2015

WINNIPEG POLICE PENSION PLAN

ANNUAL REPORT

TABLE OF CONTENTS

2015 ANNUAL REPORT

This annual report of the *Winnipeg Police Pension Plan* (the *Plan*), for the year ended December 31, 2015, contains audited financial statements of the *Plan* and highlights the activity of the *Winnipeg Police Pension Board* (the *Board*) as well as key operational activities in the year.

2015 AT A GLANCE

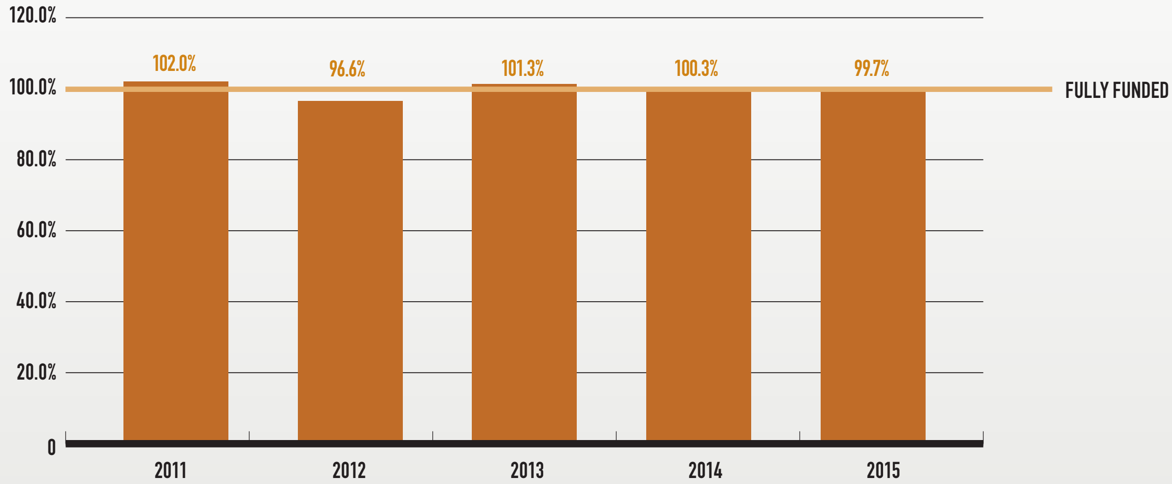
The *Plan* currently serves over 2,600 members (comprised of police officers, retired police officers, and other beneficiaries) with assets under management of over $1.3 billion.

FUNDED STATUS

Actuarial valuation results as at December 31, 2015 show that:

- The *Plan* had a shortfall of "smoothed value" of assets versus going-concern liabilities of $3.7 million and a going-concern funded ratio of 99.7% (prior to resolution of the in-year deficit in the Main Account—General Component; refer to *Financial Status* section on page 4 for details).
- "Excess" investment returns (those that exceeded the assumed rate of investment return in 2013, 2014 and 2015) generated $32.2 million to be recognized in 2015 and a further $81.4 million to be recognized for actuarial valuation purposes in future years (through 2019), under the "asset smoothing" technique used by the *Plan*.

FUNDED RATIO BASED ON ACTUARIAL VALUE OF ASSETS

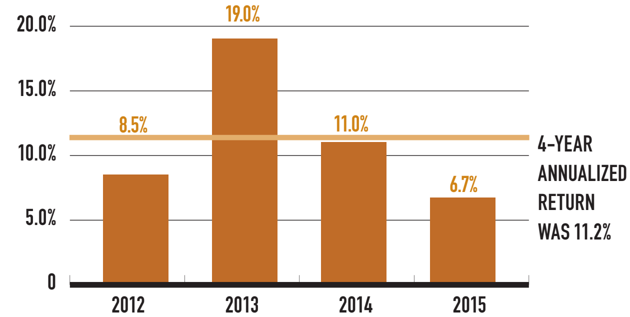


INVESTMENTS

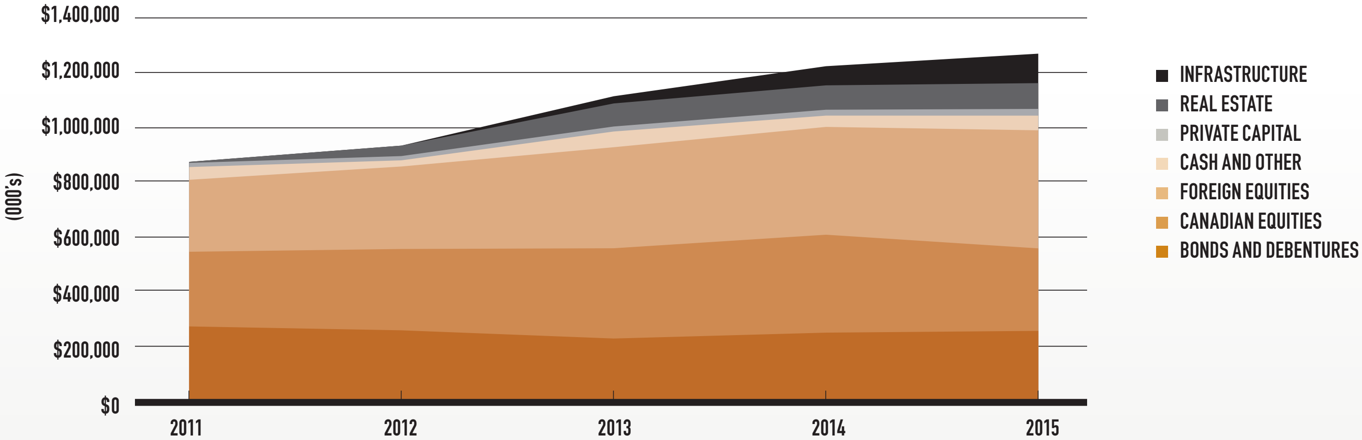
The *Plan's* investment portfolio achieved a rate of return of 6.7% in 2015, out-performing its benchmark portfolio by 1.0%. The *Plan's* performance ranked in the 3rd quartile of large pension plans in the country (median Canadian pension fund return of 7.3%, as measured by RBC Investor Services, an independent measurement service).

Allocations to real estate debt, global infrastructure, and private capital occurred in 2015. The *Plan's* allocation to Canadian equities declined while fixed income was stable. Although equity returns were challenged in 2015, the *Plan's* foreign equity holdings benefitted from a strong US dollar.

ANNUAL INVESTMENT RETURN



INVESTMENTS



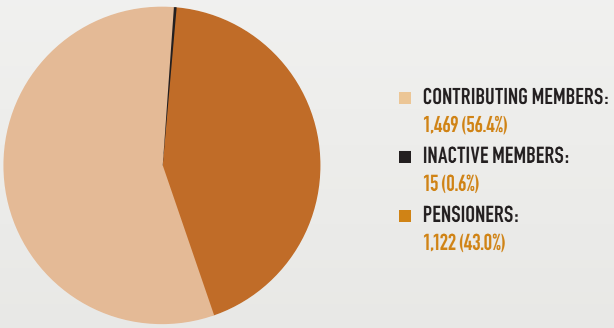
MEMBERSHIP

Total *Plan* membership remained roughly the same as in 2014. There were 47 retirements in 2015, and 20 new members joined the *Plan*. The ratio of contributing members to pensioners remained fairly constant.

