

MESSAGE FROM THE BOARD OF TRUSTEES

The year 2020 will be memorable with the onset of the global pandemic which has challenged us as individuals, as a country, and globally. We have come to appreciate, perhaps more than ever, the courage and dedication of our front-line workers, some of whom are members of *The Winnipeg Civic Employees' Benefits Program*.

As the *Board of Trustees* with overall responsibility for *The Winnipeg Civic Employees' Pension Plan*, our fiduciary and legal obligation is to act in the best interests of our *Pension Plan* and *Plan* members. Our *Board* is committed to ensuring that the *Program* is managed prudently in the interests of all members, that the assets of the *Program* are sufficient to fully finance the benefits already earned under the *Program*, and that the *Program* is positioned to be sustainable for present and future members.

As Trustees, we have a fiduciary duty to always act exclusively in the best interests of our Pension Plan members. We take this responsibility very seriously.

We are pleased to report that the *Program* has continued to perform well and is in a healthy financial position. We invite you to read on for an overview of the year 2020 and our look forward.

FUNDED STATUS

The Winnipeg Civic Employees' Benefits Program continues to be fully funded on a going-concern basis (with respect to benefits accrued for all service up to December 31, 2020) – despite the low interest rate environment and with a further reduction in its valuation interest rate assumption to 4.7% (from 4.9% one year earlier). At the December 31, 2020 actuarial valuation, the *Program's* assets on an actuarial basis (which uses a five-year “smoothing” technique for recognizing investment gains and losses)

exceeded actuarial liabilities by \$152,305,000, resulting in a funded ratio of 102.7% on the basis of actuarial values. If the “fair” value of assets (an approximation of market value) had been used instead of the “smoothed” value, there would have been an excess over actuarial liabilities of \$628,447,000 – which would have resulted in a funded ratio of 111.3% on a fair value basis.

| AS AT DECEMBER 31, 2020 (IN \$ THOUSANDS) | ACTUARIAL VALUE | FAIR VALUE |
|--|-----------------|--------------|
| Net assets available for benefits | | |
| Main Account | \$ 5,685,616 | \$ 6,161,758 |
| Plan Members' Account | 24,810 | 24,810 |
| City Account | – | – |
| | \$ 5,710,426 | \$ 6,186,568 |
| <i>Program</i> obligations | \$5,558,121 | \$ 5,558,121 |
| Funded ratio | 102.7% | 111.3% |

COST-OF-LIVING ADJUSTMENT

We are pleased that the *Program's* funded status allowed the cost-of-living adjustment (COLA) to pensions to remain at 80% of the year-over-year increase in the Consumer Price Index (CPI) for Canada (measured as at March 31, 2021), resulting in an increase of 1.76% for our pensioners, payable from July 2021. Once again, however, we will take this opportunity to remind you that 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

Despite the challenging and volatile investment markets of 2020, the *Program's* investment portfolio earned a rate of investment return for the year of 9.3% (as measured by RBC Investor Services, an independent measurement service).

9.3%

RATE OF RETURN
2020

\$6.2 BILLION

MARKET VALUE
DEC 31, 2020

Longer-term investment performance also remained strong as four-year and ten-year annualized rates of return were 8.6% and 8.8%, respectively (both measured as at December 31, 2020).

These steady returns, in large part, are a result of the broadly-diversified investment portfolio that was implemented by the *Program's* Investment

Committee over the past decade, with a portion of the portfolio allocated to the alternative asset classes of real estate, global infrastructure, and private debt (away from public equities and fixed income allocations).

Additionally, the *Program's* investment portfolio benefitted from a lower-than-average investment cost profile relative to similarly-sized mandates in the broader Canadian pension industry (as verified by an independent investment consultant).

This steady investment performance has significantly contributed to the *Program's* strong financial position over the past several years during a period of global economic uncertainty and market volatility.

CENTRALIZATION OF INVESTMENT MANAGEMENT

In late 2019, the Government of Manitoba publicly issued a challenge to Manitoba's large public sector pension plans to centralize their pension funds' investment management to create better investment returns through reduced investment management fees.

