of year				
Main Account	3,583,935	-	-	3,583,935
Plan Members' Account	-	2,645	-	2,645
City Account	-	-	60,135	60,135
	3,583,935	2,645	60,135	3,646,715
Net assets available for benefits at end of year	$ 4,170,529	$ 3,164	$ 54,016	$ 4,227,709

See accompanying notes to the financial statements

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

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

2014 FOR THE YEAR ENDED DECEMBER 31 (IN $ THOUSANDS)	MAIN ACCOUNT	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
SURPLUS, BEGINNING OF YEAR	$ 377,506	$ 3,164	$ 54,016	$ 434,686
Increase (decrease) in net assets available for benefits for the year	332,561	342	(12,385)	320,518
Net increase in accrued pension benefits for the year	(261,637)	-	-	(261,637)
SURPLUS, END OF YEAR	$ 448,430	$ 3,506	$ 41,631	$ 493,567

2013 FOR THE YEAR ENDED DECEMBER 31 (IN $ THOUSANDS)	MAIN ACCOUNT	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
SURPLUS (DEFICIT), BEGINNING OF YEAR	$ (25,247)	$ 2,645	$ 60,135	$ 37,533
Increase (decrease) in net assets available for benefits for the year	586,594	519	(6,119)	580,994
Net increase in accrued pension benefits for the year	(183,841)	-	-	(183,841)
SURPLUS, END OF YEAR	$ 377,506	$ 3,164	$ 54,016	$ 434,686

See accompanying notes to the financial statements

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN $ THOUSANDS)

1. DESCRIPTION OF PLAN

a) General

The Winnipeg Civic Employees' Pension Plan is a defined benefit pension plan which provides pension benefits for all City of Winnipeg employees, with the exception of police officers, and employees of certain other employers which participate in the *Plan*. The *Plan* is part of *The Winnipeg Civic Employees' Benefits Program* which also includes *The Winnipeg Civic Employees' Long Term Disability Plan* and *The Winnipeg Civic Employees' Early Retirement Benefits Arrangement*.

All employees of Participating Employers who work full time throughout the year are required to become members of the *Plan* at the commencement of their employment. Seasonal and part-time employees are required to become members when they have earned 25% of the maximum pensionable earnings under the Canada Pension Plan in each of two consecutive years.

b) Administration

The *Plan* is administered by *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund)*. The *Board of Trustees* is comprised of seven employer appointed Trustees and seven member appointed Trustees, of whom one member Trustee is a retired member.

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 Civic Employees' Pension Plan is comprised of three accounts, namely the Main Account, the Plan Members' Account and the City Account. The account structure is in accordance with the requirements of a *Pension Trust Agreement* entered into by the City and ten Signatory Unions, as amended effective September 1, 2011.

i) Main Account

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

During 2014, members contributed 9.5% of their Canada Pension Plan earnings plus 11.8% of any pensionable earnings in excess of Canada Pension Plan earnings to the *Program*. During 2011, the City and the Signatory Unions agreed to increase contribution rates by a total of 4% of pensionable earnings, to be phased in gradually from 2011 to 2014, at which time scheduled increases will be fully implemented and the average contribution rate will be 10% of pensionable earnings for both employees and Participating Employers.

All *Program* member contributions and employer contributions, other than those directed to *The Winnipeg Civic Employees' Long Term Disability Plan* or *The Winnipeg Civic Employees' Early Retirement Benefits Arrangement*, are credited to the Main Account. The City and Participating Employers are required to match the members' contributions to the *Program*, but may contribute at less than matching levels for any year provided that an amount equal to the difference is transferred from the City Account to the Main Account.

The *Plan* has been designated as a "multi-unit pension plan" under *The Pension Benefits Act* of Manitoba. As a "multi-unit pension plan", the financial obligations of the Participating Employers are limited to those specified in the *Pension Trust Agreement*.