MEMBERSHIP PROFILE

AS AT DECEMBER 31, 2015

TOTAL MEMBERS: 2,606



FINANCIAL POSITION

AS AT DECEMBER 31, 2015
(IN $ THOUSANDS)

	FAIR VALUE	ACTUARIAL VALUE
Net assets available for benefits		
Main Account—General Component	$ 1,288,906	$ 1,207,518
Main Account—Contribution Stabilization Reserve	–	–
Plan Members' Account	11,385	11,385
City Account	–	–
	$ 1,300,291	$ 1,218,903
Plan Obligations	$ 1,222,646	$ 1,222,646
Funded Ratio	106.4%	99.7%

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

COST OF BENEFITS FOR SERVICE IN 2016

	AS % OF CONTRIBUTORY EARNINGS
Normal actuarial cost of benefits in 2016	**26.36%**
Employee required contributions	8.00%
City of Winnipeg required contributions	17.94%
Balance from future surplus or COLA reduction	0.42%
	26.36%

COST OF BENEFITS FOR SERVICE IN 2015

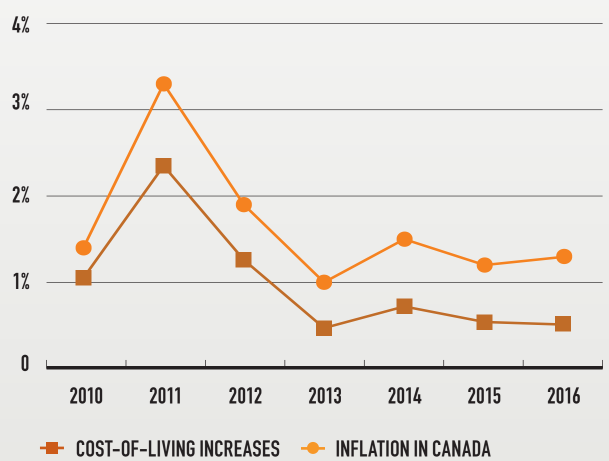
	AS % OF CONTRIBUTORY EARNINGS
Normal actuarial cost of benefits in 2015	**25.42%**
Employee required contributions	8.00%
City of Winnipeg required contributions	15.63%
Balance from future surplus or COLA reduction	1.79%
	25.42%

COST-OF-LIVING ADJUSTMENTS

The *Winnipeg Police Pension Plan* provides for annual cost-of-living adjustments (COLA) to both pensions in payment and deferred pensions.

The level of COLA granted is tied to the funded status of the *Plan*. In 2016, COLA was granted at a rate of 39.5% of the annual increase in Canada's Consumer Price Index at March 31.

COST OF LIVING INCREASES



FINANCIAL STATUS

GOING-CONCERN BASIS

The most recent actuarial valuation of the *Winnipeg Police Pension Plan*, as at December 31, 2015, disclosed that, measured on a going-concern basis (which assumes the *Plan* will continue to exist into the future), the *Plan* was in a deficit position with respect to benefits accrued for all service up to December 31, 2015. At that date, the *Plan* had a shortfall of assets versus actuarial liabilities of $3,743,000—a funded ratio of 99.7%—based on the value of assets which *smooths* investment gains and losses over five years. If the *fair* value of assets had been used instead of the *smoothed* value, there would have been an excess of $77,645,000—which would have resulted in a funded ratio of 106.4% on a *fair* value basis. The application of an actuarial "asset smoothing" technique has been used by the *Plan* for many years.

Although changes to actuarial assumptions increased the *Plan's* obligations in 2015, the *Plan's* actuarial position benefitted from significant investment experience gains. The *Plan's* investment portfolio achieved a rate of investment return of 6.7%. The "excess" investment returns (those that exceeded the net rate of return assumed for actuarial purposes in 2015), together with unrecognized investment market gains from 2014 and 2013, generated "excess" investment returns of $32,243,000 to be recognized in 2015, and a further $81,388,000 to be recognized for actuarial valuation purposes in future years (through 2019) under the "asset smoothing" technique used by the *Plan*.

A change in the valuation interest rate assumption for the December 31, 2015 actuarial valuation, from 5.75% to 5.50%, increased the obligations for pension benefits by $45,806,000.

The actuarial valuation revealed an in-year actuarial deficiency of $15,128,000 in the Main Account–General Component related to calendar year 2015 operations. The 2015 actuarial deficiency was resolved, in accordance with the terms of the *Plan*, by decreasing the rate of future cost-of-living adjustments from 44.9% to 39.5% of inflation which resulted in a reduction to the obligations for pension benefits of $15,128,000, effective January 1, 2016.

CURRENT SERVICE COST

The current service cost of the benefits expected to be earned under the *Plan* for service in 2016 is 26.36% of contributory earnings. Currently, the employee share of annual contributions equals 8% of contributory earnings. The City of Winnipeg is responsible for contributing the balance of the actuarial cost of the non-indexed benefits accruing under the *Plan*, plus 2.0% of contributory earnings to fund future cost-of-living adjustments, for a total in 2016 of 17.94% of contributory earnings. The balance of 0.42% of contributory earnings is expected to be financed from available reserves, if any, future actuarial surplus or future reductions in cost-of-living adjustments.

SOLVENCY BASIS

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

The funding requirements relating to the *Plan's* solvency position under the *Pension Benefits Regulation*, are based on the last actuarial valuation filed with the Manitoba Pension Commission, which was as at December 31, 2013. The *Plan* is required to submit an actuarial valuation report to the Regulators (Manitoba Pension Commission and Canada Revenue Agency) at least every three years (annually if the *Plan's* solvency ratio is less than 90%). The next valuation required to be filed by the *Plan* is at December 31, 2016.

The solvency valuation of the *Plan*, as at December 31, 2013, disclosed that the *Plan* had a solvency ratio of 97.3% (excludes amount secured by Letter of Credit). This valuation disclosed solvency liabilities measured on a *Plan* termination basis of $1,065,297,000 and a solvency surplus of $10,780,000; however, the solvency assets, not including the amount secured by the existing Letter of Credit, were less than the solvency liabilities by $28,962,000.

The *Pension Benefits Regulation* provides that an irrevocable letter of credit may be used to secure some or all of the special payments that would otherwise be required from the City of Winnipeg. In 2015, the City of Winnipeg provided a renewed irrevocable letter of credit from a chartered bank to the *Winnipeg Police Pension Board* (in trust for the *Plan*) in the amount of $28,962,000 together with applicable interest as required under the *Regulation*. The Letter of Credit took effect from October 27, 2015 and as of December 31, 2015, it secured special payments that would otherwise be required from the City of Winnipeg in the amount of $31,194,000. The Letter of Credit is due to expire on October 26, 2016.

