WCEBP

WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

2010 ANNUAL REPORT

WHO WE ARE

The Winnipeg Civic Employees' Benefits Program (*WCEBP* or the *Program*) is comprised of:

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

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 in 2002.

Two Boards govern the *Program*, a 14-member Pension Plan Board and a 12-member Disability Plan Board. The Trustees of the Pension Plan Board are appointed equally by the City of Winnipeg and the civic unions. The same individuals sit on the Disability Plan Board with the exception of one Employer Trustee and the Member Trustee on behalf of pensioners and deferred members.

The management and staff of *WCEBP* carry out the day-to-day administration of the *Program* under the direction of the Executive Director.

Participating Employers
The *Program* currently serves over 16,000 members (including 6,650 pensioners) working for nine Participating Employers:

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

WCEBP benefits are financed entirely by the assets (including investment earnings) of the *Program* and the contribution obligations (to maximum of an average of 8% under the 2010 provisions of the Pension Trust Agreement) of the Participating Employers and the active members under the *Program*.

Benefits are not guaranteed by the City of Winnipeg or the other Participating Employers. Employers and employees share in the surpluses and the risks associated with the *Program*.

The Board's priorities are:

- to ensure that the *Program* is managed prudently in the interests of all members
- to ensure that the assets of the *Program* are sufficient to fully finance the benefits already earned under the *Program*
- to ensure that the *Program* continues to be sustainable, through an appropriate balance between benefits and contribution rates, for present and future members

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PROGRAM PROFILE

JOINT TRUSTEESHIP

Joint trusteeship encompasses both joint governance and surplus- and risk-sharing between Participating Employers and *Program* Members, pursuant to the Pension Trust Agreement and the Disability Plan Trust Agreement entered into by the City of Winnipeg and the Signatory Unions.

Joint Governance
A joint Board of Trustees became responsible for the management of the *Program* on January 1, 2003. With joint governance, both the City of Winnipeg and the *Program* Members, through their representatives, have an equal voice in decision-making. The City of Winnipeg and the *Program* Members have equal representation on the joint Board.

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

- ensuring that the *Program* is administered in accordance with the Trust Agreement, Program Text, and applicable legislation
- adopting and reviewing the investment policy
- monitoring investment performance
- adopting and reviewing funding policy

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

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

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

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

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

Benefits Committee
The Benefits Committee adjudicates certain categories of long term disability claims with the assistance of the Board's medical consults and Case Management Team.

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

Administration
The day-to-day administration of the *Program* is carried out under the direction of the Executive Director.

Surplus- and Risk-Sharing
The Pension Trust Agreement provides for sharing, by Participating Employers and *Program* Members, of both future actuarial surpluses and funding deficiencies. While the *Program* holds reserves which are available to buffer against future funding deficiencies, an increase in contributions and/or a reduction in benefits could be required if the assets of the *Program* are not sufficient to meet the *Program's* liabilities on an ongoing basis.

2010 OVERVIEW

The Winnipeg Civic Employees' Benefits Program currently covers over 16,000 members with assets of over $3.6 billion.

Financial Position

As at December 31, 2010	Fair Value	Actuarial Value
	(000's)	*(000's)*
Net Assets Available For Benefits		
Main Account - General Component	$ 3,385,582	$ 3,362,981
Main Account - Future Contribution Reserve	148,908	148,908
Plan Members' Account - Enhancement Cost Reserve	9,772	9,772
City Account	82,079	82,079
	$ 3,626,341	$ 3,603,740
Program Obligations - as extrapolated	$ 3,357,855	$ 3,357,855
Funded Ratio - on extrapolated obligations	108.0%	107.3%

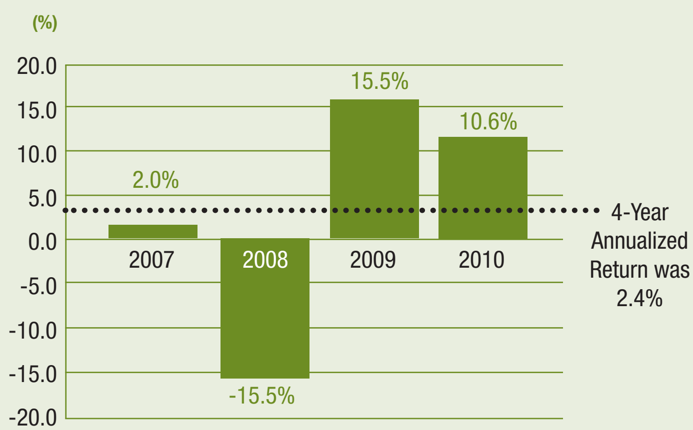
The *Program* came into being in 2003 as a result of the restructuring of the former Employee Benefits Program. A number of special-purpose accounts were created under the new structure:

Future Contribution Reserve – exists to finance the future service cost of the 1999 level benefits that exceed matching employee and employer contributions, subject to the availability of reserves.

Enhancement Cost Reserve – exists to finance the future service cost of benefit improvements over and above the 1999 level, subject to the availability of reserves.

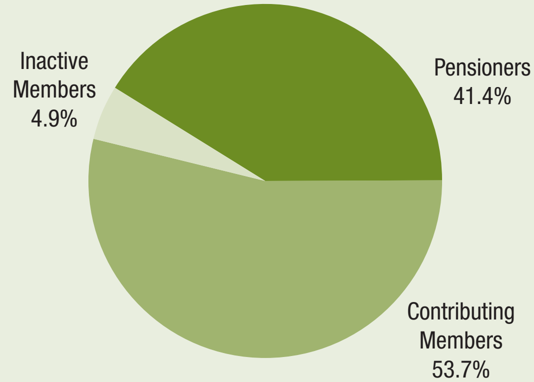
City Account – available to the City and other Participating Employers to finance any reduction in employer *Program* contributions below those that match employee contributions, subject to the availability of funds.

Annual Investment Return

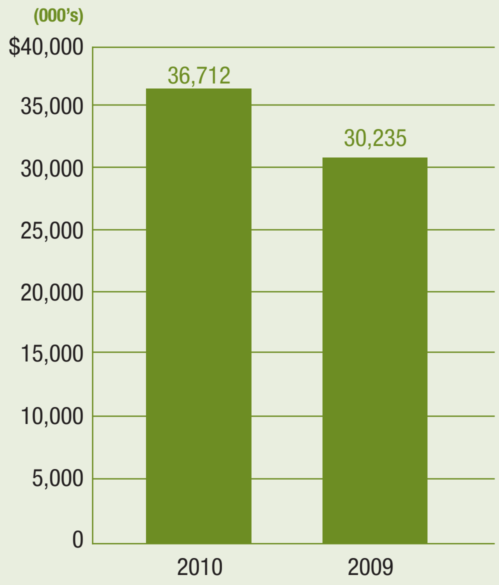


Membership Profile

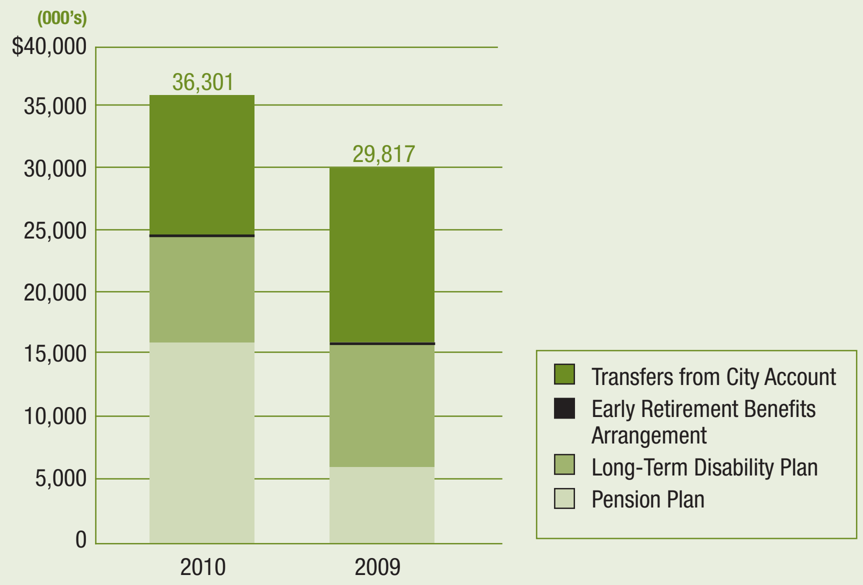
As at December 31, 2010
Total Members 16,080



Employee Contributions

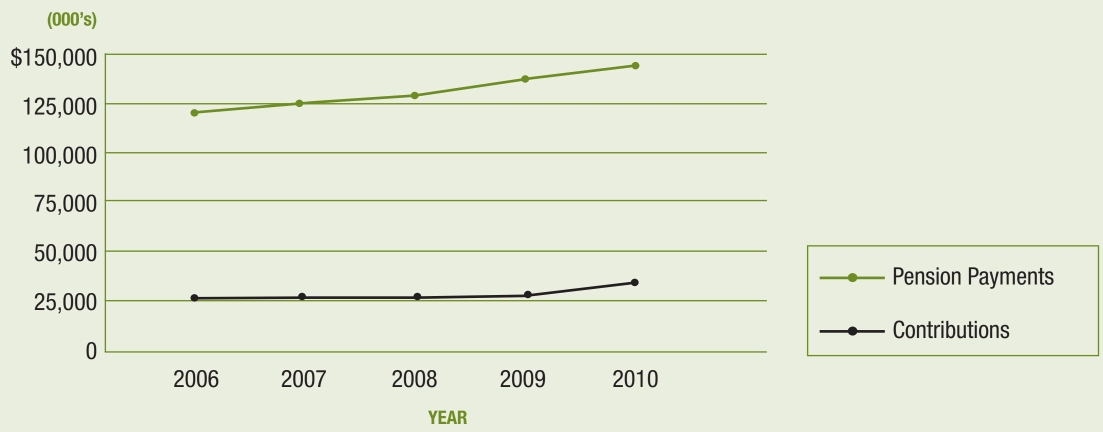


Employer Contributions and Transfers*



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

Member Contributions & Pension Payments



Cost of Benefits for Service in 2010

	Employee Contributions	Employer Contributions*	Allocation from Reserves	Total Cost
As % of Contributory Earnings				
1999 Benefits Level	7.99%	7.99%	6.01%	21.99%
Benefit Enhancements	-	-	2.53%	2.53%
	7.99%	7.99%	8.54%	24.52%