An actuarial valuation of the future benefit obligations of the Main Account is carried out each year. Actuarial surpluses and funding deficiencies are dealt with in accordance with the terms of the *Pension Trust Agreement*.

ii) Plan Members' Account

The Plan Members' Account is credited with the share of all actuarial surpluses that are allocated to the *Program* members. The *Pension Trust Agreement* provides that the Plan Members' Account may be used to fund improvements in benefits or to reduce member contributions.

iii) City Account

The City Account is credited with the share of all actuarial surpluses that are allocated to the Participating Employers. The City Account finances, through transfers to the Main Account, any reduction in the Participating Employers' contributions from the amounts needed to match the *Program* members' required contributions.

d) Retirement pensions

The *Plan* allows for retirement at or after age 55 or following completion of 30 years of service (if hired before September 1, 2011) or when the sum of a member's age plus service equals 80. If hired after September 1, 2011, the minimum retirement age is age 50. The pension formula prior to age 65 is equal to 2% of the best 5-year average earnings for each year of credited service. The pension formula after age 65 is equal to 1.5% of the 5-year average Canada Pension Plan earnings plus 2% of the best 5-year average non-Canada Pension Plan earnings for each year of credited service. Early retirement reductions apply to pensions derived from service on and after September 1, 2011 if certain service thresholds are not met. Reductions apply to members' pensions to provide for post-retirement survivor benefits, with higher reductions to members' pensions derived from service on and after September 1, 2011. 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 *Program* text, which level is currently 80% of the percentage change in the Consumer Price Index for Canada.

e) Disability benefits

The *Plan* provides long term disability benefits for employees who were totally or partially disabled prior to December 31, 1991. All long term disability benefits for employees who became totally or partially disabled subsequent to December 31, 1991 are provided by *The Winnipeg Civic Employees' Long Term Disability Plan*. If an employee is totally disabled, the disability benefits payable from the Plan, together with the disability benefits from the Canada Pension Plan, will equal at least $66^2/_3$% of the current earnings rate for the position occupied by the employee prior to becoming disabled.

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 $66^2/_3$% 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.

h) Funding deficiencies

Funding deficiencies are dealt with in accordance with the terms of the *Pension Trust Agreement*. Remedies available under the *Pension Trust Agreement* generally include revising the actuarial assumptions, reducing the anticipated level of future cost-of-living adjustment, increasing contributions (if agreed upon by the City and the Signatory Unions), drawing upon available reserves, and if necessary, reducing benefits.

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 Participating Employers and *Program* members. They are prepared to assist *Program* 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, 5332657 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 based on the average balance of each Account 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.

3. OBLIGATIONS FOR PENSION BENEFITS

An actuarial valuation of *The Winnipeg Civic Employees' Benefits Program* was performed as of December 31, 2014 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, 2014. For the comparative 2013 figures, the actuarial present value of accrued benefits at December 31, 2013 is based on the December 31, 2013 actuarial valuation performed by Eckler Ltd. 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 5.75% (2013—6.00%) per year, inflation of 2.00% (2013—2.00%) per year and general increases in pay of 3.50% (2013—3.50%) per year. The change in the valuation interest rate from 6.00% to 5.75% increased the obligations for pension benefits by $135,250. The economic assumptions with respect to commuted values were revised, increasing obligations for pension benefits by $2,468. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The assumptions used were approved by the *Board of Trustees* 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, 2014 disclosed an excess of smoothed value of *Program* assets over going concern obligations of $81,904, of which $36,767 remains accounted for within the Main Account. In accordance with the *Pension Trust Agreement*, the excess was retained within the Main Account as it did not exceed 5% of pension obligations. The actuarial valuation as at December 31, 2013 disclosed an excess of smoothed value of *Program* assets over going concern obligations of $116,439, of which $59,259 was accounted for within the Main Account.

The actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2014 includes the obligations of *The Winnipeg Civic Employees' Long Term Disability Plan* and *The Winnipeg Civic Employees' Early Retirement Benefits Arrangement* in the amounts of $42,447 (2013—$42,215) and $5,027 (2013—$4,886) respectively. These obligations are included because the *Pension Trust Agreement* requires that all *Program* obligations be taken into account in determining the periodic actuarial surplus or funding deficiency.

The assets available to finance the *Program's* accrued benefits are those allocated to the Main Account. 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 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.

(IN $ THOUSANDS)

The effect of using a smoothed value of assets for the Main Account in determining the actuarial surplus or deficiency is as follows:

	2014	2013
Surplus for financial statement reporting purposes		
—Main Account	$ 448,430	$ 377,506
Fair value changes not reflected in actuarial value of assets	(411,663)	(318,247)
Surplus, for actuarial valuation purposes—Main Account	36,767	59,259
Add: special purpose accounts		
Plan Members' Account	3,506	3,164
City Account	41,631	54,016
Surplus, for actuarial valuation purposes		
including special purpose accounts	$ 81,904	$ 116,439

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, 2014, the *Plan's* credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $1,014,963 (2013—$1,061,022).