The City of Winnipeg has informed the *Winnipeg Police Pension Board* that it will be arranging for renewal of the existing irrevocable Letter of Credit to be held by the *Winnipeg Police Pension Board* in lieu of making special payments, together with applicable interest as required under the *Regulation*. The renewed Letter of Credit is expected to take effect in October 2016 and must be renewed annually thereafter until such time as the *Plan* no longer has a solvency deficiency or the City of Winnipeg has made all payments required under the *Regulation*.

INVESTMENTS

Capital allocations were made to global infrastructure, private corporate debt and real estate debt in 2015. Combined with a strong US dollar and weak Canadian equity markets, the *Plan's* exposure to Canadian equities decreased while foreign equity exposure increased slightly. The *Plan's* fixed income exposure was lower but relatively stable.

The *Plan* utilizes external investment managers to manage all asset classes and portfolios.

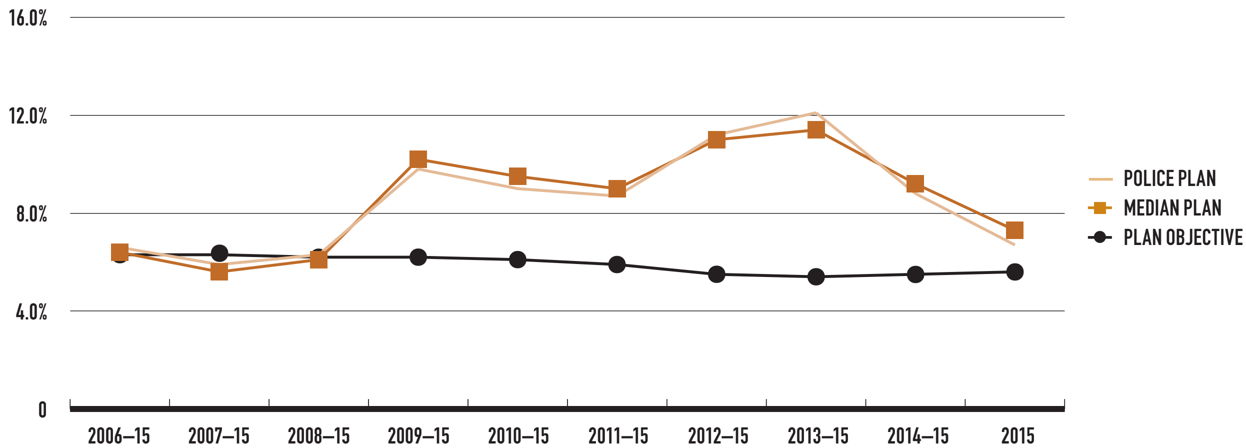
The *Plan* began to fund two new investment managers in the alternative asset space, *Industry Funds Management* (Infrastructure) and *Neuberger Berman* (Private Corporate Debt). Additional capital was allocated to the *Plan's* investment in the Brookfield Real Estate Fund IV. The *Plan* continues to search for managers to fulfill its allocation targets in the alternative asset classes.

PORTFOLIO PERFORMANCE SUMMARY

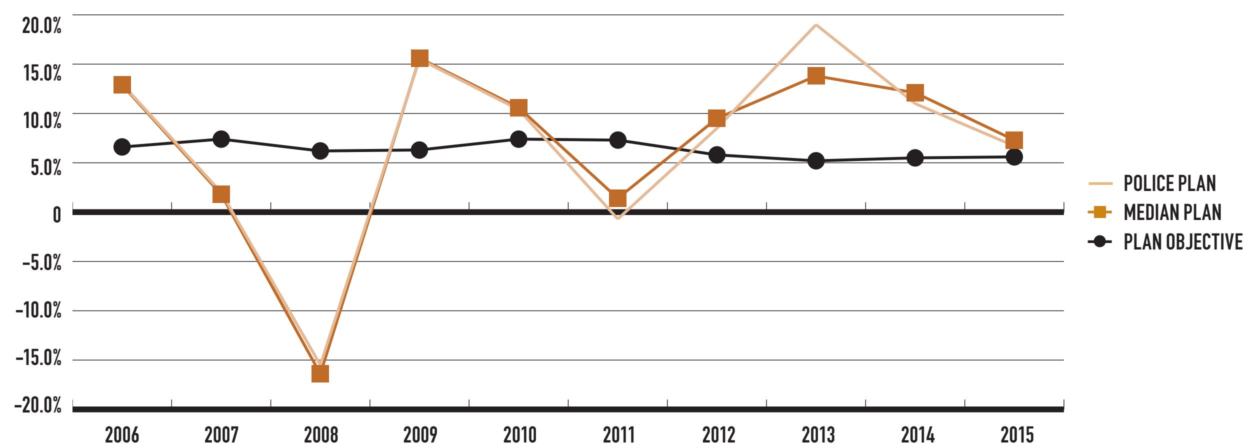
The *Plan's* investment portfolio achieved a rate of return of 6.7% in 2015. This is the fourth consecutive year of positive returns. While this performance trailed the median Canadian pension fund return of 7.3% (ranking in the 60th percentile among large pension funds in Canada), the *Plan* did exceed its benchmark return of 5.7% (as measured by RBC Investor Services, an independent measurement service), as well as the *Plan's* objective of the Consumer Price Index (CPI) + 4.0%.

On a ten-year basis, the portfolio's return was above the *Plan's* CPI+4% objective of 6.3%. The *Plan's* four-year and ten-year annualized rates of return were 11.2% and 6.6%, respectively. This placed the *Plan* at the 41st percentile ranking of Canadian pension funds for both periods.