In keeping with our fiduciary duty as Trustees, we strive always to ensure that our investment costs are most efficient in maximizing our *Pension Plan's* rate of investment return relative to its investment risks and the need to finance and secure our *Pension Plan's* obligations to our members. Accordingly, we collaborated, on a voluntary basis, to explore the concept of centralization of pension fund investment management to determine the potential for cost savings and/or improvement in investment returns for our *Pension Plan* and its beneficiaries. At all times, we approached this matter solely from the perspective of the best interests of our *Pension Plan's* members. Further, our *Board* has taken the opportunity to engage with the Signatory Parties to the *Pension Trust Agreement* – the City of Winnipeg and ten Signatory Unions.

Given our *Pension Plan's* governance structure (jointly-trusted, benefits not guaranteed by the City of Winnipeg

or the other Participating Employers or by the Province of Manitoba), and our *Board's* fiduciary obligation to act exclusively in the best interests of our *Pension Plan* members, combined with the findings and conclusion of an external independent report of the potential opportunities and risks for our *Pension Plan*, the *Board* has concluded that there is not sufficient merit to justify its participation in a centralized investment management structure.

Our *Board*, therefore, has decided not to participate in any centralized investment management structure, and to oppose any unilateral direction of the Government of Manitoba that our *Pension Plan* be required to become part of a centralized investment management structure. This position has been conveyed to Government.

SUSTAINABILITY

As part of its overall governance, and its prudent management of the *Program*, an ongoing issue for the *Board* is the sustainability of the *Program* for current and future members, taking into account the evolving maturity of the *Program*, expectations for lower future rates of investment return and increasing life expectancies.

Although our *Program* is fully funded on a going-concern basis, it is important to periodically delve deep into the matter of long-term sustainability. This involves identifying and analyzing the potential risks which could affect the future ability of the *Program* to provide the expected benefits, with the ultimate purpose of introducing any changes that would enhance the *Program's* long-term sustainability (subject to approval of the Signatory Parties – City of Winnipeg and Signatory Unions – as applicable).

The *Board* has commenced a comprehensive review process and work is ongoing by the *Board's Committee* on *Program Sustainability*. The initial report of the *Committee* is expected to be forthcoming to the *Board* later this year.

IN CLOSING

We express our sincere appreciation to our Investment Committee for their work in implementing the *Program's* long-term policy asset mix, and, to our Chief Executive Officer and all *Program* staff for their commitment and dedication to the work of the *Program* and to serving *Program* members.

Sincerely,

Rob Labossiere
Chair (for 2020)

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

As we report to you on *The Winnipeg Civic Employees' Benefits Program* for 2020, we reflect on the uniqueness of the year, with the onset of the COVID-19 global pandemic, and the challenges of responding, as individuals and as an organization. Our business continuity, and the health and safety of our staff and our members, was (and is) always paramount.

Let me take this opportunity, at the outset, to recognize the flexibility, dedication and commitment of our staff in carrying on our business operations and continuing to serve our membership with minimal disruption during these challenging times. And thank you, our members, for your patience as we navigated to a different mode of operation, as a result of public health restrictions.

I also extend my sincere appreciation to our *Board of Trustees* and our Committee members whose commitment and oversight is ever present. Our *Board* and each of our Committees have continued to meet regularly, on a virtual basis since the onset of the pandemic.

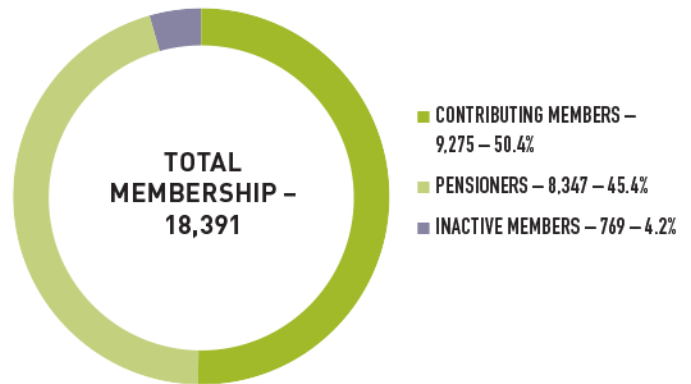
As the *Program* administration, we are dedicated to providing the best possible pension and long term disability services to our *Program* members and their beneficiaries. We also provide the *Board of Trustees* with services which support their fiduciary obligations to *Program* members, including support and advice for decision-making relative to policy.