The *Plan's* concentration of credit risk as at December 31, 2014, related to bonds and debentures, is categorized amongst the following types of issuers:

TYPE OF ISSUER	2014 FAIR VALUE	2013 FAIR VALUE
Government of Canada and Government		
of Canada guaranteed	$ 198,456	$ 220,282
Provincial and Provincial guaranteed	307,000	252,373
Canadian cities and municipalities	16,200	15,042
Corporations and other institutions	405,490	364,022
	$ 927,146	$ 851,719

The *Plan's* investments include short-term deposits with the City of Winnipeg which have a fair value of $22,661 at December 31, 2014 (2013—$147,658).

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.

(IN $ THOUSANDS)

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

	2014		2013	
CREDIT RATING	PERCENT OF TOTAL BONDS	PERCENT OF NET ASSETS	PERCENT OF TOTAL BONDS	PERCENT OF NET ASSETS
AAA	30.4	6.2	33.4	6.7
AA	30.9	6.3	28.7	5.8
A	27.4	5.6	27.9	5.6
BBB	9.3	1.9	8.7	1.8
BB	2.0	0.4	1.3	0.3
	100.0	20.4	100.0	20.2

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 14% 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 10% 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 22.2% (2013—25.0%) of its assets invested in fixed income securities as at December 31, 2014. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

(IN $ THOUSANDS)

The term to maturity and related fair values of investments in bonds and debentures held by the *Plan* at December 31, 2014 are as follows:

TERM TO MATURITY	2014 FAIR VALUE	2013 FAIR VALUE
Less than one year	$ 33,907	$ 14,629
One to five years	234,502	230,380
Greater than five years	658,737	606,710
	$ 927,146	$ 851,719

As at December 31, 2014, had prevailing interest rates raised or lowered by 0.5% (2013—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 $46,172 (2013—$39,051), approximately 1.0% of total net assets (2013—0.9%). 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, real estate and infrastructure 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, 2014. 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.

	2014				2013	
	GROSS EXPOSURE	NET FOREIGN CURRENCY HEDGE	NET EXPOSURE	IMPACT ON NET ASSETS	NET EXPOSURE	IMPACT ON NET ASSETS
United States	$ 984,717	$ 22,933	$ 961,784	$ 96,178	$ 849,227	$ 84,923
Euro countries	228,683	10,644	218,039	21,804	211,373	21,137
United Kingdom	184,395	52,922	131,473	13,147	113,427	11,343
Japan	76,798	-	76,798	7,680	64,249	6,425
Hong Kong	56,184	-	56,184	5,618	39,264	3,926
Switzerland	56,114	-	56,114	5,611	42,025	4,202
Sweden	40,870	-	40,870	4,087	37,155	3,715
Australia	18,823	12,328	6,495	650	10,708	1,071
Other	61,165	-	61,165	6,117	96,255	9,626
	$ 1,707,749	$ 98,827	$ 1,608,922	$ 160,892	$1,463,683	$ 146,368

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, 2014, 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 $426,447 (2013—$400,692), approximately 9.4% of total net assets (2013—9.5%). 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, 2014, the estimated fair value of private equity investments is $86,645 (2013—$73,719), approximately 1.9% of total net assets (2013—1.7%), and the related change in fair value of investments recognized for the year ended December 31, 2014 is $26,647 (2013—$19,346). As at December 31, 2014, the estimated fair value of real estate investments is $357,711 (2013—$332,185), approximately 7.9% of total net assets (2013—7.9%), and the related change in fair value of investments recognized for the year ended December 31, 2014 is $16,595 (2013—$23,646).

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 to date has made payments of $166,080 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 B3 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, 2014, the estimated fair value of the infrastructure investments is $261,500 (2013—$99,551), approximately 5.8% of total net assets (2013—2.4%), and the related change in fair value of investments recognized for the year ended December 31, 2014 is $12,976 (2013—$1,181).