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

Statement of Actuarial Position

		December 31, 2009
		(000's)
1. Actuarial Value of Assets		
Main Account	$	3,377,548
Plan Members' Account		19,799
City Account		85,328
	$	3,482,675
2. Actuarial Liabilities		
Pension Plan	$	3,155,441
Long Term Disability Plan		56,612
Early Retirement Benefits Arrangement		4,659
	$	3,216,712
3. Excess of actuarial value of Program assets		
over actuarial liabilities	$	265,963
4. Amounts Previously Allocated		
Future Contribution Reserve	$	160,836[1]
Plan Members' Account		19,799
City Account		85,328
	$	265,963
5. Actuarial Surplus (3.- 4.)	$	0
6. Funded Ratio (1. / 2.)		
Including Plan Members' and City Accounts		108.3%
Excluding Plan Members' and City Accounts		105.0%

1. After transfer of $78,696,000 to Main Account – General Component effective January 1, 2010.

Funded Ratio Based on Actuarial Value of Assets

* Extrapolated: at the time the year-end financial statements were being prepared, the results of the actuarial valuation of the *Program* as at December 31, 2010 were not available. Accordingly, the results of the December 31, 2009 actuarial valuation were extrapolated to December 31, 2010.

MESSAGE FROM THE CHAIR AND EXECUTIVE DIRECTOR

On behalf of the Board of Trustees, we are pleased to present the annual report of *The Winnipeg Civic Employees' Benefits Program* for the year ended December 31, 2010.

Financial Status

The most recent actuarial valuation of the *Program*, as at December 31, 2009, showed that, on a going-concern basis, the *Program* was fully funded (going-concern funded ratio of 108.3%) with respect to all benefits in payment and all benefits earned for service up to the valuation date.

On a solvency basis, however (which assumes the *Program* is terminated and wound up as at December 31, 2009), the funded ratio was 92.7%. No action is required to be taken on the basis of this solvency valuation as the *Board of Trustees* elected (in 2010), under the *Solvency Exemption for Public Sector Pension Plans Regulation,* that *The Winnipeg Civic Employees' Pension Plan* be exempt from the solvency and transfer deficiency provisions of the Manitoba *Pension Benefits Act* and *Regulations*. This election was made by the *Board* in the interests of *Program* members as adherence to the solvency and transfer deficiency provisions would lead to potential situations of required reductions to Plan members' benefits despite going-concern funding requirements having been met.

The *Program* earned a rate of return on assets of 10.6% in 2010 which is over 4% more than the net rate of return of 6.25% assumed for actuarial purposes. The 2010 "excess" investment return was more than sufficient to offset the remaining unamortized balance of the 2008 investment losses. The extrapolated funded status to December 31, 2010 (prepared for financial reporting purposes) shows a small amount of surplus emerging on 2010 operations (going-concern funded ratio of 107.3%). A formal actuarial valuation of the *Program* as at December 31, 2010 is currently underway.

Longer-Term Sustainability

The cost of benefits accruing under the *Program* each year exceeds the amount of employee and employer annual contributions. Benefits for service after the valuation date (most recently at December 31, 2009) were expected to cost about 24.1% of pensionable earnings. Employee and employer contribution rates (including the contribution rate increase which became effective January 2010) currently total 16% of pensionable earnings, leaving a shortfall of 8.1% of pensionable earnings. This shortfall is financed out of surplus previously allocated to the *Program's* special-purpose reserves and accounts, one of which (Enhancement Cost Reserve) is projected to be depleted by late 2011 and another (Future Contribution Reserve) projected to be depleted by about 2017.

One of the responsibilities of the *Board of Trustees* is to ensure, over the long-term, that benefit levels are in balance with the assets of the *Program* and the contribution rates payable by the employees and participating employers. To this end, the *Board of Trustees* (in late 2009) encouraged the City of Winnipeg and the Signatory Unions to determine (subject to appropriate approval by the parties) the rates of contribution to be made to the *Program* by employees and participating employers in 2011 and subsequent years.

The City of Winnipeg and the Signatory Unions responded positively by setting up a joint committee, in early 2010, to address this matter. The Board of Trustees is working through this process with the City of Winnipeg and the Signatory Unions with the objective of ensuring that the *Program* continues to be sustainable for present and future *Program* members.

Asset-Liability Study

The *Program* conducted a comprehensive asset-liability study using the external services of Mercer Investment Consulting. This study provided insight relative to various risk and return scenarios. On this basis, the *Board of Trustees* adopted a new long term policy asset mix which was within a level of risk considered acceptable to the Trustees. Among the notable changes of this new long term policy asset mix are new allocations to the real estate and infrastructure asset classes, offset by reductions in the equity and fixed income asset classes. A plan has been approved for transitioning to the long term asset mix policy over the next two years.

Governance
In 2010, the *Program* Administration, in conjunction with an external consultant, developed a Governance Manual for the *Program*, the purpose of which is to provide a readily accessible working guide for the Board and Board Committees relative to the governance of the *Program*. The Governance Manual has been adopted by the Board as a working document for implementation over the course of 2011.

This manual is a valuable resource for current Trustees and will serve as an excellent orientation document for new Trustees.

Legislative Change
The provincial government announced changes to *The Pension Benefits Act* on March 26, 2010. Most of the changes came into effect on May 31, 2010. In some cases, *The Winnipeg civic Employees' Pension Plan* already exceeded the new minimum requirements in the legislation, so no changes were required. Some of the more significant changes did, however, require the focused attention of staff in order to implement them in the timeframe provided. All necessary operational changes were implemented by the deadline and staff continue to update forms and other publications as necessary.

Enhanced Communications
A logo and a set of visual identity standards were implemented by the *Program* in late 2010 and into 2011. It is our objective that our clear and consistent identity will showcase the strengths of our organization and improve the effectiveness of communications overall. The standards have been applied to organizational materials such as letterhead and business cards, and to all communication materials, including this report, and a variety of informational pieces for members.

The *Program's* website was also completely reorganized with a focus on member services. The content is now current and much easier to navigate.

Acknowledgements
In closing, we would like to extend sincere appreciation to Jo-Anne Ferrier who stepped down from the *Board* at the end of 2010 after 15 years (combined total as an Employer Trustee and member of the former Employee Benefits Board), and also to Member Trustee Keith Scott whose resignation from the Board after a combined ten years of service coincided with his retirement from the City of Winnipeg.

In turn, we welcome James Girden as a new Member Trustee and Deepak Joshi who joins us in the capacity of Employer Trustee.

We would also like to take this opportunity to thank Dr. John McCallum who stepped down from our Investment Committee after serving in this capacity for more than 13 years and to the *Program's* Director of Investments, Rick Abbott, who retired from the *Program* after 18 years service.

Finally, let us express our sincere appreciation to each Trustee and Committee member for their commitment and dedication to fulfilling the objectives and responsibilities of the Board, and to *Program* staff who are committed to delivering quality and caring service to you, our members. Our commitment going forward is to continue to work diligently in your best interest.

Sincerely,

Brian Ellis
CHAIR

Glenda Willis
EXECUTIVE DIRECTOR

PENSION PLAN

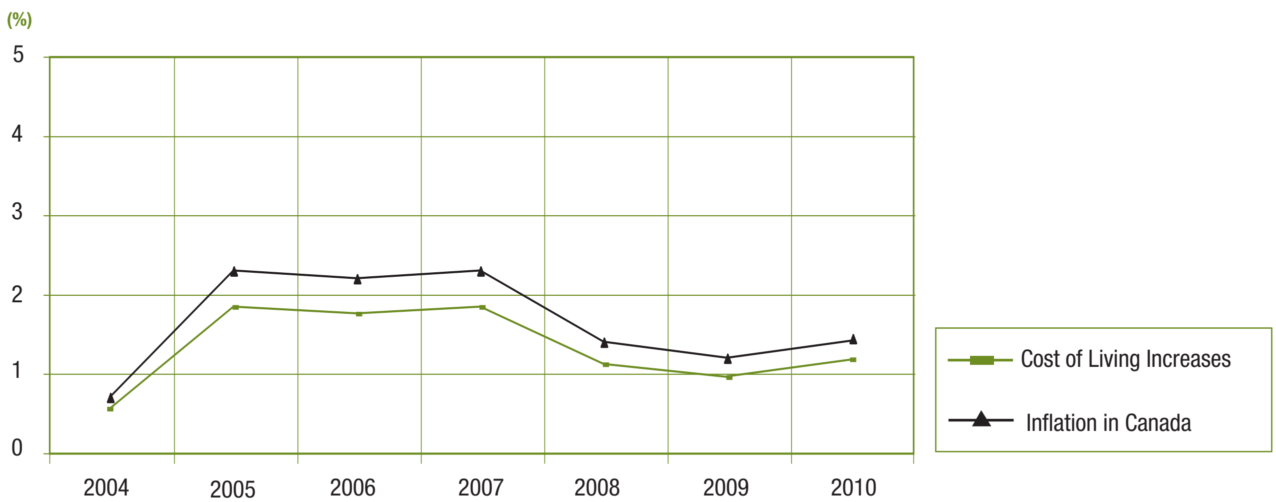
BENEFITS

The Winnipeg Civic Employees' Pension Plan is a defined benefit pension plan, registered under Manitoba's *Pension Benefits Act* and Canada's *Income Tax Act*. The pension benefit is determined by a set formula that is defined in the Pension Plan Text, one of the governing documents of the *Program*. Unlike many traditional defined benefit pension plans, however, the benefits under this plan are not guaranteed by the Participating Employers and are subject to change.

Normal retirement age under the Pension Plan is 65, however, several early retirement options are also available. When a member dies, survivor benefits may also be paid to an eligible spouse/partner or dependent children, or other eligible beneficiaries.

The Pension Plan Text also allows for indexing of pensions, currently at a rate of 80% of the annual increase in Canada's Consumer Price Index at March 31.