MEMBERSHIP HIGHLIGHTS

I will begin by speaking to our relationship with *Program* members, which commences upon enrollment in *The Winnipeg Civic Employees' Pension Plan* and continues until termination of employment (if the member transfers their pension out) or for as long as they live (and, in many cases, for the lifetime of their surviving spouse). There are various life events during the span of our relationship (retirement, for example, being a big one, and sometimes others such as relationship breakdowns, leave of absence, disability, change of employer, or death).

We are committed to serving our members and to helping you as you navigate through various life events.

Membership of the *Program* (as at December 31, 2020) includes approximately 18,400 members, about 50% of whom are contributing members and 45% are pensioners/



survivor beneficiaries, with the remaining percentage being deferred pensioners and members receiving disability benefits.

It may be of interest to note that 12 of our pensioners/survivor beneficiaries are now 100 years of age or older, the oldest of whom is 108 years old. Also, we have members who, between their years as contributors and years as recipients of a pension, have been members of the *Program* for more than 88 years.

The Winnipeg Civic Employees' Benefits Program is comprised of:

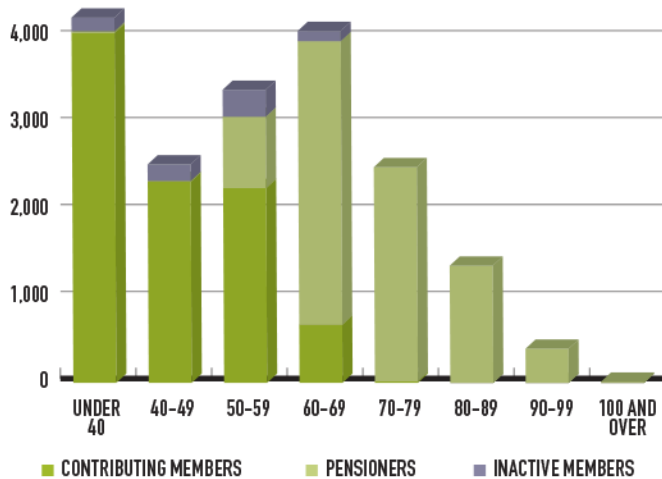
- *The Winnipeg Civic Employees' Pension Plan* (a registered pension plan under Manitoba's *Pension Benefits Act* and Canada's *Income Tax Act*)
- *The Winnipeg Civic Employees' Long Term Disability Plan*
- *The Winnipeg Civic Employees' Early Retirement Benefits Arrangement*

The *Program* operates under a jointly-trusted 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.

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.

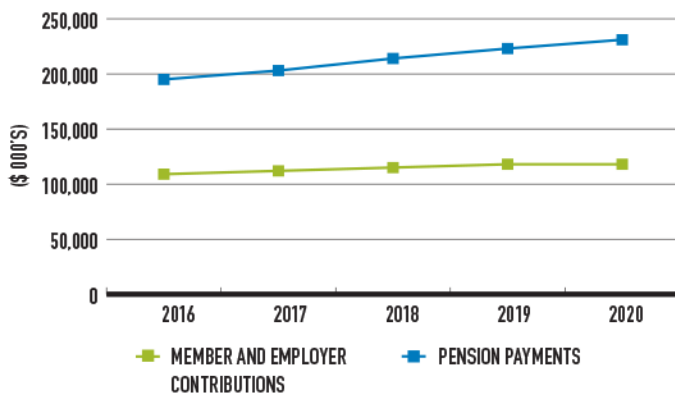
MEMBERSHIP PROFILE (AS AT DECEMBER 31, 2020)
(BY AGE BANDS)



These highlights, while at one end of the spectrum, illustrate our very long-term relationship with *Program* members and the value and security of a pension plan like *The Winnipeg Civic Employees' Pension Plan* which provides benefits for a lifetime.