ANNUALIZED RATES OF RETURN



ANNUAL RATES OF RETURN



INVESTMENT COMMITTEE

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

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

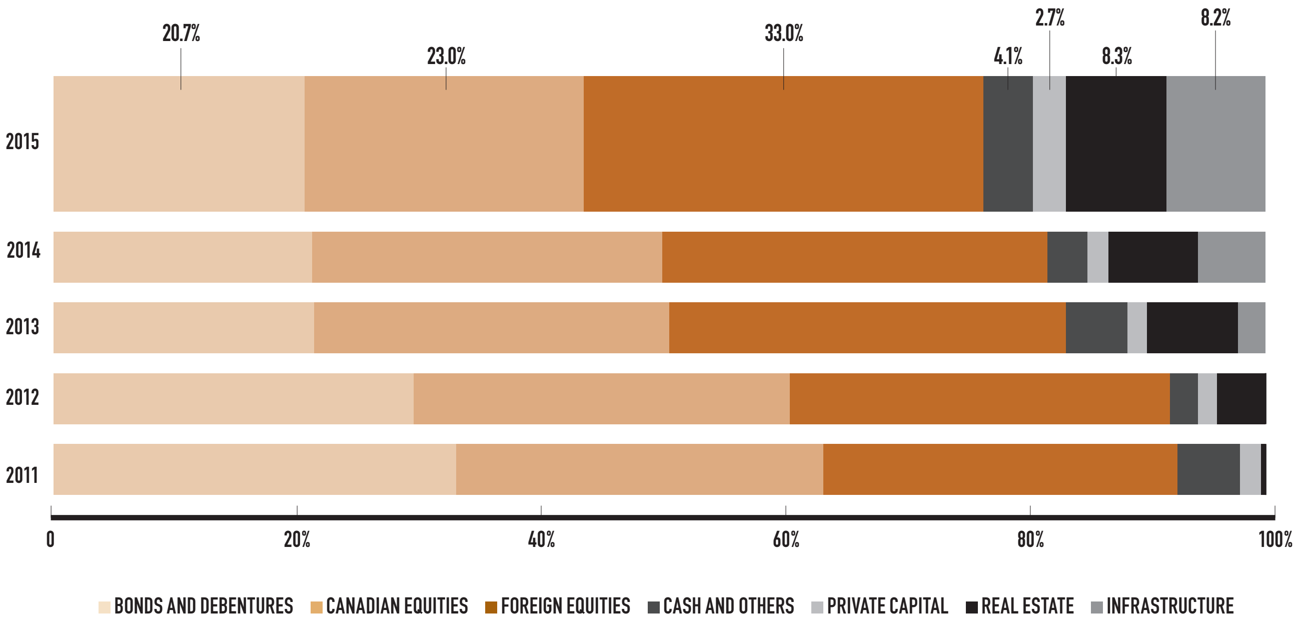
ASSET MIX

The *Plan* continued implementation of its *long term policy asset mix* by transitioning assets from equities and bonds into real estate (debt), global infrastructure, and private capital. As a result—and also due to a strong US dollar and weak Canadian equity markets—the *Plan's* allocation to Canadian fixed income decreased slightly to 20.7% from 21.3%, and its allocation to Canadian equities decreased to 23.0% from 28.9%. Real estate, global infrastructure, and private capital now represent 8.3%, 8.2%, and 2.7% of the *Plan's* investment portfolio, respectively. Cash increased slightly during the year to 4.1% (from 3.3%).

ASSET MIX

	2015	2014	2013	2012	2011
Bonds and debentures	20.7%	21.3%	21.5%	29.7%	33.2%
Canadian equities	23.0%	28.9%	29.3%	31.0%	30.3%
Foreign equities	33.0%	31.8%	32.7%	31.4%	29.2%
Cash and other	4.1%	3.3%	5.1%	2.3%	5.2%
Private capital	2.7%	1.7%	1.6%	1.6%	1.7%
Real estate	8.3%	7.4%	7.5%	4.0%	0.4%
Infrastructure	8.2%	5.6%	2.3%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

ASSET MIX



INVESTMENTS

EQUITY INVESTMENTS

In 2015, the *Plan's* Canadian equity managers achieved a combined return of -9.3%, trailing both the median pension fund return of -5.3% and the S&P/TSX Composite Index return of -8.3%. This ranked in the 4th quartile of large Canadian pension funds.

The *Plan's* foreign equity managers, collectively, achieved a return of 18.8% in Canadian dollar terms for 2015, placing the group at the 40th percentile ranking of large Canadian pension funds, but behind the benchmark (50% S&P 500 [CAD], 50% MSCI Europe, Australasia, Far East [CAD] Index) return of 20.3%.

The *Plan's* US equity managers achieved a return of 21.4%, in Canadian dollars, outperforming the median large Canadian pension fund return of 21.3%, but trailing the S&P 500 (CAD) Index return of 21.6%.

The *Plan's* Non-North American equity managers achieved a collective return of 16.1%, below both the MSCI Europe, Australasia, Far East (CAD) Index return of 19.0% and the median large Canadian pension fund return of 17.6%.

FIXED INCOME INVESTMENTS

The *Plan's* bond portfolio achieved a return of 3.5% in 2015, slightly underperforming both the median large Canadian pension fund return of 3.6%, and the benchmark (40% DEX Universe Bond Index, 60% DEX Long Bond Index) return of 3.7%. For the four- and ten-year periods ended December 31, 2015, the bond portfolio returned 4.2% and 5.0%, respectively.

ALTERNATIVE INVESTMENTS

The *Plan's* investments in the alternative asset classes experienced robust returns in 2015, benefiting from both asset appreciation and a strong US dollar. In particular, real estate returned 8.0% out-performing the IPD Canadian Property Index by 0.2%, while the *Plan's* infrastructure and private capital investments returned 23.2% and 22.5%, respectively.

BONDS AND SHORT-TERM INVESTMENTS SUMMARY

AS AT DECEMBER 31, 2015
(IN $ THOUSANDS)

	PENSION PLAN MARKET VALUE
Government of Canada bonds	$ 55,819
Provincial bonds	95,334
Municipal bonds	9,651
Corporate and other institutions' bonds	108,368
Total bonds and debentures	$ 269,172
Call funds—City of Winnipeg	$ 42,810
Cash	10,554
Total cash and short-term investments	$ 53,364

TOTAL RETURNS

	ONE YEAR	FOUR YEARS	TEN YEARS
Total Fund	**6.7%**	**11.2%**	**6.6%**
Bonds and debentures	3.5%	4.2%	5.0%
Canadian equities	-9.3%	6.5%	5.2%
Foreign equities	18.8%	21.7%	7.7%
Private capital	22.5%	21.8%	n/a
Real estate	8.0%	9.0%	n/a
Infrastructure	23.2%	n/a	n/a
Benchmarks			
Plan Benchmark	5.7%	10.1%	n/a
FTSE TMX Canada Universe Index	3.5%	3.6%	5.0%
S&P / TSX Composite Index	-8.3%	5.3%	4.4%
S&P 500 (CAD$)	21.6%	24.7%	9.2%
Europe, Australasia, Far East Stock Market Index (CAD$)	19.0%	16.7%	4.8%
Private Placements Benchmark	25.2%	28.3%	n/a
IPD Canadian Property Index	7.8%	9.8%	n/a
Infrastructure Benchmark	3.1%	n/a	n/a
Consumer Price Index (CPI)	1.6%	1.3%	1.6%

ASSET MIX STRATEGY FOR 2016

The *Board* plans to conduct an Asset-Liability Study in 2016 to determine if any changes are warranted to the *long term policy asset mix* going forward. The results of the Study are expected to be delivered at the end of 2016, with any resulting changes flowing through to the policy level in 2017.

ACTUARIAL OPINION

AS AT DECEMBER 31, 2015

Eckler Ltd. has conducted an actuarial valuation of the *Winnipeg Police Pension Plan* as at December 31, 2015. We have relied on data and other information provided to us by staff of *The Winnipeg Civic Employees' Benefits Program*. The results of the valuation and a summary of the data and assumptions used are contained in our Report on the Actuarial Valuation of the *Winnipeg Police Pension Plan* as at December 31, 2015.