(IN $ THOUSANDS)

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, 2014 and December 31, 2013, classified using the fair value hierarchy described above:

	LEVEL 1	LEVEL 2	LEVEL 3	2014 TOTAL INVESTMENT ASSETS AT FAIR VALUE
Bonds and debentures	$ -	$ 927,146	$ -	$ 927,146
Canadian equities	1,358,530	-	-	1,358,530
Foreign equities	1,481,803	2,646	-	1,484,449
Cash and short term deposits	67,814	20,003	-	87,817
Private equities	-	-	86,645	86,645
Real estate	-	-	357,711	357,711
Infrastructure	-	-	261,500	261,500
	$2,908,147	$ 949,795	$705,856	$4,563,798

	LEVEL 1	LEVEL 2	LEVEL 3	2013 TOTAL INVESTMENT ASSETS AT FAIR VALUE
Bonds and debentures	$ -	$ 851,719	$ -	$ 851,719
Canadian equities	1,252,195	-	-	1,252,195
Foreign equities	1,407,715	11,369	-	1,419,084
Cash and short term deposits	179,196	30,106	-	209,302
Private equities	-	-	73,719	73,719
Real estate	-	-	332,185	332,185
Infrastructure	-	-	99,551	99,551
	$2,839,106	$ 893,194	$505,455	$4,237,755

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

(IN $ THOUSANDS)

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

PRIVATE EQUITIES	2014	2013
Fair value, beginning of year	$ 73,719	$ 62,680
Gains recognized in increase in net assets	26,647	19,346
Purchases	4,813	3,064
Sales	(18,534)	(11,371)
	$ 86,645	$ 73,719

REAL ESTATE	2014	2013
Fair value, beginning of year	$ 332,185	$ 155,957
Gains recognized in increase in net assets	16,595	23,646
Purchases	10,178	155,133
Sales	(1,247)	(2,551)
	$ 357,711	$ 332,185

INFRASTRUCTURE	2014	2013
Fair value, beginning of year	$ 99,551	$ -
Gains recognized in increase in net assets	12,976	1,181
Purchases	149,880	98,370
Sales	(907)	-
	$ 261,500	$ 99,551

(IN $ THOUSANDS)

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 fair value of the investment assets of the Fund. As at December 31, 2014, the Fund held the following investments that met this classification:

	2014
Bonds and debentures	
TD Emerald Long Bond Broad Market Pooled Fund Trust	$ 386,161
TD Lancaster Fixed Income Fund II	273,672
Fiera Active Fixed Income Fund	267,313
Canadian equities	
TD Emerald Canadian Equity Index Fund	422,266
Bank of Nova Scotia	51,926
Toronto–Dominion Bank	51,044
Foreign equities	
State Street S&P 500 Index Common Trust Fund	395,318
Templeton Global Smaller Companies Fund	85,420
Private equities	
5332657 Manitoba Ltd. common shares	81,325
Real Estate	
Greystone Real Estate Fund Inc.	191,047
Bentall Kennedy Prime Canadian Property Fund Ltd.	158,434
Infrastructure	
OIM B3 2013 L.P.	176,407
JPMorgan Infrastructure Investments Fund	85,093

5. INVESTMENT INCOME

	2014	2013
Bonds and debentures	$ 32,308	$ 41,751
Canadian equities	34,953	32,484
Foreign equities	27,259	21,686
Cash and short-term deposits	1,759	2,180
Real estate	7,317	2,551
Infrastructure	907	-
	$ 104,503	$ 100,652

Allocated to:		
Main Account	$ 103,284	$ 99,119
Plan Members' Account	80	74
City Account	1,139	1,459
	$ 104,503	$ 100,652

(IN $ THOUSANDS)

6. INVESTMENT TRANSACTION COSTS

During 2014, the *Plan* incurred investment transaction costs in the form of brokerage commissions, in the amount of $1,140 (2013—$1,076). Investment transaction costs are included in the current period change in fair value of investments.

7. LUMP SUM BENEFITS

	2014	2013
Termination benefits	$ 15,176	$ 11,975
Death benefits	4,971	4,008
Payments on relationship breakdown	5,266	2,554
Other	715	1,418
	$ 26,128	$ 19,955

8. ADMINISTRATIVE EXPENSES

	2014	2013
Salaries and benefits	$ 2,039	$ 1,937
Actuarial fees	426	466
Other professional services	246	287
Office and administration	641	596
Capital expenditures	24	45
Less: recoveries from other plans	(9)	(9)
	$ 3,367	$ 3,322

Certain of the above administrative expenses, including salaries and benefits, represent the reimbursement by the *Plan* to the City of Winnipeg for the cost of supplying such services.