As our *Program* has matured (now with almost as many pensioners and survivor beneficiaries as employee contributors), a characteristic is that the amount now paid out in benefits to pensioners and survivor beneficiaries each year is far more than the amount collected from the contributions of active members and Participating Employers. The difference is paid from the *Program's* investment earnings. Hence, the performance of our *Program's* investments is crucial for the security of our members' benefits.

CONTRIBUTIONS VS. PENSION PAYMENTS



Other key takeaways ...

- in some cases, members will collect their pension for a far longer period than they have worked – this is a reflection of longer life expectancies;

- there is great value in our annual cost-of-living adjustments as a means of tempering the effects of inflation and protecting the buying power of pension benefits.

Ultimately, this overview underscores the significance and importance of prudently managing all aspects of the *Program*, investing the *Program's* assets in the optimal way to finance future benefits, and always acting in the best interests of our members.

To reiterate that reported by our *Board of Trustees*, the *Program* is in a healthy financial position and is fully funded on a going-concern basis for benefits earned for all service accrued up to December 31, 2020. The *Program's* investment portfolio is well diversified and has delivered above-average returns, while benefitting from a lower-than-average investment cost profile relative to similarly-sized mandates in the broader Canadian pension industry.

SERVICES TO MEMBERS

For much of 2020, we focused on responding to the challenges of the global pandemic while continuing to carry on our business and serve our members with minimal disruption.

As public health protocols changed, our office closed to in-person meetings. Nevertheless, our staff worked hard to maintain service levels to members (for example, in processing enrollments, retirements, relationship breakdowns, disability benefits, termination benefits and death benefits).

While our efforts to hire additional staff to build out our team were constrained in 2020, we have recently welcomed a number of new staff to our organization (in member services, disability benefits, finance, records management, and data integrity). Our organizational development initiatives will continue, as will our efforts to continuously improve our day-to-day services to our members.

OUR COMMITMENT

As we move forward, our commitment is to continue, in a diligent and prudent manner, to support our *Board of Trustees* in its governance of the *Program* in the best interests of all members, and to deliver quality services to our *Program* members.

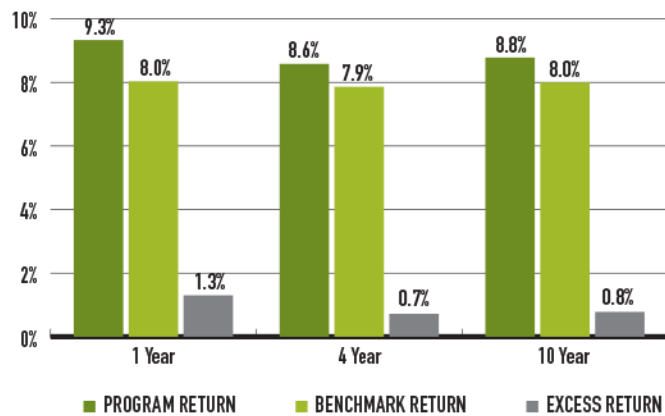
Sincerely,

Glenda Willis
Chief Executive Officer

INVESTMENT PERFORMANCE

Although the first half of 2020 saw significant market volatility, the market strength during the rest of the year resulted in the *Program's* investment portfolio earning a rate of return of 9.3%. This surpassed our benchmark by 1.3% (the benchmark's return was 8.0% as measured by RBC Investor Services, an independent measurement service).

PROGRAM RETURNS ANNUALIZED (%)