Cost of Living Increases



CONTRIBUTIONS

Employees are required to make regular contributions to the Pension Plan each pay period. On a *Program* basis, the employers will match employee contributions either in cash or through a transfer from the City Account.

2010 Member Contribution Rate

Earnings up to the 2010 CPP earnings ceiling[1] of $47,200	7.6%
Earnings over the 2010 CPP earnings ceiling[2] up to $139,067	9.4%

1. The Yearly Maximum Pensionable Earnings (YMPE) is the maximum pensionable earnings under the Canada Pension Plan which is $47,200 for 2010.
2. Contributions are only required on salary up to the maximum salary for which a benefit can be accrued under the *Income Tax Act,* which is $139,067 for 2010.

BUILDING STRONG RELATIONSHIPS

Our services to members include:
- Participating in orientation sessions for new employees
- Calculating termination or retirement pension benefits
- Calculating retirement pension estimates
- Meeting individually with members who are retiring (or considering retirement), and participating in pre-retirement seminars
- Producing a biweekly pension payroll
- Producing individual annual statements of benefits

Total *Program* membership increased 1.4% to 16,080 at December 31, 2010. The number of contributing members increased 1.3% to 8,634 in 2010. This follows a trend of small increases over the last three years; however, the number of contributing members has decreased over the longer term from a high of 9,617 in 1990. The number of pensioners continues to grow at a higher rate, increasing 2.0% to 6,650 during 2010.

Summary of Membership

	2010	2009	2008	2007	2006
Contributing Members	8,634	8,527	8,385	8,304	8,248
Inactive Members	796	819	877	917	918
Pensioners	6,650	6,517	6,328	6,178	6,025
Total Membership	16,080	15,863	15,590	15,399	15,191

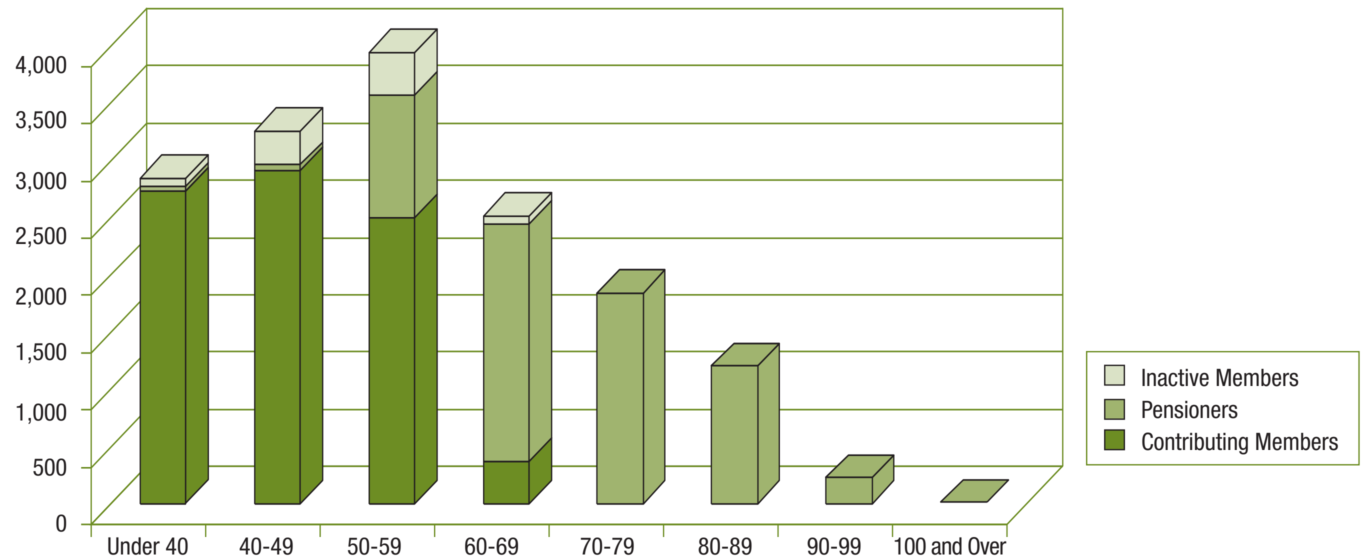
Membership Activity During the Year

	2010	2009	2008	2007	2006
Retirements	314	345	310	289	223
Deaths in Service	18	15	26	24	12
Pensioner Deaths	249	218	225	199	230
New Disabilities	64	63	74	85	103
New Members	723	826	810	762	598
Terminations	350	420	477	446	409

Membership Profile

As at December 31, 2010

(By Age Bands)



MANAGING ASSETS PRUDENTLY

Funded Status at December 31, 2009

The most recent actuarial valuation of The Winnipeg Civic Employees' Benefits Program as at December 31, 2009, disclosed that the *Program* was fully funded and had an excess of smoothed value of assets over actuarial liabilities of $265,963,000 – a funded ratio of 108.3% on the basis of actuarial values. If the fair value of assets had been used instead of the smoothed value, there would have been an excess of $170,444,000 – which would have resulted in a funded ratio of 105.3% on a fair value basis. The application of an actuarial asset "smoothing" technique has been used by the *Program* for many years.

The results of the measurement, using the smoothed value of assets, continued to portray a picture of relative health for the *Program* with respect to benefits accrued for all service up to December 31, 2009. However, this picture remained clouded by the fact that the *Program* had not yet fully recognized the investment losses which occurred during 2008 when the *Program* had a rate of investment return of -15.5%. These unrecognized investment losses, as measured in the actuarial valuation, amounted to $95,523,000 at year end 2009.

The results of the measurement, using the fair value of assets, indicated that the going concern funded ratio had improved significantly from the previous year, rising again above 100%.

Under the Pension Trust Agreement, the entire excess of smoothed value of assets over actuarial liabilities is allocated to special-purpose Reserves and Accounts that are primarily intended to finance the portion of future service costs which historically have exceeded future employee and employer contributions:

- the Future Contribution Reserve exists to finance the future service cost of the 1999 level benefits that exceed matching employee and employer contributions;
- the Enhancement Cost Reserve exists to finance the future service cost of benefit improvements over and above the 1999 level for which there are no new additional contributions;
- the City Account is available to the City and other Participating Employers to finance any reduction in employer *Program* contributions below those that match employee contributions; and
- the Plan Members' Account – Unallocated Portion is available for benefit improvements, subject to the availability of funding.

These Reserves and Accounts, especially the Future Contribution Reserve and the Enhancement Cost Reserve, have historically played an integral role in financing the cost of future service benefits under the *Program*. Under the Pension Trust Agreement, contributions are limited to an average of 8% of pensionable earnings from each of the employees and employers, even though the cost of providing the benefits (approximately 24.5% of pay, using actuarial "funding" assumptions) exceeds the maximum combined contributions at 16% of pay. The sustainability of present benefit levels will, therefore, largely depend on the ability of these Reserves to finance this shortfall into the future. The reserve positions continue to deplete as they are used on an ongoing basis to finance benefits. The Reserves would have to be continuously "topped up" if they are to be maintained at their target levels. The generation of excess investment returns in the future to facilitate reserve maintenance is expected to be very challenging in the face of current investment market conditions and subject to considerable uncertainty.

The actuarial valuation as at December 31, 2009 disclosed that the *Program* was in balance in respect of 2009 operations. The "in balance" position took into account the effect of an extraordinary transfer from the Future Contribution Reserve to the Main Account – General Component in the amount of $78,696,000, which was approved by the City and the Signatory Unions, effective January 1, 2010. In addition, surplus which otherwise would have arisen (in part due to the effect of the above referenced transfer) in the amount of $46,447,000, was applied against unrecognized investment losses.

The actuary further disclosed that the Future Contribution Reserve was funded at 61% of its target level of $266,000,000 and the Enhancement Cost Reserve was funded at 22% of its target level of $90,000,000. Given present usage, the Enhancement Cost Reserve is projected to be depleted by late 2011 and the Future Contribution Reserve is expected to be depleted by about 2017.

Although these Reserves are available on an as-needed basis to offset funding deficiencies should they emerge (following the order of remedies specified in the Pension Trust Agreement), the Reserves are not intended to be used as a buffer to permanently finance investment shortfalls or other experience losses. To the extent that they end up being used for such purposes, their ability to finance the cost of future service benefits will be constrained, and could result in increases in contribution levels (subject to approval of the City of Winnipeg and Signatory Unions) and/or reductions in benefits levels.

Key Actuarial Assumptions – December 31, 2009 Actuarial Valuation

One of the key assumptions that underlies the determination of actuarial liabilities, thereby affecting the actuarial surplus, is the valuation interest rate. The valuation interest rate assumed was 6.25% per year in the 2009 actuarial valuation (unchanged from the 2008 actuarial valuation), and was developed with reference to expected long-term economic and investment conditions. The valuation interest rate assumed was carefully and prudently developed, giving recognition to the long-term asset mix expected to be utilized by the *Program*, and after assuming an equity premium that was considered somewhat optimistic by historical standards.

Other key economic assumptions in the 2009 actuarial valuation include future inflation at 2.00% per year (unchanged from the 2008 actuarial valuation), resulting in an assumed real rate of investment return of 4.25% per year, and future general increases in pay of 3.50% per year (unchanged from the 2008 actuarial valuation).

Although these assumptions were considered appropriate both for funding and accounting purposes in 2009, there nonetheless is measurement uncertainty associated with these estimates versus actual future investment returns and salary escalation that will impact on the future financial position of the *Program*, possibly in a material way.

It is important to note that the actuarial position described in the preceding sections does not take into account the significant investment gains recognized by the *Program* as a result of the continued recovery in the investment markets during 2010, wherein the *Program's* rate of investment return for 2010 was 10.6%. The "Extrapolated Funded Status" described later in this report includes the impact of such investment gains (on a smoothed basis).

Increase in Contribution Rate for 2010 Program Year

Commencing in 2008, the *Board of Trustees* focused its attention on a strategic review process to sustain the *Program* for current and future generations of Members. It was recognized that a long-term solution could possibly involve changes to contributions, investments, and benefits. An increase in the contribution rate to at least 8% of pensionable earnings (the current maximum under the Pension Trust Agreement) was viewed in 2009 as an inevitable remedy that would likely be required within the next year or two.