9. COMMITMENTS

The *Plan's* wholly-owned subsidiary, 5332657 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 $80,000. Commitments will be funded over the next several years. As at December 31, 2014, $72,224 had been funded.

10. COMPARATIVE FIGURES

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

EARLY RETIREMENT BENEFITS ARRANGEMENT

As the *Program* allows for retirement at or after age 55 without a minimum service requirement, there are some situations where *Program* benefits earned prior to September 1, 2011 exceed the maximum early retirement benefits permitted for registered pension plans under the *Income Tax Act*. Accordingly, *The Winnipeg Civic Employees' Benefits Program* includes an *Early Retirement Benefits Arrangement* to pay any early retirement pension benefits that cannot be paid by *The Winnipeg Civic Employees' Pension Plan*, as a registered pension plan. No contributions are made to fund these benefits in advance of their payment, so as not to incur a tax liability, but rather a portion of the employer contributions to the *Program* are used to pay these benefits as they fall due.

Although the *Early Retirement Benefits Arrangement* has been in existence for quite some time, 1999 was the first year benefits were paid under the *Arrangement*. The amount paid out in 2014 was $89,314 (2013—$82,677). Payments will continue to be reported in future years, but financial statements will not be published until the amounts are somewhat significant.

DISABILITY PLAN—YEAR IN REVIEW

The *Program* strives to manage long term disability claims in a manner that is service-oriented, responsible, cost-effective, and fair to all *Program* members. Diligent claims adjudication and active case management resulted in a reduction in open claims in 2014, and positive return-to-work outcomes. The professional case management team, comprised of a disability benefits manager, three case managers, three physician medical consultants (including a specialist in psychiatry), and administrative staff, is dedicated to efficient and progressive disability claim management and disability payroll services to *Program* members.

The *Program's* integrated case management process continues to be a successful service delivery model. A case management team works directly with members, unions and all Participating Employers to provide rehabilitation and return-to-work assistance.

The case management team engages external resources and allied health services such as specialists, psychologists, physiotherapists, and occupational therapists, as required, to facilitate successful return-to-work plans. In 2014, the *Program* added addictions services as an allied health service to provide specialized resources from professionals in this area.

CLAIMS ADJUDICATION AND APPEAL PROCESS

A new Claims Adjudication and Appeal Process was implemented in 2014. Under this process, the Case Manager makes all claim decisions, including approving or denying claims, and partially rating or terminating benefits. If a Member disagrees with the final decision of the Case Manager, the Member may appeal the decision—first to the Manager of Disability Benefits (or designate) and finally to an independent Appeal Panel. The *Program* will monitor the outcomes of the Claims Adjudication and Appeal Process to continue to manage the process effectively.

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN ACTIVITY SUMMARY

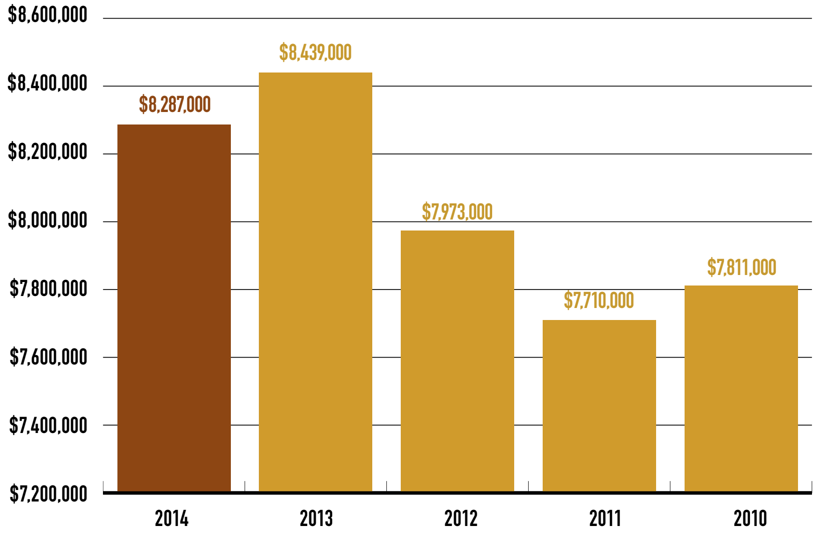
FOR THE YEARS ENDED DECEMBER 31	2014	2013	2012	2011	2010
Employees receiving disability benefits	355	364	382	380	400
Employees returning to pre-disability duties	36	35	35	36	44
Employees working in alternate duties	63	71	88	80	105

PLAN EXPERIENCE

Orthopaedic and psychological related illnesses continue to make up the majority of claims. In 2014, there was an increase in volume of open claims for these conditions and a decrease in claims for cancer and cardiac conditions.