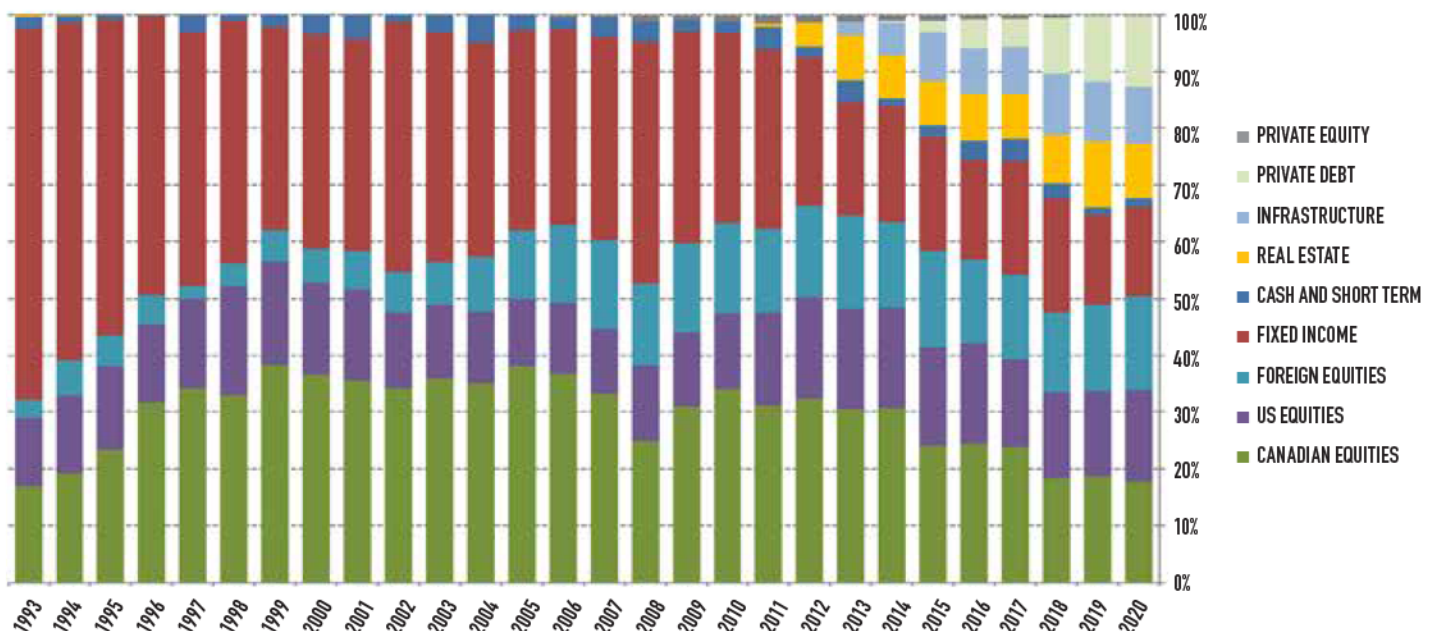
The *Program* continues to maintain a healthy long-term investment rate of return with a four-year annualized rate of return of 8.6% (surpassing our objective for

the period by a margin of 0.7% per year), and a ten-year annualized rate of return of 8.8% (surpassing our objective for the period by a margin of 0.8% per year), both measured as at December 31, 2020.

These steady returns, a combination of market appreciation and a healthy income component, are a direct result of the *Program's* balanced investment approach that was developed and implemented over the previous ten years. Over this period, the *Program's* Investment Committee significantly improved the investment portfolio's asset mix and income generation, by transitioning a portion of the *Program's* assets away from public equities and fixed income allocations and into the alternative asset classes of real estate, global infrastructure, and private debt. This has led to a well diversified investment portfolio that has delivered above average returns with below average performance volatility.

It is also important to note that the *Program's* investment costs continue to track below the average of Canadian pension plans. The net result is that the *Program* has maintained a strong financial position over the past several years, a period that experienced significant global economic uncertainty and market volatility.

ASSET MIX HISTORY (AS AT DECEMBER 31, 2020)



HIGHLIGHTS

FUNDED STATUS

Measured on a going-concern basis, the *Program* is fully funded with respect to benefits accrued for all service up to December 31, 2020. At year-end, a going-concern actuarial valuation disclosed that the *Program's* actuarial assets (at "smoothed" value) exceeded actuarial liabilities by \$152,305,000, for a funded ratio of 102.7%. An actuarial valuation performed on a going-concern basis assumes that the *Program* will continue to operate indefinitely.