The principal results of the valuation are as follows:

ACTUARIAL POSITION

The *Plan* is not fully funded on a going-concern basis in respect of benefits earned for service up to December 31, 2015 and has a shortfall of the smoothed value of assets over actuarial liabilities of $3,743,000 as at that date, on the basis of the assumptions and methods described in our report. However, $11,385,000 has been previously allocated to the Plan Members' Account resulting in a net deficiency of $15,128,000. In accordance with the terms of the *Plan*, the deficiency is to be resolved by reducing the level of cost-of-living adjustments from 44.9% to 39.5% of the annual percentage change in the Consumer Price Index (CPI) to provide a $15,128,000 decrease in the actuarial liabilities.

In accordance with the Regulations of the *Pension Benefits Act* (Manitoba), an irrevocable letter of credit was put in place in 2013 to meet the minimum solvency funding requirements outlined in the December 31, 2012 actuarial valuation. As at the date of the last actuarial report filed with the Office of the Superintendent – Pension Commission, December 31, 2013, the *Plan*, including the amount secured by the existing letter of credit, had a solvency surplus of $10,780,000, based on a smoothed value of assets; however, the solvency assets not including the amount secured by the existing letter of credit, were less than the solvency liabilities at the valuation date by $28,962,000. The letter of credit was renewed in 2014, and again in 2015, and the amount secured for the period from December 30, 2015 to January 29, 2016 was $31,194,319.

The City of Winnipeg has informed the *Winnipeg Police Pension Board* that it will be arranging for renewal of the irrevocable letter of credit to be held by the *Winnipeg Police Pension Board* in the amount of $31,194,319 together with any applicable interest as required under the Regulation. The renewed letter of credit is expected to take effect in October 2016 with a value of $32,113,961, and must be renewed annually thereafter until such time as the *Plan* no longer has a solvency deficiency or the City of Winnipeg has made all payments required under the Regulation.

COST OF BENEFITS FOR SERVICE IN 2016

The current service cost of the benefits expected to be earned under the *Plan* for service in 2016 is 26.36% of contributory earnings. This cost is expected to be financed by employee contributions of 8.0% of contributory earnings, City contributions of 17.94% of contributory earnings, with the balance of 0.42% of contributory earnings financed from available reserves, future actuarial surplus or future reductions in cost-of-living adjustments.

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

- the data on which the valuation is based are sufficient and reliable for the purposes of the valuations,
- the assumptions are appropriate for the purposes of the valuations, and
- the methods employed in the valuations 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).

Charly Pazdor
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

Andrew Kulyk
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

INDEPENDENT AUDITOR'S REPORT
THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

To the Chairperson and Members of
The Winnipeg Police Pension Board
The City of Winnipeg

We have audited the accompanying financial statements of the Winnipeg Police Pension Plan, which comprise the statement of financial position as at December 31, 2015 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 control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Winnipeg Police Pension Plan as at December 31, 2015, 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 20, 2016
WINNIPEG, MANITOBA

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31
(IN $ THOUSANDS)

	2015	2014
ASSETS		
Investments, at fair value		
Bonds and debentures	$ 269,172	$ 262,674
Canadian equities	299,883	356,032
Foreign equities	429,239	391,911
Cash and short-term deposits	53,364	41,155
Private equities	24,468	21,387
Real estate	93,741	88,617
Infrastructure	107,069	69,602
Private debt	10,007	–
Real estate debt	14,872	2,186
	1,301,815	1,233,564
Participants' contributions receivable	5	5
Employers' contributions receivable	9	22
Accounts receivable	558	380
Due from *The Winnipeg Civic Employees' Pension Plan*	21	–
Total assets	1,302,408	1,233,971
LIABILITIES		
Accounts payable	2,117	2,079
Due to *The Winnipeg Civic Employees' Pension Plan*	–	23
Total liabilities	2,117	2,102
NET ASSETS AVAILABLE FOR BENEFITS	1,300,291	1,231,869
PENSION OBLIGATIONS	1,222,646	1,128,967
SURPLUS	$ 77,645	$ 102,902
SURPLUS COMPRISED OF:		
Main Account—General Component	$ 66,260	$ 90,266
Main Account—Contribution Stabilization Reserve	–	1,918
Plan Members' Account	11,385	10,698
City Account	–	20
	$ 77,645	$ 102,902

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

	2015	2014
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	$ 24,080	$ 23,141
Employees	12,426	12,299
Reciprocal transfers from other plans	347	479
	36,853	35,919
Investment income (Note 5)	35,243	28,116
Current period change in fair value of investments	47,973	95,425
Total increase in assets	120,069	159,460
DECREASE IN ASSETS		
Pension payments	45,097	41,925
Lump sum benefits (Note 7)	1,174	1,435
Administrative expenses (Note 8)	908	876
Investment management and custodial fees	4,468	3,618
Total decrease in assets	51,647	47,854
Increase in net assets	68,422	111,606
Net assets available for benefits at beginning of year	1,231,869	1,120,263
Net assets available for benefits at end of year	$ 1,300,291	$ 1,231,869

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

	2015	2014
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	$ 1,128,967	$ 1,034,654
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	64,259	61,952
Benefits accrued	39,557	36,586
Changes in actuarial assumptions	38,876	50,202
Total increase in accrued pension benefits	142,692	148,740
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	46,271	43,360
Experience gains and losses and other factors	1,736	10,137
Administration expenses	1,006	930
Total decrease in accrued pension benefits	49,013	54,427
NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR	93,679	94,313
ACCRUED PENSION BENEFITS, END OF YEAR	$ 1,222,646	$ 1,128,967

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN SURPLUS

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

	2015	2014
SURPLUS, BEGINNING OF YEAR	$ 102,902	$ 85,609
Increase in net assets available for benefits for the year	68,422	111,606
Increase in accrued pension benefits for the year	(93,679)	(94,313)
SURPLUS, END OF YEAR	$ 77,645	$ 102,902

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

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

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

2015	MAIN ACCOUNT– GENERAL COMPONENT	MAIN ACCOUNT– CONTRIBUTION STABILIZATION RESERVE	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
INCREASE IN ASSETS					
Contributions					
The City of Winnipeg	$ 24,080	$ –	$ –	$ –	$ 24,080
Employees	12,426	–	–	–	12,426
Reciprocal transfers from other plans	347	–	–	–	347
	36,853	–	–	–	36,853
Investment income (Note 5)	34,936	–	307	–	35,243
Current period change in fair value of investments	47,554	–	419	–	47,973
Transfer from Contribution Stabilization Reserve— Resolution of funding deficiency (Note 3)	1,918	(1,918)	–	–	–
Transfer from City Account— Resolution of funding deficiency (Note 3)	20	–	–	(20)	–
Total increase (decrease) in assets	121,281	(1,918)	726	(20)	120,069
DECREASE IN ASSETS					
Pension payments	45,097	–	–	–	45,097
Lump sum benefits (Note 7)	1,174	–	–	–	1,174
Administrative expenses (Note 8)	908	–	–	–	908
Investment management and custodial fees	4,429	–	39	–	4,468
Total decrease in assets	51,608	–	39	–	51,647
Increase (decrease) in net assets	69,673	(1,918)	687	(20)	68,422
Net assets available for benefits at beginning of year	1,219,233	1,918	10,698	20	1,231,869
Net assets available for benefits at end of year	$ 1,288,906	$ –	$ 11,385	$ –	$ 1,300,291