Despite recovering investment markets in the second half of 2009, the *Board* recommended that the City of Winnipeg and the Signatory Unions approve an increase in the contribution rate to an average of 8% of pensionable earnings effective January 2010. The City and the Unions approved this proactive course of action, which would normally have occurred in response to a funding deficiency in the future under the terms of the Pension Trust Agreement.

The new contribution rate became effective the first pay period of 2010, and is based on a rate of 7.6% on pensionable earnings up to the maximum pensionable earnings under the Canada Pension Plan (CPP) and 9.4% on earnings above the maximum pensionable earnings under the CPP.

Extrapolated Funded Status - at December 31, 2010

At the time the year-end financial statements were being prepared, the results of the actuarial valuation of the *Program* as at December 31, 2010, were not available. Accordingly, the results of the December 31, 2009 actuarial valuation were extrapolated to December 31, 2010, to determine the actuarial present value of accrued benefits at year-end. Significant long term actuarial assumptions used in determining the actuarial value of accrued pension benefits included a valuation interest rate of 6.25% per year, inflation of 2.0% per year and general increases in pay of 3.5% per year (all unchanged from the previous year). The extrapolation is prepared for financial reporting purposes only, with any apparent emerging surplus or deficiency subject to confirmation or revision in the subsequent actuarial valuation report.

Actions that are required under the Pension Trust Agreement, relative to the funded status of the *Program*, are undertaken only with reference to the reported results of the formal actuarial valuation. Readers of the *Program's* financial statements should, therefore, be careful to treat such extrapolated results as preliminary.

The notes to the financial statements disclose that the actuarial value of assets of the Main Account – General Component are greater than the extrapolated obligations of the *Program* by approximately $5,126,000 as at December 31, 2010. Although the extrapolated values of the assets and obligations project this relatively small amount of surplus emerging on 2010 operations, experience gains or losses will also have a bearing on the final level of surplus (or funding deficiency) that is ultimately determined for the Main Account – General Component in the next actuarial valuation as at December 31, 2010.

After taking into account all special-purpose Reserves and Accounts, the extrapolated funded status of the *Program* remains at 107.3% on an actuarial basis and 108.0% on a fair value basis. These funded positions compare with those from the most recent actuarial valuation one year earlier of 108.3% and 105.3%, respectively.

The application of a five-year asset smoothing method has had the effect of deferring a portion of the investment market gains in 2010 to future years. In applying the smoothing method, excess investment returns realized in 2010 were first applied against the balance of unrecognized 2008 investment losses.

As at December 31, 2010, the assets as measured on a smoothed basis are less than their related fair value by $22,601,000 – an improvement in position of $118,124,000 from the previous year.

Accordingly, should the *Program* earn exactly the assumed 6.25% on the actuarial asset base over the next four years, the remaining $22,601,000 smoothing difference would be expected to emerge as surplus over this four-year period, a situation that would be beneficial to the financial position of the *Program*. At present, any surplus arising from 2010 operations would be dealt with in accordance with the terms of the Pension Trust Agreement.

In summary, the *Program's* excess investment returns earned during 2009 and 2010, together with the application of other remedies (changes to actuarial assumptions, transfers from reserves and utilization of unrecognized investment gains which arose before 2008), and realized experience gains not related to investments, were sufficient to offset the investment losses incurred during 2008. However, looking forward, the remaining reserve positions are significantly reduced from 2007 levels, and are not presently considered adequate to sustain the *Program* in its present form over the longer term.

Financing Future Benefit Accruals

As noted in prior years' reports, the *Program's* financial structure is not in balance, as the cost of benefits accruing each year continues to significantly exceed the required contributions to finance them. This situation continues, despite the increase in the contribution rate to an average of 8% which commenced in 2010. The shortfall is at present financed from reserves, which may not be sustainable over the longer term. Accordingly, the *Board of Trustees* is reviewing the *Program's* existing provisions to ensure that they remain appropriate, as well as carefully considering options to ensure the sustainability of the *Program*, options that could affect contribution and benefit levels. As part of this process, the Board in late 2009 encouraged the City and the Unions to consider if they wish to increase the contribution rate beyond an average of 8% of pay.

Long-Term Investment Goals and Performance

Over the last ten years, the *Program* achieved an average rate of return of 4.9% per year, ranking fourth quartile (82nd percentile) among larger pension plans in Canada. The current long-term goal of the *Program* is to achieve a rate of return that exceeds inflation by 5.0% per year. With the ten-year annualized inflation rate being 2.0%, the *Program* fell short of this goal by a margin of 2.1% per year over the last ten years. It should be noted that such measurements are end date sensitive.

Although a long-term investment return which exceeds inflation by 4.25%, together with matching contributions from the employees and employers, is expected to adequately finance the benefits derived from past service for the existing *Program* members, ongoing future actuarial surplus generation would be required to achieve the target levels and continuously top up the reserves and to finance the shortfall of matching contributions versus the benefit cost for new employees as they replace current employees retiring from the workforce. Actuarial surplus generation would also be needed to enable Participating Employers to continue contributing below matching levels over the longer term.

Accordingly, notwithstanding the assumed 4.25% per year real return used for the actuarial valuation at December 31, 2009, it is desirable to strive for a real rate of return of at least 5% per year over the long-term, and this 5% objective is reflected in the *Program's* Statement of Investment Policies and Procedures.

As the *Program* is presently constituted, it is the achievement of sufficient excess returns in the future which will have the most significant bearing on the ultimate sustainability of current benefits (including Cost-of-Living Adjustments) and contribution levels. As earlier noted, the generation of excess investment returns in the future is subject to considerable uncertainty.

The *Board of Trustees* recognizes that the 5% per year real rate of return objective will prove to be a challenging objective in today's investment markets. To facilitate this objective, the *Board* undertook an asset-liability study which was concluded in 2010. As a result, the *Board* has revised its long term investment policy, which will include an eventual shift to a higher weight in alternative investment classes, in particular real estate and infrastructure, and to longer duration bonds. The *Board*, and its Investment Committee, will continue to prudently manage the *Program's* assets towards this 5% real return objective. In light of the present low interest rate environment and challenging investment markets, the *Board*, as previously noted, is proactively reviewing the *Program's* existing provisions to ensure that they remain appropriate, and is carefully considering options for change that could affect future contribution and benefit levels.

Future Accounting Changes

In April 2010, the Canadian Institute of Chartered Accountants (CICA) issued Section 4600, Pension Plans, replacing Section 4100, Pension Plans. The new section will be applicable to financial statements related to fiscal years beginning on or after January 1, 2011. Accordingly, the *Plan* will adopt the new standards for its fiscal year beginning January 1, 2011. The new standards establish requirements for measurement and presentation of information in general purpose financial statements of pension plans, as well as financial statement disclosures. The *Board of Trustees* is currently evaluating the impact of the adoption of this new Section on its financial statements.

EARLY RETIREMENT BENEFITS ARRANGEMENT

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

Although the *Early Retirement Benefits Arrangement* has been in existence for quite some time, 1999 was the first year that benefits were paid under the Arrangement. The amount paid out in 2010 was $54,784 (2009 - $45,790). Payments under the *Winnipeg Civic Employees' Early Retirement Benefits Arrangement* will continue to be reported in future years, but financial statements will not be published until the amounts are somewhat significant.

Five-Year Financial Summary

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

	2010	2009	2008	2007	2006
	(000's)	*(000's)*	*(000's)*	*(000's)*	*(000's)*
Investments at Fair Value					
Bonds and Debentures	$ 1,201,536	$ 1,247,735	$ 1,288,611	$ 1,328,101	$ 1,296,619
Real Return Bonds	20,325	19,425	18,003	18,343	18,514
Canadian Equities	1,237,028	1,049,583	764,100	1,244,536	1,394,067
Foreign Equities	1,058,070	978,479	848,069	1,012,405	1,001,303
Cash and Short-term Deposits	70,225	68,425	109,086	129,818	75,491
Private Equities	48,380	32,339	37,448	22,033	21,818
Other Liabilities	(9,223)	(8,835)	(11,442)	(9,229)	(14,402)
	$ 3,626,341	$ 3,387,151	$ 3,053,875	$ 3,746,007	$ 3,793,410
Assets Available for					
Main Account					
- General Component	$ 3,385,582	$ 3,042,493	$ 2,695,856	$ 3,324,267	$ 3,318,333
- Future Contribution Reserve	148,908	239,531	243,451	259,017	291,803
Plan Members' Account					
- Unallocated Portion	-	-	-	-	-
- Enhancement Cost Reserve	9,772	19,799	27,369	43,437	53,724
City Account	82,079	85,328	87,199	119,286	129,550
	$ 3,626,341	$ 3,387,151	$ 3,053,875	$ 3,746,007	$ 3,793,410
MAIN ACCOUNT- GENERAL COMPONENT					
Contributions:					
Employees	$ 36,712	$ 30,235	$ 28,728	$ 27,887	$ 26,928
City of Winnipeg and Participating Employers	15,771	5,784	2,684	3,962	5,523
Reciprocal Transfers	375	1,048	653	168	310
Transfer from: Main Account					
- Future Contribution Reserve	27,305	38,050	34,905	37,660	30,573
- Enhancement Cost Reserve	11,494	10,903	10,130	11,147	10,862
City Account	11,560	14,063	14,767	12,466	10,997
Transfer of Surplus from Future Contribution Reserve	78,696	-	-	-	-
Net Investment Income (Loss)	323,014	405,503	(499,316)	58,769	380,455
	504,927	505,586	(407,449)	152,059	465,648
Pension Payments	144,169	137,758	130,450	122,887	116,118
Lump Sum Benefits	14,330	17,568	20,593	20,921	21,958
Administration	3,339	3,623	2,805	2,317	2,140
Transfer to: Main Account					
- Future Contribution Reserve	-	-	67,114	-	47,975
	161,838	158,949	220,962	146,125	188,191
Increase (Decrease) in Net Assets	$ 343,089	$ 346,637	$ (628,411)	$ 5,934	$ 277,457