GOING CONCERN ACTUARIAL POSITION

| | DECEMBER 31, 2020 (IN \$ THOUSANDS) |
|---|--|
| 1. Actuarial value of assets | |
| Main Account | \$ 5,685,616 |
| Plan Members' Account | 24,810 |
| City Account | 0 |
| | \$ 5,710,426 |
| 2. Actuarial liabilities | |
| Pension Plan | \$ 5,514,567 |
| Long Term Disability Plan | 37,726 |
| Early Retirement Benefits Arrangement | 5,828 |
| | \$ 5,558,121 |
| 3. Excess of actuarial value of <i>Program</i> assets over actuarial liabilities | \$ 152,305 |
| 4. Amounts previously allocated | |
| Plan Members' Account | 24,810 |
| City Account | 0 |
| | \$ 24,810 |
| 5. Financial position (3. <i>minus</i> 4.) | \$ 127,495 |
| 6. Actuarial surplus (1. <i>minus</i> 4. <i>minus</i> (105% x 2.), or zero; whichever is greater) | \$ 0 |
| 7. Funded ratio (1. <i>divided by</i> 2.) | |
| Including Plan Members' and City Accounts | 102.7% |
| Excluding Plan Members' and City Accounts | 102.3% |

CURRENT SERVICE COST

The normal actuarial cost of benefits expected to be earned under the *Program* for service in 2021 is 27.62% of contributory earnings. This assumes future cost-of-living adjustments at the rate of 50% of changes in CPI, in accordance with the *Pension Trust Agreement*.

The average contribution rate to the *Program* is 10% of pensionable earnings for both employees and employers. The balance of current service cost will be drawn from the funding excess.

ESTIMATED CURRENT SERVICE COST (2021)

| | EMPLOYEE CONTRIBUTIONS | EMPLOYER CONTRIBUTIONS | ALLOCATION FROM EXCESS ¹ | TOTAL COST |
|--|---------------------------|---------------------------|--|------------|
| As percentage of contributory earnings | 10.00% | 10.00% | 7.62% | 27.62% |

¹Excess of actuarial value of *Program* assets over actuarial liabilities

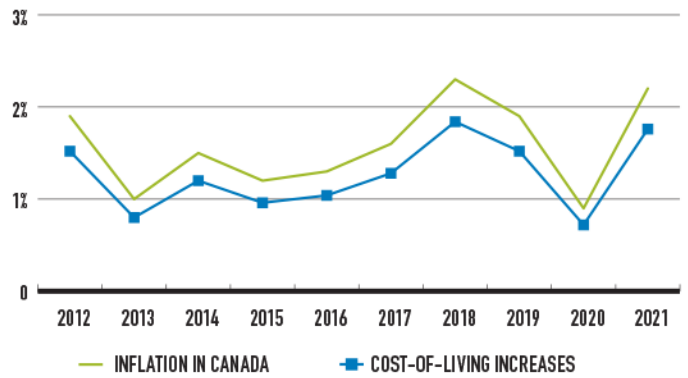
COST-OF-LIVING ADJUSTMENTS

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

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 the portion of future contributions that are allocated to finance COLA.

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

COST-OF-LIVING INCREASES



MEMBER SERVICES (2020)

