2014 REPORT TO MEMBERS

WCEBP

WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

This summary annual report highlights the activity of the *Board of Trustees* as well as key operational activities of *The Winnipeg Civic Employees' Benefits Program* for the year ended December 31, 2014. A full version of our *2014 Annual Report*, which contains audited financial statements for the *Pension Plan* and the *Disability Plan*, is available online at WCEBP.ca.

2014 AT A GLANCE

The Winnipeg Civic Employees' Benefits Program (the "*Program*") currently serves approximately 17,000 members with assets under management of over $4 billion.

The *Program* 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.

FUNDED STATUS

The most recent actuarial valuation of the *Program*, as at December 31, 2014, showed that, on a **going-concern basis** (which assumes that the *Program* will continue to operate indefinitely), the *Program* 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 of assets, 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.

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*, (in the full version of the *2014 Annual Report*) for descriptions of the three accounts.

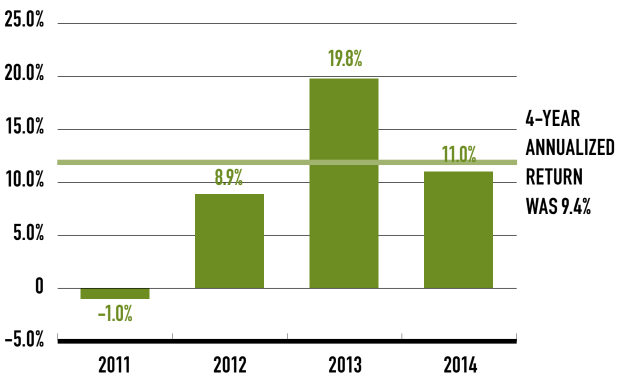
The application of this actuarial asset "smoothing" technique (which recognizes investment gains or losses over five years) has been used by the *Program* for many years. In this case, a portion of "excess" investment returns (returns above the assumed funding valuation interest rate) has been deferred to be recognized in future years (through 2018).

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. 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.

INVESTMENT PERFORMANCE

A strong stock market and improved bond market resulted in another year of double-digit returns for the *Program*, a rate of return on investments of 11.0% in 2014. This performance, however, 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.

ANNUAL INVESTMENT RETURN



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.

Implementation of the *Program's* long term policy asset mix (adopted in 2011 following an asset-liability study in 2010) 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%, respectively, of the *Program's* investment portfolio.

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%

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

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

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 —9.5% on employee earnings up to the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan and 11.8% on earnings above the YMPE.

COST OF BENEFITS FOR SERVICE IN 2014

	EMPLOYEE CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS*	ALLOCATION FROM SURPLUS	TOTAL COST
As a percentage of contributory earnings†	9.99%	9.99%	0.76%	20.74%

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

† September 1, 2011 benefits level

PARTICIPATING EMPLOYERS

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*

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 members. The *Program* administration will continue to build on this success.

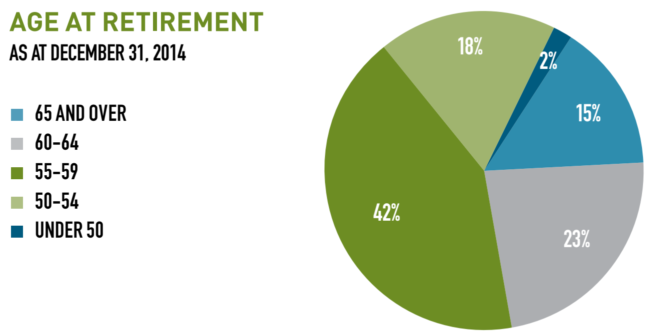
Member Service staff continue to meet face-to-face with members and their spouses at retirement. In addition to processing retirements, services to members also include new enrolments; processing of relationship breakdowns, terminations and deaths; an in-house biweekly payroll for pensioners and survivors;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

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

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

AGE AT RETIREMENT
AS AT DECEMBER 31, 2014



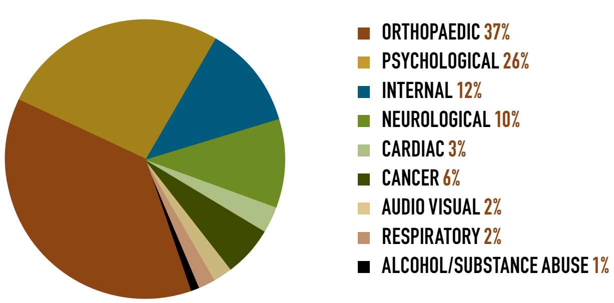
LONG TERM DISABILITY PLAN EXPERIENCE

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.

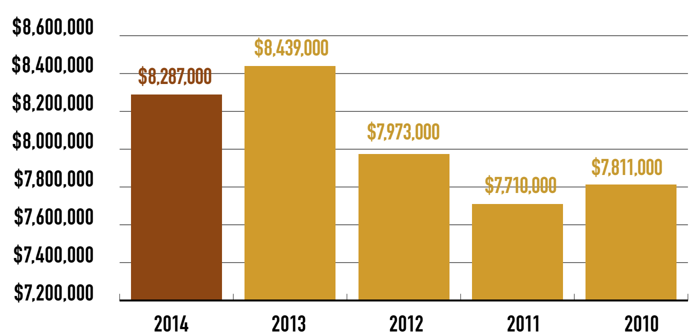
Orthopaedic and psychological related illnesses continue to make up the majority of claims. In 2014, there was an increase in volume of open claims for these conditions and a decrease in claims for cancer and cardiac conditions.

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 *Disability Plan* experience.

DIAGNOSIS AS A PERCENTAGE OF CLAIMS
AS AT DECEMBER 31, 2014



DISABILITY BENEFITS PAID



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

PROGRAM GOVERNANCE

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.

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.

IN 2014

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. 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.

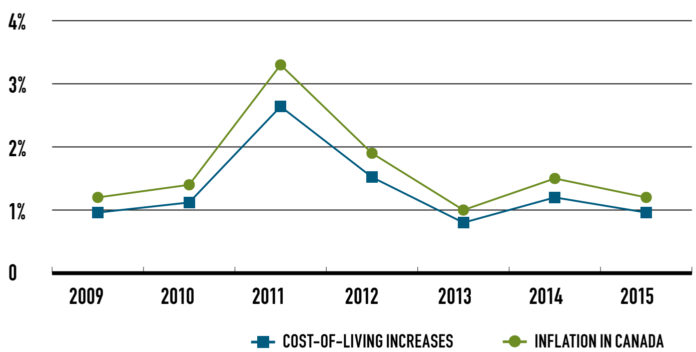
At its September 2014 Strategic Planning Session, the *Board* identified service provider market testing as a strategic priority. A market review of audit services has been undertaken in 2015, and the remaining key service providers are scheduled for review in subsequent years.

VALUES: } Trust • Integrity • Equity
Respect • Service

COST-OF-LIVING ADJUSTMENTS

The *Program's* going-concern funded status of 102.0% enabled the cost-of-living adjustment (COLA) to pensions (paid 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 payment and deferred pensions is expected to gradually decline over time from 80% to 50% of the annual percentage increase in Canada's CPI.

COST OF LIVING INCREASES



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