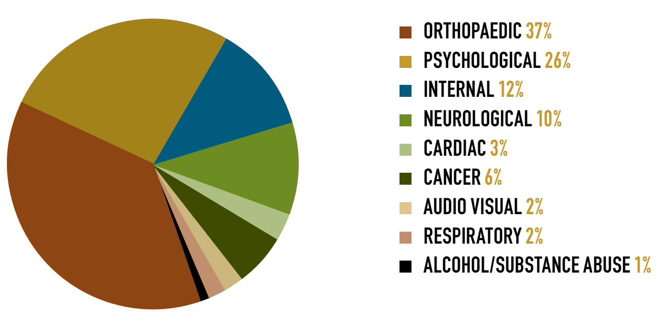
The case management team and administrative staff continue to assist members to identify and apply for other income they may be entitled to, such as Canada Pension Plan Disability benefits. This can provide additional important benefits to members and also positively affect *Plan* experience.

DISABILITY BENEFITS PAID



DIAGNOSIS AS A PERCENTAGE OF CLAIMS

AS AT DECEMBER 31, 2014



INDEPENDENT AUDITOR'S REPORT

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

To the Chairperson and Members of The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Disability Fund)

We have audited the accompanying statement of contributions and expenses of The Winnipeg Civic Employees' Long Term Disability Plan for the year ended December 31, 2014, and a summary of significant accounting policies and other explanatory information (together "the financial statement").

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENT

Management is responsible for the preparation and fair presentation of this financial statement in accordance with those requirements of The Winnipeg Civic Employees' Benefits Program – Disability Plan Trust Agreement relevant to preparing such financial statement, and for such internal controls as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statement, 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 statement 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, if any, made by management, as well as evaluating the overall presentation of the financial statement.

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 statement presents fairly, in all material respects, the contributions and expenses of The Winnipeg Civic Employees' Long Term Disability Plan for the year ended December 31, 2014 in accordance with those requirements of The Winnipeg Civic Employees' Benefits Program – Disability Plan Trust Agreement relevant to preparing such a financial statement.

Deloitte LLP

Chartered Accountants
JUNE 18, 2015
WINNIPEG, MANITOBA

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

STATEMENT OF CONTRIBUTIONS AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31 (IN $ THOUSANDS)	2014	2013
CONTRIBUTIONS		
City of Winnipeg and Participating Employers	$ 9,389	$ 9,537
Total Contributions	9,389	9,537
EXPENSES		
Administration	1,102	1,098
Disability payments	8,287	8,439
Total Expenses	9,389	9,537
	$ -	$ -

See accompanying notes to the financial statement

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2014
(IN $ THOUSANDS)

1. DESCRIPTION OF PLAN

a) General

The Winnipeg Civic Employees' Long Term Disability Plan is part of *The Winnipeg Civic Employees' Benefits Program* and provides long term disability benefits for all City of Winnipeg employees and employees of certain other employers who are contributing members of *The Winnipeg Civic Employees' Pension Plan*.

b) Administration

The *Plan* is administered by *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Disability Fund)* in accordance with the terms of *The Winnipeg Civic Employees' Benefits Program Disability Plan Trust Agreement*. The *Board of Trustees* is comprised of six employer appointed Trustees and six member appointed Trustees.

c) Contributions

The City of Winnipeg and Participating Employers contribute amounts equal to the benefits and expenses of the *Plan*. Employee contributions are not required or permitted. Accordingly, the Plan does not hold any net assets available for benefits.

d) Disability benefits

The *Plan* provides long term disability benefits, following a 26-week waiting period, for employees who become totally or partially disabled after December 31, 1991. If an employee is totally disabled, the disability benefits payable from the *Plan*, together with the disability benefits from the Canada Pension Plan, will equal at least 66²/₃% of the employee's average bi-weekly earnings prior to disability. Disability benefits are increased annually, based on either the percentage increase in the pay rate for the position regularly occupied (for disabilities occurring before September 1, 2011) or the cost-of-living adjustment rate for *The Winnipeg Civic Employees' Pension Plan* (for disabilities occurring on or after September 1, 2011).