MAIN ACCOUNT- FUTURE CONTRIBUTION RESERVE

	2010	2009	2008	2007	2006
	(000's)	*(000's)*	*(000's)*	*(000's)*	*(000's)*
Transfer of Surplus from Main Account - General Component	$ -	$ -	$ 67,114	$ -	$ 47,975
Net Investment Income (Loss)	15,378	34,130	(47,775)	4,874	34,919
	15,378	34,130	19,339	4,874	82,894
Transfer to Main Account - General Component	27,305	38,050	34,905	37,660	30,573
Transfer of Surplus to Main Account - General Component	78,696	-	-	-	-
	106,001	38,050	34,905	37,660	30,573
Increase (Decrease) in Assets Available for Pension Benefits	$(90,623)	$ (3,920)	$ (15,566)	$(32,786)	$ 52,321

PLAN MEMBERS' ACCOUNT- ENHANCEMENT COST RESERVE

	2010	2009	2008	2007	2006
Net Investment Income (Loss)	$ 1,467	3,333	(5,938)	860	6,726
	1,467	3,333	(5,938)	860	6,726
Transfer to Main Account - General Component	11,494	10,903	10,130	11,147	10,862
Increase (Decrease) in Net Assets	$(10,027)	$ (7,570)	$ (16,068)	$(10,287)	$ (4,136)

CITY ACCOUNT

	2010	2009	2008	2007	2006
Net Investment Income (Loss)	8,311	12,192	(17,320)	2,202	15,356
	8,311	12,192	(17,320)	2,202	15,356
Transfer to Main Account - General Component	11,560	14,063	14,767	12,466	10,997
Increase (Decrease) in Net Assets	$ (3,249)	$ (1,871)	$ (32,087)	$(10,264)	$ 4,359
Annual Rates of Return	10.6%	15.5%	-15.5%	2.0%	13.0%

REPORT ON INVESTMENTS

The Board of Trustees of The Winnipeg Civic Employees' Benefits Program delegates to its Investment Committee the responsibility for determining the *Program's* asset mix, within the parameters of the *Program's* Statement of Investment Policies and Procedures, for recommending the selection or termination of various investment managers, and for monitoring the performance of these investment managers. The *Program* utilizes external investment managers to manage the equity portfolios. The short-term investments and the bond portfolio, including real return bonds, are managed internally.

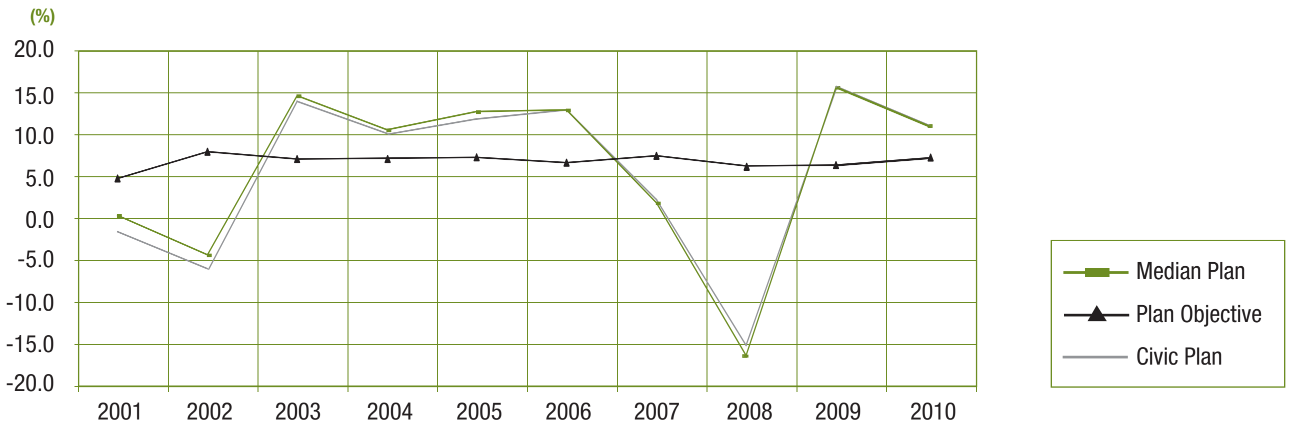
In 2010, the investment portfolio reported a return of 10.6%, matching the performance of the median Canadian pension fund as measured by RBC Dexia Investor Services, an independent measurement service. Throughout 2010, global markets performed well, extending the recovery that began in March 2009.

Over the last ten years, returns were below the *Program's* CPI+5% objective, as abnormally high returns in years 2003-2006 and 2009-2010 were largely offset by negative returns in 2001, 2002 and 2008. The *Program's* four-year and ten-year annualized rates of return were 2.4% and 4.9%, which placed the *Program* at the 47th percentile and 82nd percentile ranking, respectively, of Canadian pension funds.

The below median ten-year performance (median return of 5.5%) can be attributed to the underperformance of our Canadian equity managers and the underperformance of the bond portfolio. More recent performance, on a relative basis, has been positively affected by having the *Program's* Canadian and foreign equity portfolios over-weighted relative to the median pension fund and, generally, outperformance by our equity managers.

Annualized Rates of Return

Annual Rates of Return



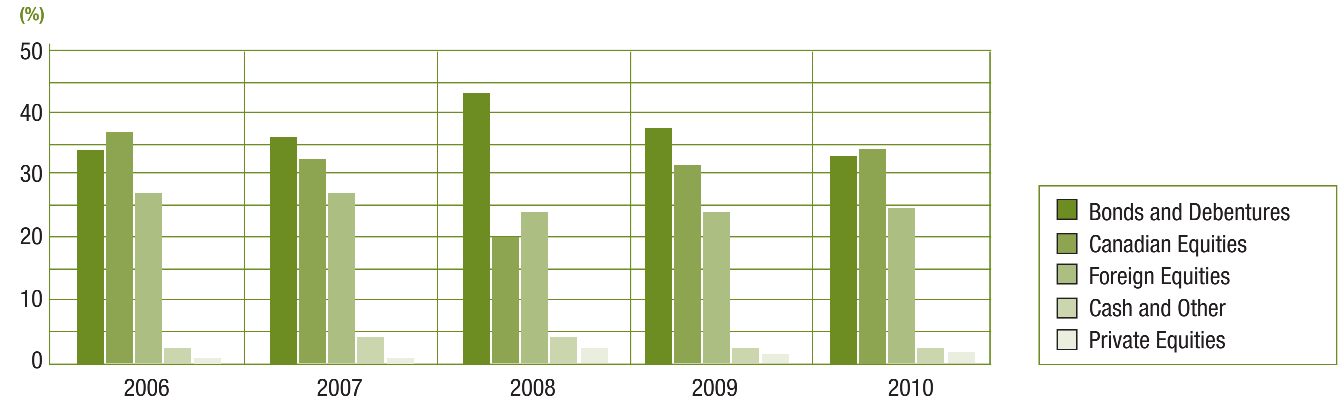
Asset Mix

As a result of a general significant rise in the equity markets and significant withdrawals from fixed income, there was an increase in the allocation to equity investments – from 59.7% of the portfolio at the beginning of the year to 63.1% at year-end.

Asset Mix

	2010	2009	2008	2007	2006
Bonds and Debentures	33.6%	37.3%	42.6%	35.9%	34.5%
Canadian Equities	34.0%	30.9%	24.9%	33.1%	36.6%
Foreign Equities	29.1%	28.8%	27.7%	26.9%	26.3%
Cash and Other	1.9%	2.0%	3.6%	3.5%	2.0%
Private Equities	1.4%	1.0%	1.2%	0.6%	0.6%
	100.0%	100.0%	100.0%	100.0%	100.0%

Asset Mix



Equity Investments

In 2010, the *Program's* Canadian equity managers achieved a return of 17.4%, slightly ahead of the median pension fund return of 17.3%, but behind the S&P/TSX Composite Index return of 17.6%. One underperforming investment manager, Phillips, Hager & North, was terminated and the funds were transferred to the TD Canadian Equity Index Fund.

The *Program's* foreign equity managers, collectively, reported a return of 7.6% in Canadian dollar terms in 2010, outperforming both the MSCI World (CAD) Index and the median pension fund. The MSCI World (CAD) Index returned 5.9% while the median pension fund returned 6.7% in 2010.

In 2010, the *Program's* US equity managers, collectively, reported a return of 8.0%, in Canadian dollars, which was below the return of the S&P 500 (CAD) Index of 9.1%. One underperforming investment manager, AllianceBernstein, was terminated and the funds were transferred to JPMorgan. Over the last ten years, the US stock market has significantly underperformed the Canadian stock market in Canadian dollars.

The *Program's* Non-North American equity managers reported a combined return of 7.1%, which significantly outperformed the MSCI Europe, Australasia, Far East (CAD) Index at 2.1%.

Fixed Income Investments

The *Program's* bond portfolio achieved a rate of return of 6.4% in 2010, which underperformed both the median pension fund return of 8.5%, and the DEX Universe Index return of 6.7%. Our defensive position with respect to credit exposure helped performance during the volatile markets of 2008, but has resulted in underperformance in 2009 and 2010, as credit markets recovered strongly.