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

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

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS) 2014

	MAIN ACCOUNT— GENERAL COMPONENT	MAIN ACCOUNT— CONTRIBUTION STABILIZATION RESERVE	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
INCREASE IN ASSETS					
Contributions					
The City of Winnipeg	$ 23,141	$ –	$ –	$ –	$ 23,141
Employees	12,299	–	–	–	12,299
Reciprocal transfers from other plans	479	–	–	–	479
	35,919	–	–	–	35,919
Investment income (Note 5)	27,828	45	243	–	28,116
Current period change in fair value of investments	94,450	147	826	2	95,425
Transfer to Contribution Stabilization Reserve— Resolution of funding surplus (Note 3)	(1,732)	1,732	–	–	–
Transfer to City Account— Resolution of funding surplus (Note 3)	(18)	–	–	18	–
Total increase (decrease) in assets	156,447	1,924	1,069	20	159,460
DECREASE IN ASSETS					
Pension payments	41,925	–	–	–	41,925
Lump sum benefits (Note 7)	1,435	–	–	–	1,435
Administrative expenses (Note 8)	876	–	–	–	876
Investment management and custodial fees	3,581	6	31	–	3,618
Total decrease in assets	47,817	6	31	–	47,854
Increase in net assets	108,630	1,918	1,038	20	111,606
Net assets available for benefits at beginning of year	1,110,603	–	9,660	–	1,120,263
Net assets available for benefits at end of year	$ 1,219,233	$ 1,918	$ 10,698	$ 20	$ 1,231,869

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 3: SCHEDULE OF CHANGES IN SURPLUS BY ACCOUNT

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

2015	MAIN ACCOUNT– GENERAL COMPONENT	MAIN ACCOUNT– CONTRIBUTION STABILIZATION RESERVE	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
SURPLUS, BEGINNING OF YEAR	$ 90,266	$ 1,918	$ 10,698	$ 20	$ 102,902
Increase (decrease) in net assets available for benefits for the year	69,673	(1,918)	687	(20)	68,422
Net increase in accrued pension benefits for the year	(93,679)	–	–	–	(93,679)
SURPLUS, END OF YEAR	$ 66,260	$ –	$ 11,385	$ –	$ 77,645

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

2014	MAIN ACCOUNT– GENERAL COMPONENT	MAIN ACCOUNT– CONTRIBUTION STABILIZATION RESERVE	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
SURPLUS, BEGINNING OF YEAR	$ 75,949	$ –	$ 9,660	$ –	$ 85,609
Increase in net assets available for benefits for the year	108,630	1,918	1,038	20	111,606
Net increase in accrued pension benefits for the year	(94,313)	–	–	–	(94,313)
SURPLUS, END OF YEAR	$ 90,266	$ 1,918	$ 10,698	$ 20	$ 102,902

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(IN $ THOUSANDS)

1. DESCRIPTION OF PLAN

a) General

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

b) Administration

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

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

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

c) Financial structure

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

i) Main Account—General Component

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

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

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

ii) Main Account—Contribution Stabilization Reserve

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

iii) Plan Members' Account

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

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

iv) City Account

The City Account is credited with the share of future actuarial surpluses that are allocated to the City in accordance with the *Plan*.

d) Retirement pensions

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

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the *Plan* text, which level is currently 44.9% (2014—47.8%) of the percentage change in the Consumer Price Index for Canada.

e) Disability pensions

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

f) Survivor's benefits

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

g) Termination benefits

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

h) Variation in benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

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

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

b) Investments and investment income

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

Publicly traded equity investments are valued using published market prices.

Bonds and debentures are valued either using published market prices or by applying valuation techniques that utilize observable market inputs.

For private equity, private debt, real estate debt 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.

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

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

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

c) Foreign currency translation

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

d) Use of estimates

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

3. OBLIGATIONS FOR PENSION BENEFITS

An actuarial valuation of the *Plan* was performed as of December 31, 2015 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, 2015. For the comparative 2014 figures, the actuarial present value of accrued benefits at December 31, 2014 is based on the December 31, 2014 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 5.50% (2014—5.75%) per year, inflation of 2.0% (2014—2.0%) per year and general increases in pay of 3.50% (2014—3.50%) per year. The change in the valuation interest rate from 5.75% to 5.50% increased the obligations for pension benefits by $45,806. The economic assumptions with respect to commuted values were revised, increasing obligations for pension benefits by $625. The demographic assumptions, including rates of termination of employment, retirement and mortality, were chosen after detailed analysis of past experience.

(IN $ THOUSANDS)

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

The actuarial valuation as at December 31, 2015 disclosed a $15,128 funding deficiency which is to be resolved in accordance with the *Plan*, by decreasing future cost-of-living adjustments from 44.9% to 39.5% of inflation (which results in a reduction to obligations for pension benefits of $15,128), effective January 1, 2016.

The actuarial valuation as at December 31, 2014 disclosed a $9,493 funding deficiency which was resolved in accordance with the *Plan*, by transferring $20 from the City Account to the Main Account—General Component, by transferring $1,918 from the Main Account—Contribution Stabilization Reserve to the Main Account—General Component and by decreasing future cost-of-living adjustments from 47.8% to 44.9% of inflation (which results in a reduction to obligations for pension benefits of $7,555), effective January 1, 2015.

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

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

	2015	2014
Surplus for financial statement reporting purposes,		
Main Account—General Component	$ 66,260	$ 90,266
Fair value changes not reflected in actuarial value of assets	(81,388)	(99,759)
(Deficit) Surplus, for actuarial valuation purposes,		
Main Account—General Component	(15,128)	(9,493)
Add: special purpose reserves and accounts		
Main Account—Contribution Stabilization Reserve	–	1,918
Plan Members' Account	11,385	10,698
City Account	–	20
(Deficit) Surplus, for actuarial valuation purposes,		
including special purpose reserves and accounts	$ (3,743)	$ 3,143

The funding requirements relating to the *Plan's* solvency position under *The Pension Benefits Regulation,* are based on the last actuarial valuation for funding purposes filed with the Manitoba Pension Commission, which was as at December 31, 2013.

The actuarial valuation as at December 31, 2013 disclosed solvency liabilities measured on a *Plan* termination basis of $1,065,297 and a solvency surplus of $10,780; however, the solvency assets, not including the amount secured by the existing letter of credit, were less than the solvency liabilities by $28,962.

(IN $ THOUSANDS)

The Pension Benefits Regulation provides that an irrevocable letter of credit may be used to secure some or all of the special payments that would otherwise be required from the City of Winnipeg. In 2015, the City of Winnipeg provided a renewed irrevocable letter of credit from a chartered bank to the *Winnipeg Police Pension Board* to be held in trust for the *Plan* in the amount of $28,962 together with any applicable interest as required under the *Regulation*. The letter of credit took effect from October 27, 2015 and as of December 31, 2015 the irrevocable letter of credit secured special payments that would otherwise be required from the City of Winnipeg in the amount of $31,194. The letter of credit expires October 26, 2016.