If a member has at least two years of credited service, disability benefits are payable as long as the member is totally or partially disabled and under the personal care of a medical doctor until the maximum duration of benefits ends, at which time the member is eligible to commence receiving a retirement pension under the *Pension Plan*. The maximum duration of benefits ends between age 60 and age 65, depending on the member's length of service and date of commencement of disability.

If a member has less than two years of credited service, then benefits are payable for a maximum of two years.

The *Program* provides that *Plan* benefits can be reduced if *Program* funding is insufficient.

2. Obligations for Long Term Disability Benefits

An actuarial valuation of *The Winnipeg Civic Employees' Benefits Program* was made as of December 31, 2014 by Eckler Ltd. The valuation disclosed obligations related to *The Winnipeg Civic Employees' Long Term Disability Plan* in the amount of $42,447 (2013—$42,215). The assumptions used by the actuary were approved by the *Board of Trustees* for purposes of preparing the notes to the financial statement.

To determine the overall *Program* actuarial surplus or funding deficiency, the above obligations are included in the obligations disclosed by *The Winnipeg Civic Employees' Pension Plan*, as the pension plan holds all assets available for benefits under the *Program*.

In the event the *Program* is ever terminated, any shortfall of assets in the disability fund versus obligations for the *Long Term Disability Plan*, as measured by the *Program's* Actuary, must be transferred from *The Winnipeg Civic Employees' Pension Plan* to the City of Winnipeg, who thereupon is required to immediately contribute such amount to the *Plan*.

APPENDICES

APPENDIX A

TOP 50 CORPORATE SHARE HOLDINGS* AS AT DECEMBER 31, 2014 (IN $ THOUSANDS)

		PENSION PLAN MARKET VALUE
1	Toronto–Dominion Bank	$ 75,216
2	Bank of Nova Scotia	70,954
3	Royal Bank of Canada	58,887
4	Canadian Natural Resources Limited	49,047
5	Canadian National Railway Company	36,726
6	Bank of Montreal	33,431
7	Manulife Financial Corporation	30,060
8	Potash Corporation of Saskatchewan Inc.	29,821
9	Loblaw Companies Limited	29,100
10	Apple Inc.	28,883
11	Power Corporation of Canada, SV	28,761
12	Suncor Energy Inc.	27,345
13	Canadian Imperial Bank of Commerce	25,480
14	Magna International Inc., Class A, SV	24,877
15	Enbridge Inc.	24,828
16	Thomson Reuters Corporation	24,207
17	CGI Group Inc., Class A, SV	23,063
18	Intact Financial Corporation	22,596
19	Open Text Corporation	21,097
20	Johnson & Johnson	20,149
21	Alimentation Couche-Tard Inc., Class B, SV	18,667
22	IGM Financial Inc.	18,651
23	MEG Energy Corp.	18,638
24	Cenovus Energy Inc.	18,423
25	Wells Fargo & Co.	17,810
26	Baidu Inc.	17,560
27	Microsoft Corp.	17,348
28	Shaw Communications Inc., Class B, NV	16,287
29	Rogers Communications Inc., Class B, NV	16,019
30	Tencent Holdings Limited	15,979
31	Imperial Oil Limited	15,711
32	Gildan Activewear Inc.	15,601
33	SNC—Lavalin Group Inc.	14,875
34	Catamaran Corporation, Common	14,844
35	Finning International Inc.	14,701
36	Dollarama Inc.	13,709
37	Ritchie Brothers Auctioneers Inc.	13,356
38	SoftBank Corp.	13,137
39	Inditex	12,852
40	Fiat Chrysler Automobiles	12,657
41	Great-West Lifeco Inc.	12,535
42	Valeant Pharmaceuticals International Inc.	12,170
43	Sun Life Financial Inc.	11,752
44	AIA Group	11,651
45	CI Financial Corp.	11,649
46	First Quantum Minerals Ltd.	11,630
47	Procter & Gamble Company	11,568
48	Atlas Copco, Class A	11,167
49	Tourmaline Oil Corp.	10,669
50	BCE Inc.	10,551

*Includes effective holdings through participation in pooled funds, including index funds.