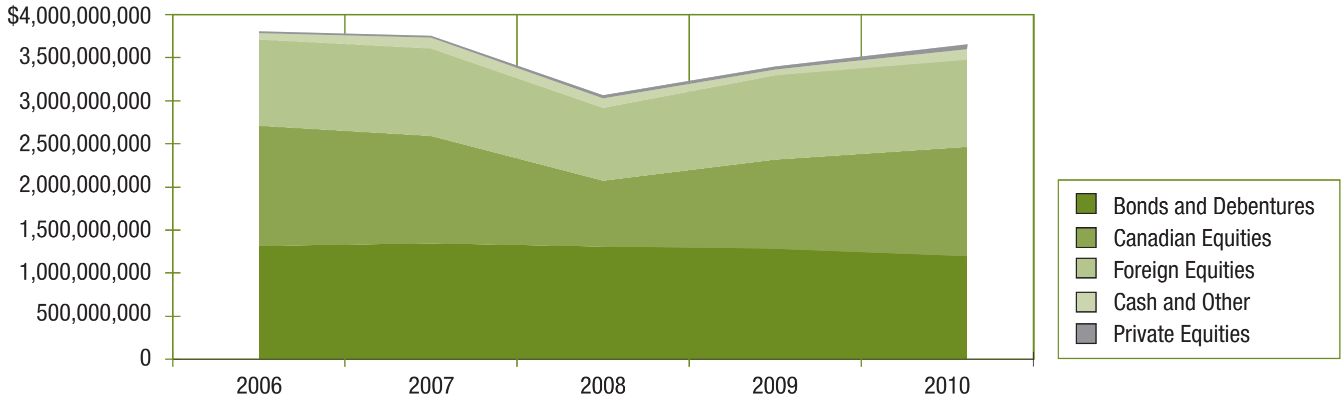
For the four- and ten-year periods ended December 31, 2010, the bond portfolio returned 5.4% and 6.4%, respectively. Over ten years, the portfolio outperformed the DEX Universe Index return of 6.3%, but underperformed the median pension fund return of 6.9%.

Fixed Income Investments Summary

As at December 31, 2010

Description	Maturity Date		Pension Plan Market Value
			(000's)
Government of Canada bonds	2011-2023	$	313,211
Provincial bonds	2011-2024		426,307
Municipal bonds (excluding Winnipeg bonds)	2011-2013		3,962
Corporate and other institutions bonds	2011-2021		472,814
Accrued interest			5,567
Total bonds and debentures		$	1,221,861
Call funds - City of Winnipeg		$	61,472
Short term investment fund			8,521
Cash			232
Total short-term investments		$	70,225

Investments



Total Returns

	One Year	Four Years	Ten Years
Total Fund	10.6%	2.4%	4.9%
Bonds and Debentures	6.4%	5.4%	6.4%
Canadian Equities	17.4%	4.2%	7.3%
Foreign Equities	7.6%	-4.7%	-1.3%
Benchmarks			
DEX Universe Bond Index	6.7%	5.6%	6.3%
S&P / TSX Composite Index	17.6%	4.0%	6.6%
S&P 500	9.1%	-4.7%	-2.7%
Europe, Australasia, Far East Stock Market Index	2.1%	-6.5%	-0.7%
Consumer Price Index (CPI)	2.4%	1.8%	2.0%

Asset Mix Strategy for 2011

In 2010, the *Program* conducted a comprehensive asset-liability study, on the basis of which, the Board of Trustees adopted a new long term policy asset mix. The new policy asset mix is expected, over the long term, to achieve the objective of CPI+5% with an acceptable level of risk exposure to the *Program*.

Among the notable changes arising from the study were new allocations to real estate and infrastructure, offset by reductions in equities and fixed income. The Investment Committee is in the process of identifying appropriate vehicles and investment managers for these mandates, for recommendation to the Board of Trustees, and anticipate that the changes will be completed over a three- to four-year period.

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

Mercer has conducted an actuarial valuation of *The Winnipeg Civic Employees' Benefits Program* as at December 31, 2009, relying on data and other information provided to us by the Board of Trustees of the Program. The results of the valuation are contained in our report dated September 2010.

The principal results of the valuation are as follows:

Actuarial Position
The Program is fully funded on a going-concern basis in respect of benefits earned for service up to December 31, 2009 and has an excess of smoothed value of assets over the going concern funding target of $265,963,000 as at that date, on the basis of the assumptions and methods described in our report. All of this excess, $265,963,000, has been previously allocated to the Future Contribution Reserve, the Plan Members' Account and the City Account.

The Program has a solvency shortfall of $274,834,000 as at December 31, 2009, based on a smoothed value of assets. The Board of Trustees has elected to have *The Winnipeg Civic Employees' Pension Plan* exempted from the solvency provisions and the transfer deficiency provisions of the *Pension Benefits Act* (Manitoba) and Regulations, pursuant to the *Solvency Exemption for Public Sector Pension Plans Regulation*. As a result, no special payments or other remedies are required for solvency purposes.

Cost of Benefits for Service in 2010
The normal actuarial cost of the benefits expected to be earned under the Program for service in 2010 is 24.52% of contributory earnings.

This cost is expected to be financed by employee contributions averaging 7.99% of contributory earnings, employer contributions and transfers from the City Account of 7.99% of contributory earnings, transfers from the Future Contribution Reserve of 6.01% of contributory earnings and transfers from the Enhancement Cost Reserve within the Plan Members' Account of 2.53% of contributory earnings.

In our opinion:

- the actuarial valuation and our report thereon present fairly the actuarial position of The Winnipeg Civic Employees' Benefits Program as at December 31, 2009 on the basis of the actuarial assumptions and valuation methods adopted,
- the data on which the valuation is based are sufficient and reliable for the purposes of the valuation,
- all assumptions were independently reasonable at the time the valuation was prepared and are, in aggregate, appropriate for the purposes of the valuation, and
- the methods employed in the valuation are appropriate for the purposes of the valuation.

Our report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada. It has also been prepared in accordance with the funding and solvency standards set by the *Pension Benefits Act* (Manitoba).

E. DeLuca.

Enzo DeLuca
FELLOW OF THE CANADIAN INSTITUTE OF ACTUARIES

Alyssa Hariton
FELLOW OF THE CANADIAN INSTITUTE OF ACTUARIES

Ryan Welsh
FELLOW OF THE CANADIAN INSTITUTE OF ACTUARIES

INDEPENDENT AUDITOR'S REPORT

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

Deloitte.

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

We have audited the accompanying financial statements of The Winnipeg Civic Employees' Pension Plan, which comprise the consolidated statement of net assets available for benefits for the main account – general component, main account – future contribution reserve, plan members' account – enhancement cost reserve and City account as at December 31, 2010 and their consolidated statements of changes in net assets available for benefits 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 generally accepted accounting principles, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits of The Winnipeg Civic Employees' Pension Plan as at December 31, 2010 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
June 9, 2011

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

Consolidated Statement of Net Assets Available for Benefits

As at December 31

	2010	2009
	(000's)	*(000's)*
ASSETS		
Investments, at fair value		
Bonds and debentures	$ 1,216,294	$ 1,260,713
Canadian equities	1,237,028	1,049,583
Foreign equities	1,058,070	978,479
Cash and short-term deposits	70,225	68,425
Private equities	48,380	32,339
	3,629,997	3,389,539
Accrued interest	5,567	6,447
Accounts receivable	607	444
Total Assets	3,636,171	3,396,430
LIABILITIES		
Accounts payable	9,646	9,008
Due to other plans	184	271
Total Liabilities	9,830	9,279
NET ASSETS AVAILABLE FOR BENEFITS	$ 3,626,341	$ 3,387,151
NET ASSETS AVAILABLE FOR BENEFITS COMPRISED OF:		
Main Account - General Component	$ 3,385,582	$ 3,042,493
Main Account - Future Contribution Reserve	148,908	239,531
Plan Members' Account - Enhancement Cost Reserve	9,772	19,799
City Account	82,079	85,328
	$ 3,626,341	$ 3,387,151

See accompanying notes to the consolidated financial statements.

MAIN ACCOUNT - GENERAL COMPONENT

Consolidated Statement of Changes in Net Assets Available for Benefits

For the years ended December 31

	2010	2009
	(000's)	*(000's)*
INCREASE IN ASSETS		
Contributions		
Employees	$ 36,712	$ 30,235
City of Winnipeg and participating employers	15,771	5,784
Reciprocal transfers from other plans	375	1,048
	52,858	37,067
Transfers from other accounts and reserves (Note 1)		
City Account	11,560	14,063
Future Contribution Reserve	27,305	38,050
Enhancement Cost Reserve	11,494	10,903
	103,217	100,083
Transfer of surplus from Future Contribution Reserve (Note 3)	78,696	-
Investment income (Note 5)	107,304	105,649
Current period change in fair value of investments	222,562	306,016
Total increase in assets	511,779	511,748
DECREASE IN ASSETS		
Pension payments	144,169	137,758
Lump sum benefits	14,330	17,568
Administrative expenses (Note 7)	3,339	3,623
Investment management and custodial fees	6,852	6,162
Total decrease in assets	168,690	165,111
Increase in net assets	343,089	346,637
Net assets available for benefits at beginning of year	3,042,493	2,695,856
Net assets available for benefits at end of year	$ 3,385,582	$ 3,042,493

See accompanying notes to the consolidated financial statements.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

MAIN ACCOUNT - FUTURE CONTRIBUTION RESERVE

Consolidated Statement of Changes in Net Assets Available for Benefits

For the years ended December 31

	2010	2009
	(000's)	*(000's)*
INCREASE IN ASSETS		
Investment income (Note 5)	$ 5,108	$ 8,892
Current period change in fair value of investments	10,595	25,757
Total increase in assets	15,703	34,649
DECREASE IN ASSETS		
Investment management and custodial fees	325	519
Transfer of surplus to Main Account - General Component (Note 3)	78,696	-
Transfer to Main Account - General Component (Note 1)	27,305	38,050
Total decrease in assets	106,326	38,569
(Decrease) in net assets	(90,623)	(3,920)
Net assets available for benefits at beginning of year	239,531	243,451
Net assets available for benefits at end of year	$ 148,908	$ 239,531

See accompanying notes to the consolidated financial statements.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

PLAN MEMBERS' ACCOUNT - ENHANCEMENT COST RESERVE

Consolidated Statement of Changes in Net Assets Available for Benefits

For the years ended December 31

	2010	2009
	(000's)	*(000's)*
INCREASE IN ASSETS		
Investment income (Note 5)	$ 488	$ 869
Current period change in fair value of investments	1,011	2,515
Total increase in assets	1,499	3,384
DECREASE IN ASSETS		
Investment management and custodial fees	32	51
Transfer to Main Account - General Component (Note 1)	11,494	10,903
Total decrease in assets	11,526	10,954
(Decrease) in net assets	(10,027)	(7,570)
Net assets available for benefits at beginning of year	19,799	27,369
Net assets available for benefits at end of year	$ 9,772	$ 19,799

See accompanying notes to the consolidated financial statements.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

CITY ACCOUNT

Consolidated Statement of Changes in Net Assets Available for Benefits

For the years ended December 31

	2010	2009
	(000's)	*(000's)*
INCREASE IN ASSETS		
Investment income (Note 5)	$ 2,761	$ 3,176
Current period change in fair value of investments	5,726	9,201
Total increase in assets	8,487	12,377
DECREASE IN ASSETS		
Investment management and custodial fees	176	185
Transfer to Main Account - General Component (Note 1)	11,560	14,063
Total decrease in assets	11,736	14,248
(Decrease) in net assets	(3,249)	(1,871)
Net assets available for benefits at beginning of year	85,328	87,199
Net assets available for benefits at end of year	$ 82,079	$ 85,328

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

1. Description of Plan

a) General

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

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

b) Financial structure

The Winnipeg Civic Employees' Pension Plan is comprised of three accounts, namely the Main Account (which has two components being the General Component and the Future Contribution Reserve), the Plan Members' Account (which has two components being the Unallocated Portion and the Enhancement Cost Reserve) and the City Account. The account structure is in accordance with the requirements of a Pension Trust Agreement entered into by the City and ten Signatory Unions on October 7, 2002 and became effective January 1, 2003 when The Winnipeg Civic Employees' Benefits Program superceded the former Employee Benefits Program of the City of Winnipeg.

i) Main Account – General Component
All benefits of the Pension Plan are paid from the Main Account–General Component.