The City of Winnipeg has informed the *Winnipeg Police Pension Board* that it will be arranging for renewal of the existing irrevocable letter of credit to be held by the *Winnipeg Police Pension Board* in lieu of making special payments, together with any applicable interest as required under the *Regulation*. The renewed letter of credit is expected to take effect in October 2016 and must be renewed annually thereafter until such time as the *Plan* no longer has a solvency deficiency or the City of Winnipeg has made all payments required under the *Regulation*.

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, 2015, the *Plan's* credit risk exposure related to bonds and debentures and short-term deposits totaled $322,536 (2014—$303,829).

The *Plan's* concentration of credit risk as at December 31, 2015, related to bonds and debentures, is categorized amongst the following types of issuers:

TYPE OF ISSUER	2015 FAIR VALUE	2014 FAIR VALUE
Government of Canada and Government of Canada guaranteed	$ 55,819	$ 56,218
Provincial and Provincial guaranteed	95,334	87,016
Canadian cities and municipalities	9,651	4,594
Corporations and other institutions	108,368	114,846
	$ 269,172	$ 262,674

The *Plan's* investments include short-term deposits with the City of Winnipeg which have a fair value of $42,810 at December 31, 2015 (2014—$24,068).

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:

	2015		2014	
CREDIT RATING	PERCENT OF TOTAL BONDS	PERCENT OF NET ASSETS	PERCENT OF TOTAL BONDS	PERCENT OF NET ASSETS
AAA	26.4	5.5	30.4	6.5
AA	31.5	6.5	30.9	6.6
A	30.5	6.3	27.4	5.8
BBB	11.6	2.4	9.3	2.0
BB	–	–	2.0	0.4
	100.0	20.7	100.0	21.3

At December 31, 2015, the *Plan's* credit risk exposure related to private debt and real estate debt totaled $24,879 (2014—$2,186). The *Plan's* external managers for the private debt and real estate debt portfolios limit credit risk through diversification, performing internal credit analysis and enforcing loan covenants.

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 and private debt, 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 and real estate debt, 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 24.8% (2014—24.6%) of its assets invested in bonds and debentures and short-term investments as at December 31, 2015. The returns on bonds and debentures 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, 2015 are as follows:

TERM TO MATURITY	2015 FAIR VALUE	2014 FAIR VALUE
Less than one year	$ 12,589	$ 9,612
One to five years	65,793	66,370
Greater than five years	190,790	186,692
	$ 269,172	$ 262,674

As at December 31, 2015, had prevailing interest rates raised or lowered by 0.5% (2014—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 $13,661 (2014—$13,081), approximately 1.1% of total net assets (2014—1.1%). 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.

The *Plan* also has exposure to interest rate risk from its private debt and real estate debt investments. The *Plan's* external investment managers mitigate interest rate risk by making loans that are primarily floating rate instruments.

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 debt, private debt 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, 2015. 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.

	2015				2014	
	GROSS EXPOSURE	NET FOREIGN CURRENCY HEDGE	NET EXPOSURE	IMPACT ON NET ASSETS	NET EXPOSURE	IMPACT ON NET ASSETS
United States	$ 333,748	$ 8,641	$ 325,107	$ 32,511	$ 254,000	$ 25,400
Euro countries	70,969	8,640	62,329	6,233	57,291	5,729
United Kingdom	51,925	15,661	36,264	3,626	34,768	3,477
Japan	23,760	–	23,760	2,376	20,210	2,021
Hong Kong	18,468	–	18,468	1,847	14,757	1,475
Switzerland	16,221	–	16,221	1,622	14,967	1,497
Sweden	12,081	–	12,081	1,208	10,804	1,081
Australia	5,540	–	5,540	554	3,073	307
Other	16,640	–	16,640	1,664	14,426	1,443
	$ 549,352	$ 32,942	$ 516,410	$ 51,641	$ 424,296	$ 42,430

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, 2015, 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 $109,368 (2014—$112,191), approximately 8.4% of total net assets (2014—9.1%). 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, private debt, real estate debt and real estate investments, for which quoted market prices are not available. As at December 31, 2015, the estimated fair value of private equity investments is $24,468 (2014—$21,387), approximately 1.9% of total net assets (2014—1.7%), and the related change in fair value of investments recognized for the year ended December 31, 2015 is $3,067 (2014—$3,276). As at December 31, 2015, the estimated fair value of private debt investments is $10,007 (2014—$Nil), approximately 0.8% of total net assets (2014—Nil), and the related change in fair value of investments recognized for the year ended December 31, 2015 is $790 (2014—$Nil). As at December 31, 2015, the estimated fair value of real estate debt investments is $14,872 (2014—$2,186), approximately 1.1% of total net assets (2014—0.2%), and the related change in fair value of investments recognized for the year ended December 31, 2015 is $1,641 (2014—$75). As at December 31, 2015, the estimated fair value of real estate investments is $93,741 (2014—$88,617), approximately 7.2% of total net assets (2014—7.2%), and the related change in fair value of investments recognized for the year ended December 31, 2015 is $2,308 (2014—$2,255).

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 $44,255 in a Contractual Return Arrangement. The Contractual Return Arrangement provides the *Plan* with the annual rate of return (which may be positive or negative) based on the total investment return reported in the OMERS Annual Report for the assets and related liabilities allocable to the OMERS Primary Pension Plan fund that are directly or indirectly owned by OMERS Administration Corporation ("OAC") and managed by Borealis Infrastructure (the "Borealis Assets"). Under this arrangement the *Plan* is the sole limited partner in an Ontario limited partnership (OIM B4 2013 L.P.), and it has entered into a derivative contract with that limited partnership, which provides the return described above each year on the outstanding value of the contract. The arrangement provides for annual cash distributions to the *Plan* to the extent that cash distributions are received by OAC in respect of the operations of any investment forming part of the Borealis Assets. In addition, further cash distributions may be made under the arrangement, to the extent that cash distributions are received by OAC and distributed to the partnership in respect of the full or partial disposition of any investment forming part of the Borealis Assets.

As at December 31, 2015, the estimated fair value of the infrastructure investments is $107,069 (2014—$69,602), approximately 8.2% of total net assets (2014—5.7%), and the related change in fair value of investments recognized for the year ended December 31, 2015 is $14,535 (2014—$3,198).