APPENDIX B

INVESTMENT MANAGERS AS AT DECEMBER 31, 2014

Fixed Income
TD Asset Management Inc.
Fiera Capital Corporation

Canadian Equities
Burgundy Asset Management Ltd.
Foyston, Gordon and Payne Inc.
Guardian Capital L.P.
TD Asset Management Inc.

US Equities
J.P. Morgan Investment Management Inc.
State Street Global Advisors, Ltd.

Non-North American Equities
Baillie Gifford Overseas Ltd.
Pyrford International
Causeway Capital Management LLC
Franklin Templeton Investments Corp.

Private Equities
Hamilton Lane Advisors LLC
Richardson Capital Limited

Real Estate
Greystone Managed Investments Inc.
Bentall Kennedy
Brookfield Asset Management

Infrastructure
OMERS Borealis Infrastructure
J.P. Morgan Investment Management Inc.

2014 DIRECTORY AS AT DECEMBER 31, 2014

BOARD OF TRUSTEES

Member Trustees (appointed by Signatory Unions)

Rob Labossiere (Chair)
UNITED FIRE FIGHTERS OF WINNIPEG

Rick Borland
PENSIONERS AND DEFERRED MEMBERS (PENSION FUND BOARD ONLY)

Clark Rempel
CUPE, LOCAL 500

Bob Ripley
CUPE, LOCAL 500

Bob Romphf
OTHER UNIONIZED AND NON-UNIONIZED EMPLOYEES

Everett Rudolph
AMALGAMATED TRANSIT UNION

Robert Young
WINNIPEG ASSOCIATION OF PUBLIC SERVICE OFFICERS

Employer Trustees (appointed by City of Winnipeg)

Deepak Joshi (Vice-Chair)
CHIEF ADMINISTRATIVE OFFICER (ACTING)

Linda Burch
DIRECTOR, CORPORATE SUPPORT SERVICES

Neil Duboff
DUBOFF EDWARDS HAIGHT & SCHACHTER LAW CORP.

Mike Ruta
CHIEF FINANCIAL OFFICER

Dave Wardrop
DIRECTOR, TRANSIT

Clive Wightman
DIRECTOR, COMMUNITY SERVICES

Vacant Position

COMMITTEES

Investment Committee

Appointed by Employer Trustees

Eric Stefanson, F.C.A. (Chair)
Sam Pelletieri, CFA
Rob Provencher

Appointed by Member Trustees

Jon Holeman
Bob Romphf
Gary Timlick

Audit Committee (Pension Fund)

Mike Ruta (Chair)
Rick Borland
Bob Romphf
Dave Wardrop
Deepak Joshi (ex-officio)
Rob Labossiere (ex-officio)

Audit Committee (Disability Fund)

Mike Ruta (Chair)
Bob Romphf
Dave Wardrop
Linda Burch (ex-officio)
Bob Ripley (ex-officio)
Vacant Position

Governance Committee

Neil Duboff
Deepak Joshi
Rob Labossiere
Bob Ripley
Clive Wightman
Robert Young

MANAGEMENT

Glenda Willis
CHIEF EXECUTIVE OFFICER

Nestor Theodorou
CHIEF INVESTMENT OFFICER

Rob Sutherland
MANAGER, FINANCE & ADMINISTRATION

Merrill Clark
DIRECTOR, MEMBER SERVICES

Cathie Langdon
MANAGER, DISABILITY BENEFITS

Bill Battershill
MANAGER, INFORMATION SYSTEMS

Amanda Jeninga
MANAGER, COMMUNICATIONS

EXTERNAL ADVISORS

Actuary

Eckler Ltd.

Mercer (Canada) Limited (on a transitional basis)

Consulting Actuary

Smith Pension & Actuarial Consultants Inc.

Auditor

Deloitte LLP

Custodian

RBC Investor Services

Investment Consultant

Aon Hewitt

Legal Counsel

Koskie Minsky
Taylor McCaffrey

Medical Consultants

Dr. R. Bruce Boyd
Dr. Lori Koz

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BENEFITS PROGRAM