561

NEW MEMBERS

356

NEW RETIREES

110

NEW SURVIVOR BENEFICIARIES

18

DEATHS IN SERVICE

19

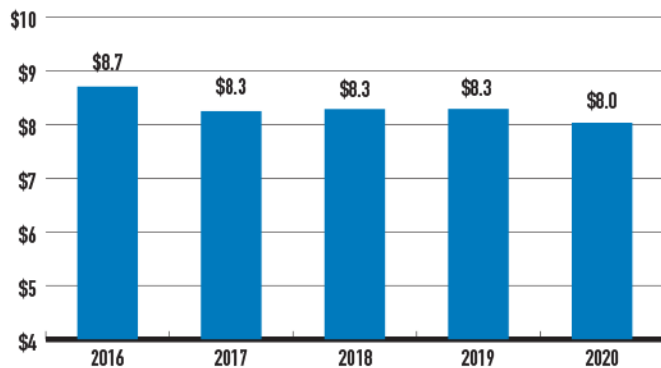
ADDITIONAL DEFERRED PENSIONS

401

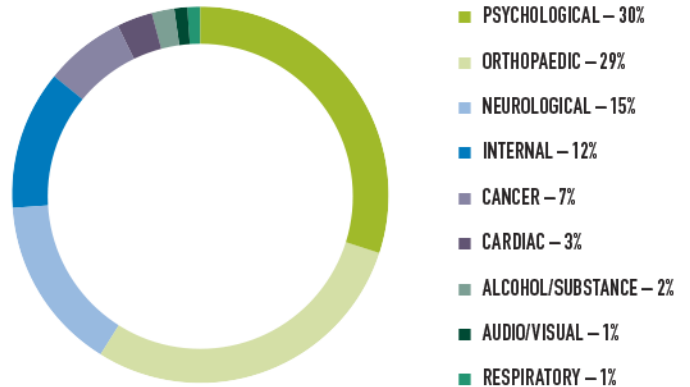
COMMUTED VALUES PAID

LONG TERM DISABILITY

DISABILITY BENEFITS PAID (IN \$ MILLIONS)



DIAGNOSIS BREAKDOWN (AS AT DECEMBER 31, 2020)



DIRECTORY (AS AT AUGUST 2021)

BOARD OF TRUSTEES

Employer Trustees

Appointed by City of Winnipeg

Winston Yee (Chair)
Chris Carroll
Neil Duboff
Michael Jack (PENSION FUND BOARD ONLY)
Paul Olafson
Todd Slatnik
Ajaleigh Williams

Member Trustees

Appointed by Signatory Unions

Rob Labossiere (Vice-Chair)
UNITED FIRE FIGHTERS OF WINNIPEG, LOCAL 867
Phil Dembicki
CUPE, LOCAL 500
Bob Ripley
CUPE, LOCAL 500
Bob Romphf
OTHER UNIONIZED AND NON-UNIONIZED
EMPLOYEES

Everett Rudolph
AMALGAMATED TRANSIT UNION, LOCAL 1505
Angela Smith
WINNIPEG ASSOCIATION OF PUBLIC SERVICE
OFFICERS
Bryan Verity
PENSIONERS AND DEFERRED MEMBERS
(PENSION FUND BOARD ONLY)

COMMITTEES

Investment Committee

Appointed by Member Trustees

Gary Timlick, FCPA, FCA
ICD.D (Chair)
Jeff Norton, LLM, CFA
Bob Romphf

Appointed by Employer Trustees

Sam Pellettieri, CFA
(Vice-Chair)
Don Delisle
Rob Provencher

Audit Committee (Pension Fund)

Bob Romphf (Chair)
Paul Olafson (Vice-Chair)
Angela Smith
Ajaleigh Williams
Winston Yee (ex-officio)
Rob Labossiere (ex-officio)

Audit Committee (Disability Fund)

Angela Smith (Chair)
Paul Olafson (Vice-Chair)
Everett Rudolph
Ajaleigh Williams
Bob Ripley (ex-officio)
Winston Yee (ex-officio)

Governance Committee

Neil Duboff
Michael Jack
Bob Ripley
Everett Rudolph
Winston Yee (ex-officio)
Rob Labossiere (ex-officio)

MANAGEMENT

Glenda Willis CHIEF EXECUTIVE OFFICER
Nestor Theodorou CHIEF INVESTMENT OFFICER
Nardia Maharaj CHIEF FINANCIAL OFFICER
Amanda Jeninga DIRECTOR, MEMBER SERVICES
Brian Luedtke DIRECTOR, INFORMATION SYSTEMS
Jonathan Borland MANAGER, COMMUNICATIONS
Melony Schanel CORPORATE CONTROLLER
Charlene Sylvestre DIRECTOR, DISABILITY BENEFITS (ACTING)
Carrie Potts HUMAN RESOURCES MANAGER AND PRIVACY OFFICER

EXTERNAL ADVISORS

Actuary Eckler Limited
Consulting Actuary Smith Pension & Actuarial Consultants Inc.
Auditor Deloitte LLP
Custodian RBC Investor Services
Legal Counsel Taylor McCaffrey
Koskie Minsky

PARTICIPATING EMPLOYERS

- City of Winnipeg
- Riverview Health Centre
- Manitoba Hydro (former Winnipeg Hydro employees only)
- Winnipeg Convention Centre
- Assiniboine Park Conservancy
- 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*



WINNIPEG CIVIC EMPLOYEES'
BENEFITS PROGRAM

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