(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, 2015 and December 31, 2014, classified using the fair value hierarchy described above:

	LEVEL 1	LEVEL 2	LEVEL 3	2015 TOTAL INVESTMENT ASSETS AT FAIR VALUE
Bonds and debentures	$ –	$ 269,172	$ –	$ 269,172
Canadian equities	299,883	–	–	299,883
Foreign equities	429,239	–	–	429,239
Cash and short-term deposits	52,717	647	–	53,364
Private equities	–	–	24,468	24,468
Real estate	–	–	93,741	93,741
Infrastructure	–	–	107,069	107,069
Private debt	–	–	10,007	10,007
Real estate debt	–	–	14,872	14,872
	$ 781,839	$ 269,819	$ 250,157	$1,301,815

	LEVEL 1	LEVEL 2	LEVEL 3	2014 TOTAL INVESTMENT ASSETS AT FAIR VALUE
Bonds and debentures	$ –	$ 262,674	$ –	$ 262,674
Canadian equities	356,032	–	–	356,032
Foreign equities	391,210	701	–	391,911
Cash and short-term deposits	35,919	5,236	–	41,155
Private equities	–	–	21,387	21,387
Real estate	–	–	88,617	88,617
Infrastructure	–	–	69,602	69,602
Real estate debt	–	–	2,186	2,186
	$ 783,161	$ 268,611	$ 181,792	$1,233,564

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

(IN $ THOUSANDS)

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

PRIVATE EQUITIES	2015	2014
Fair value, beginning of year	$ 21,387	$ 18,190
Gains recognized in increase in net assets	3,067	3,276
Purchases	768	1,201
Sales/distributions	(3,864)	(4,626)
Purchases of short-term investments within subsidiary	3,110	3,346
	$ 24,468	$ 21,387

REAL ESTATE	2015	2014
Fair value, beginning of year	$ 88,617	$ 83,810
Gains recognized in increase in net assets	2,308	2,255
Purchases	2,816	2,552
	$ 93,741	$ 88,617

INFRASTRUCTURE	2015	2014
Fair value, beginning of year	$ 69,602	$ 26,160
Gains recognized in increase in net assets	14,535	3,198
Purchases	22,932	40,244
	$ 107,069	$ 69,602

PRIVATE DEBT	2015	2014
Fair value, beginning of year	$ –	$ –
Gains recognized in increase in net assets	790	–
Purchases	11,007	–
Sales	(1,790)	–
	$ 10,007	$ –

REAL ESTATE DEBT	2015	2014
Fair value, beginning of year	$ 2,186	$ –
Gains recognized in increase in net assets	1,641	75
Purchases	11,045	2,111
	$ 14,872	$ 2,186

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, 2015, the Fund held the following investments that met this classification:

(IN $ THOUSANDS)

	2015
Bonds and debentures	
TD Emerald Long Bond Broad Market Pooled Fund	$ 113,529
TD Lancaster Fixed Income Fund II	79,898
Fiera Active Fixed Income Fund	75,745
Canadian equities	
TD Emerald Canadian Equity Index Fund	85,098
Foreign equities	
State Street S&P 500 Index Common Trust Fund	101,684
Templeton Global Smaller Companies Fund	22,361
Cash and short-term deposits	
City of Winnipeg short term deposit	42,810
Private equities	
5332665 Manitoba Ltd. common shares	23,216
Real Estate	
Greystone Real Estate Fund Inc.	51,075
Bentall Kennedy Prime Canadian Property Fund Ltd.	42,666
Infrastructure	
OIM B4 2013 L.P.	54,004
JPMorgan Infrastructure Investments Fund	27,393
IFM Global Infrastructure (Canada), L.P.	25,672
Real Estate Debt	
Brookfield Real Estate Finance Fund IV	14,872

5. INVESTMENT INCOME

	2015	2014
Bonds and debentures	$ 9,821	$ 9,153
Canadian equities	10,084	9,162
Foreign equities	6,256	7,138
Cash, short-term deposits and other	611	558
Real estate	2,816	1,867
Infrastructure	4,489	238
Private debt	168	–
Real estate debt	998	–
	$ 35,243	$ 28,116
Allocated to:		
Main Account—General Component	$ 34,936	$ 27,828
Main Account—Contribution Stabilization Reserve	–	45
Plan Members' Account	307	243
	$ 35,243	$ 28,116

(IN $ THOUSANDS)

6. INVESTMENT TRANSACTION COSTS

During 2015, the *Plan* incurred investment transaction costs in the form of brokerage commissions, in the amount of $297 (2014—$297). Investment transaction costs are included in the current period change in fair value of investments.

7. LUMP SUM BENEFITS

		2015		2014
Termination benefits	$	1,054	$	420
Payments on relationship breakdown		48		912
Other		72		103
	$	1,174	$	1,435

8. ADMINISTRATIVE EXPENSES

		2015		2014
The Winnipeg Civic Employees' Benefits Program	$	641	$	650
Actuarial fees		189		185
Legal fees		10		26
Consulting fees		53		–
General and administrative expenses		15		15
	$	908	$	876

9. COMMITMENTS

The *Plan's* wholly-owned subsidiary, 5332665 Manitoba Ltd., has entered into an investment management agreement wherein it has authorized an investment manager to make private equity investment commitments on its behalf, with aggregate commitments not to exceed $20,000. Commitments will be funded over the next several years. As at December 31, 2015, $18,882 had been funded.

10. COMPARATIVE FIGURES

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

ADMINISTRATION
AS AT DECEMBER 31, 2015

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

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

WINNIPEG POLICE PENSION BOARD

Appointed by Winnipeg City Council

Richard Kachur (Chair)
CITY CLERK

Linda Burch
DIRECTOR, CORPORATE SUPPORT SERVICES

Paul Olafson
CORPORATE CONTROLLER

Mike Ruta
CHIEF FINANCIAL OFFICER

Christian Schmidt
DEPUTY CHIEF, WINNIPEG FIRE PARAMEDIC SERVICE

Michael Jack (non-voting)
CHIEF OPERATING OFFICER

Appointed by Winnipeg Police Association

Maurice (Moe) Sabourin (Vice-Chair)

George Van Mackelbergh

Appointed by Winnipeg Police Senior Officers' Association

Gord Perrier

Elected by Non-Active Members and Other Beneficiaries

Loren Schinkel

INVESTMENT COMMITTEE MEMBERS

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

Gary Timlick, Wawanesa Insurance (Vice-Chair)

Sam Pellettieri, CFA, Investors Group

Rob Provencher, City of Winnipeg

Jeff Norton, Teachers' Retirement Allowances Fund

Bob Romphf, Manitoba Nurses Union

MANAGEMENT

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

Glenda Willis
CHIEF EXECUTIVE OFFICER

Nestor Theodorou
CHIEF INVESTMENT OFFICER

Rob Sutherland
MANAGER, FINANCE & ADMINISTRATION

Bill Battershill
MANAGER, INFORMATION SYSTEMS

Amanda Jeninga
MANAGER, COMMUNICATIONS

Pat Khoe
DIRECTOR OF MEMBER SERVICES

EXTERNAL ADVISORS

Actuary
Eckler Ltd.

Auditor
Deloitte LLP

Custodian
RBC Investor Services

Investment Consultant
Aon Hewitt

Legal Counsel
Taylor McCaffrey
Koskie Minsky

WINNIPEG POLICE PENSION PLAN

5TH FLOOR
317 DONALD STREET
WINNIPEG, MANITOBA R3B 2H6
T 204 986 2516
F 204 986 3571
WCEBP@WINNIPEG.CA
WCEBP.CA