During 2010, members contributed 7.6% of their Canada Pension Plan earnings plus 9.4% of any pensionable earnings in excess of Canada Pension Plan earnings to the Program.

All Program member contributions and employer contributions, other than those directed to The Winnipeg Civic Employees' Long Term Disability Plan or The Winnipeg Civic Employees' Early Retirement Benefits Arrangement, are credited to the Main Account.

The City and participating employers are required to match the members' contributions to the Program, but may contribute at less than matching levels for any year provided that an amount equal to the difference is transferred from the City Account to the Main Account.

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

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

ii) Main Account – Future Contribution Reserve
The Future Contribution Reserve is credited with a portion of actuarial surpluses.

The Future Contribution Reserve finances, through transfers to the Main Account – General Component, the portion of the current service cost of the Program's 1999 benefits level that exceeds the Program members' and employers' matching contributions. The reserve is also intended to finance the future service cost related to this shortfall of matching contributions for the existing members, subject to the availability of reserves.

iii) Plan Members' Account – Unallocated Portion

The Plan Members' Account–Unallocated Portion is credited with the share of all actuarial surpluses that are allocated to the Program members. The Pension Trust Agreement provides that benefits may be increased, when certain conditions are met, using funds available in the Plan Members' Account–Unallocated Portion. The account will finance the past service cost of any benefit enhancements above the Program's 1999 benefits level, as well as any reduction in the Program members' contribution rates below current rates. No statement of net assets available for benefits has been prepared as there has been no activity.

iv) Plan Members' Account – Enhancement Cost Reserve

The Enhancement Cost Reserve is credited with amounts transferred from the Plan Members' Account–Unallocated Portion.

The Enhancement Cost Reserve finances, through transfers to the Main Account–General Component, the current service cost of all benefit enhancements above the Program's 1999 benefits level. The reserve is also intended to finance the future service cost of the enhancements for the existing Program members, subject to the availability of reserves.

v) City Account

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

c) Retirement pensions

The Plan allows for retirement at or after age 55 or following completion of 30 years of service, or when the sum of a member's age plus service equals 80. The pension formula prior to age 65 is equal to 2% of the best 5-year average earnings for each year of credited service. The pension formula after age 65 is equal to 1.5% of the 5-year average Canada Pension Plan earnings plus 2% of the best 5-year average non-Canada Pension Plan earnings for each year of credited service. Pensions are subject to the maximum benefit limits prescribed for registered pension plans under the *Income Tax Act*.

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the Program text, which level is currently 80% of the percentage change in the Consumer Price Index for Canada.

d) Disability benefits

The Plan provides long term disability benefits for employees who were totally or partially disabled prior to December 31, 1991. All long term disability benefits for employees who became totally or partially disabled subsequent to December 31, 1991 are provided by The Winnipeg Civic Employees' Long Term Disability Plan. If an employee is totally disabled, the disability benefits payable from the Plan, together with the disability benefits from the Canada Pension Plan, will equal at least 66⅔% of the current earnings rate for the position occupied by the employee prior to becoming disabled.

e) 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 66⅔% of the member's pension.

f) 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.

g) Funding deficiencies

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

h) Administration

The Plan was continued as a jointly trusteed plan effective January 1, 2003, and is administered by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund). The Board of Trustees is comprised of seven employer appointed Trustees and seven member appointed Trustees, of whom one member Trustee is a retired member.

The Plan is registered under the *Pension Benefits Act* of Manitoba and the *Income Tax Act.*

2. Summary of Significant Accounting Policies

a) Basis of presentation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the participating employers and Program members. They are prepared to assist Program members and others in reviewing the activities of the Plan for the fiscal period.

These consolidated financial statements include the financial statements of the Plan and its wholly-owned subsidiary, 5332657 Manitoba Ltd., which was incorporated on July 14, 2006. The purpose of the subsidiary corporation is to invest in and hold certain private equity investments on behalf of the Plan.

b) Investments

Investments are stated at fair value. Fair value represents the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act.

Publicly traded equity investments are valued using published market prices. For private equity 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.

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

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

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

The Plan's investment income, current period change in fair value of investments and investment management and custodial fees are allocated between the Accounts and Reserves 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 generally accepted accounting principles 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 during the year. Actual results could differ from those estimates.

e) Accounting changes

In April 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) issued Part IV – Accounting Standards for Pension Plans which includes Section 4600, Pension Plans. The new Section will be applicable to financial statements of pension plans and other benefit plans relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Plan will adopt the new standards for its fiscal year beginning January 1, 2011. It establishes requirements for measurement and presentation of information in general purpose financial statements of pension plans, as well as financial statement disclosures. This standard will need to incorporate by reference Part I – International Financial Reporting Standards (IFRS) or Part II – Accounting Standards for Private Enterprises (ASPE) of the CICA Handbook for issues not directly addressed in Part IV of the Handbook. The Plan is currently evaluating the impact of the adoption of these new requirements on its financial statements.

3. Obligations for Pension Benefits

An actuarial valuation of The Winnipeg Civic Employees' Benefits Program was made as of December 31, 2009 by Mercer (Canada) Limited. The results of the December 31, 2009 actuarial valuation were extrapolated to December 31, 2010, to determine the actuarial present value of accrued benefits disclosed below. These assumptions were approved by the Board of Trustees for purposes of preparing this note to the financial statements. The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6.25% (2009 Extrapolation - 6.25%) per year, inflation of 2.0% (2009 Extrapolation - 2.0%) per year and general increases in pay of 3.50% (2009 Extrapolation - 3.50%) per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

Effective January 1, 2010, the Board of Trustees, the City of Winnipeg and the Signatory Unions agreed to transfer $78,696,000 from the Main Account – Future Contribution Reserve to the Main Account – General Component.

The actuarial valuation as at December 31, 2009 disclosed no actuarial surplus (2008 - $Nil) to be allocated in accordance with the Pension Trust Agreement; however, the surplus of $46,447,000 that would have emerged was applied against the balance of the fair value changes not reflected in actuarial value of assets.

The actuarial present value of the Program's accrued benefits as at December 31, 2010, as extrapolated, and the principal components of changes in actuarial present values during the year, were as follows:

	2010	2009
	(000's)	*(000's)*
Actuarial present value of accrued benefits, beginning of year	$ 3,236,533	$ 3,127,570
Experience gains and losses and other factors	(19,821)	(28,780)
Changes in actuarial assumptions	-	2,984
Interest accrued on benefits	199,229	192,070
Benefits accrued	112,186	110,587
Benefits paid	(166,365)	(164,025)
Administrative expenses paid	(3,907)	(3,873)
Actuarial present value of accrued benefits, end of year	$ 3,357,855	$ 3,236,533

The actuarial present value of accrued benefits disclosed above includes the obligations of The Winnipeg Civic Employees' Long Term Disability Plan and The Winnipeg Civic Employees' Early Retirement Benefits Arrangement in the amounts of $65,816,000 and $5,270,000 respectively. These obligations are included because the Pension Trust Agreement requires that all Program obligations be taken into account in determining the periodic actuarial surplus or funding deficiency.

The assets available to finance the Program's accrued benefits are those allocated to the Main Account–General Component. 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 value of the assets of the Main Account–General Component on an actuarial basis were:

		2010		2009
		(000's)		*(000's)*
Fair value of net assets available for benefits	$	3,385,582	$	3,042,493
Fair value changes not reflected in actuarial value of assets		(22,601)		141,970
Actuarial value of net assets available for benefits	$	3,362,981	$	3,184,463

A full actuarial valuation of the Program is being carried out as of December 31, 2010. Any actuarial surplus or funding deficiency disclosed in that valuation will be dealt with in accordance with the Pension Trust Agreement.

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 investments. At December 31, 2010, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $1,292,086,000 (2009 - $1,335,585,000). The Plan's concentration of credit risk as at December 31, 2010, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer		2010 Fair Value		2009 Fair Value
		(000's)		*(000's)*
Government of Canada and Government of Canada guaranteed	$	313,211	$	324,808
Provincial and Provincial guaranteed		426,307		420,980
Canadian cities and municipalities		3,962		-
Corporations and other institutions		472,814		514,925
	$	1,216,294	$	1,260,713

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $61,472,000 at December 31, 2010 (2009 - $60,987,000).

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process. All bond transactions are settled upon delivery using licensed brokers. The risk of default on settlement is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

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

	2010		2009	
Credit Rating	Percent of Total Bonds	Percent of Net Assets	Percent of Total Bonds	Percent of Net Assets
	(%)	(%)	(%)	(%)
AAA	41.3	13.8	42.5	15.8
AA	45.2	15.2	43.7	16.3
A	10.5	3.5	10.4	3.9
BBB	2.7	0.9	3.4	1.2
BB	0.3	0.1	-	-
	100.0	33.5	100.0	37.2

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

b) Liquidity risk

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

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 36% (2009 - 39%) of its assets invested in fixed income securities as at December 31, 2010. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related fair values of investments in bonds and debentures held by the Plan at December 31, 2010 are as follows:

Term to Maturity	2010 Fair Value	2009 Fair Value
	(000's)	*(000's)*
Less than one year	$ 187,098	$ 125,990
One to five years	476,112	321,915
Greater than five years	553,084	812,808
	$ 1,216,294	$ 1,260,713

As at December 31, 2010, had prevailing interest rates raised or lowered by 0.5% (2009 - 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 $27,002,000 (approximately 0.7% of total net assets) (2009 - $30,131,000). The Plan's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the Plan's net foreign currency exposure after giving effect to the net related hedge as at December 31, 2010. 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.

	2010				2009	
	Gross Exposure	Net Foreign Currency Hedge	Net Exposure	Impact on Net Assets	Net Exposure	Impact on Net Assets
	(000's)	*(000's)*	*(000's)*	*(000's)*	*(000's)*	*(000's)*
United States	$ 566,097	$ -	$ 566,097	$ 56,610	$ 506,524	$ 50,652
Euro	146,680	-	146,680	14,668	163,467	16,347
United Kingdom	108,344	-	108,344	10,835	92,962	9,296
Japan	65,104	-	65,104	6,510	61,038	6,104
Switzerland	36,232	-	36,232	3,623	36,329	3,633
Sweden	32,230	-	32,230	3,223	17,592	1,759
Australia	27,669	-	27,669	2,767	22,048	2,205
Hong Kong	26,740	-	26,740	2,674	23,021	2,302
Other	86,062	-	86,062	8,606	80,970	8,097
	$ 1,095,158	$ -	$ 1,095,158	$ 109,516	$ 1,003,951	$ 100,395

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, 2010, 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 $344,265,000 (approximately 9.5% of total net assets) (2009 - $304,209,000). In practice, the actual results may differ and the difference could be material.

The Plan also has exposure to equity valuation risk through its holdings of private equity investments, for which quoted market prices are not available. As at December 31, 2010, the estimated fair value of private equity investments is $48,380,000 (2009 - $32,339,000), approximately 1.3% of total net assets (2009 - 1.0%), and the related change in fair value of investments recognized for the year ended December 31, 2010 is $8,672,000 (2009 - ($11,613,000)).

f) Fair value hierarchy

Financial instruments recorded at fair value on the Consolidated Statement of Net Assets Available for Benefits 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 Consolidated Statement of Net Assets Available for Benefits as at December 31, 2010 and December 31, 2009, classified using the fair value hierarchy described above:

	Level 1	Level 2	Level 3	2010 Total Investment Assets at Fair Value
	(000's)	*(000's)*	*(000's)*	*(000's)*
Bonds and debentures	$ 13,049	$ 1,203,245	$ -	$ 1,216,294
Canadian equities	1,236,997	-	31	1,237,028
Foreign equities	1,051,016	7,054	-	1,058,070
Cash and short term deposits	70,225	-	-	70,225
Private equities	-	-	48,380	48,380
	$ 2,371,287	$ 1,210,299	$ 48,411	$ 3,629,997

	Level 1	Level 2	Level 3	2009 Total Investment Assets at Fair Value
	(000's)	*(000's)*	*(000's)*	*(000's)*
Bonds and debentures	$ -	$ 1,260,713	$ -	$ 1,260,713
Canadian equities	1,049,553	-	30	1,049,583
Foreign equities	971,425	7,054	-	978,479
Cash and short term deposits	68,425	-	-	68,425
Private equities	-	-	32,339	32,339
	$ 2,089,403	$ 1,267,767	$ 32,369	$ 3,389,539

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

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

Canadian Equities	2010	2009
	(000's)	*(000's)*
Fair value, beginning of year	$ 30	$ 30
(Losses) gains recognized in increase (decrease) in net assets	1	-
Purchases	-	-
Sales	-	-
	$ 31	$ 30

Private Equities	2010	2009
	(000's)	*(000's)*
Fair value, beginning of year	$ 32,339	$ 37,448
(Losses) gains recognized in increase (decrease) in net assets	8,672	(11,613)
Purchases	11,670	9,000
Sales	(4,301)	(2,496)
	$ 48,380	$ 32,339

5. Investment Income

	2010	2009
	(000's)	*(000's)*
Bonds and debentures	$ 67,382	$ 68,574
Canadian equities	26,236	25,588
Foreign equities	20,749	23,193
Cash and short-term deposits	1,294	1,231
	$ 115,661	$ 118,586
Allocated to:		
Main Account – General Component	$ 107,304	$ 105,649
Main Account – Future Contribution Reserve	5,108	8,892
Plan Members' Account – Enhancement Cost Reserve	488	869
City Account	2,761	3,176
	$ 115,661	$ 118,586

6. Investment Transaction Costs

During 2010, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $1,174,000 (2009 - $1,200,000). Investment transaction costs are included in the current period change in fair value of investments.

7. Administrative Expenses

	2010	2009
	(000's)	*(000's)*
Salaries and benefits	$ 2,893	$ 2,693
Actuarial fees	577	903
Other professional services	474	286
Office and administration	1,012	998
Capital expenditures	75	642
Less: recoveries from other plans	(1,692)	(1,899)
	$ 3,339	$ 3,623

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

8. Commitments

The Plan's wholly-owned subsidiary, 5332657 Manitoba Ltd., has entered into an investment management agreement wherein it has authorized an investment manager to make private equity investment commitments on its behalf, with aggregate commitments not to exceed $80,000,000. Commitments will be funded over the next several years. As at December 31, 2010, $49,114,000 had been funded.

9. Comparative Figures

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

DISABILITY PLAN

LONG TERM DISABILITY BENEFITS

The Winnipeg Civic Employees' Long Term Disability Plan provides long term disability benefits for all City of Winnipeg employees (with the exception of police officers) and for employees of other Participating Employers.

All contributing *Program* members are automatically enrolled in the Disability Plan. A portion of the Participating Employers' contributions to the *Program* is used to pay the benefits and expenses of the Disability Plan as they fall due.

If an employee qualifies for disability benefits under the terms of the Disability Plan, the amount payable, together with disability benefits from the Canada Pension Plan, will equal at least 66²/₃% of an employee's average biweekly earnings at the date of disability.

Case Management

The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Disability Fund) promotes an integrated and equitable approach when dealing with disabled members.

The *Program's* Case Management Team works closely with the employing departments' Return to Work Coordinators to develop a rehabilitation and return to work plan that ensures the members' safe transition back to the workplace. This process promotes open communication by all parties and includes ongoing reassessment throughout the disability claim and the work place reintegration period. The result has been an increase in the number of members able to return to their own occupation and continued success in alternate duty placements when necessary.

The Case Management Team also makes it a priority to help members take advantage of other benefits available to them such as Canada Pension Plan Disability (CPPD) benefits. Acceptance by CPPD reduces costs for the Disability Plan and provides the member with additional benefits through CPPD.

Characteristics of the Program

The Case Management Team is comprised of a disability benefits manager, three case management consultants and the on-site guidance of two physician medical consultants – one specializing in psychiatry.

External resources such as specialists, occupational therapists, physiotherapists and psychologists are utilized as required to facilitate workplace reintegration.

Claim Activity

Orthopaedic and psychological related illnesses continue to be the basis for the majority of claims being processed. An evidence-based claim adjudication and integrated approach to Case Management – including initial and ongoing claim triage, streamlined processes, and focus on workplace reintegration – resulted in:

- lower claim incidence
- successful return to work results
- positive outcomes in open claim volumes

The Board acknowledges the efforts of those Participating Employers who are taking a proactive approach to working with their employees early in their illness, to minimize the effects on the employee, the workplace and the Disability Plan.

Disability Plan Activity Summary

For The Years Ended December 31	2010	2009	2008	2007	2006
Employees Receiving Disability Benefits	400	424	456	498	498
Employees Returning to Pre-Disability Duties	44	36	46	51	37
Employees Working in Alternate Duties	105	113	117	128	105
Disability Benefits Paid	$ 7,811,000	$ 8,653,000	$9,502,000	$10,035,000	$9,009,000

INDEPENDENT AUDITOR'S REPORT

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

Deloitte.

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

We have audited the accompanying financial statement of The Winnipeg Civic Employees' Long Term Disability Plan, which comprise of a statement of contributions and expenses for the year ended December 31, 2010, 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 this financial statement in accordance with Canadian generally accepted accounting principles, and for such internal controls as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the contributions and expenses of The Winnipeg Civic Employees' Long Term Disability Plan for the year ended December 31, 2010 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
June 9, 2011

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

Statement of Contributions and Expenses

For the years ended December 31

	2010	2009
	(000's)	*(000's)*
CONTRIBUTIONS		
City of Winnipeg and participating employers	$ 8,915	$ 9,924
Total Contributions	8,915	9,924
EXPENSES		
Administration	1,104	1,271
Disability payments	7,811	8,653
Total Expenses	8,915	9,924
	$ -	$ -

See accompanying notes to the financial statement.

Notes to the Financial Statement

For the year ended December 31, 2010

1. Description of Plan

a) General

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

b) Contributions

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

c) Eligibility

A member who is totally disabled or partially disabled after December 31, 1991 may apply for disability benefits. If the application is approved by the Board of Trustees, it shall be effective on the date on which the member has been totally or partially disabled and under the personal care of a medical doctor for at least the last 26 weeks.

d) Disability benefits

The Plan provides long term disability benefits, following a six month waiting period, for employees who are totally or partially disabled. If an employee is totally disabled, the disability benefits payable from the Plan, together with the disability benefits from the Canada Pension Plan, will equal at least 66⅔% of the current earnings rate for the position regularly occupied by the employee prior to becoming disabled.

If a member has more than two years of credited service in The Winnipeg Civic Employees' Pension Plan, then disability benefits are payable as long as the member is totally or partially disabled and under the personal care of a medical doctor to age 65. If a member has less than two years of credited service, then benefits are payable for a maximum of two years.

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

e) Administration

The Plan was continued as a jointly trusteed plan effective January 1, 2003, and is administered by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Disability Fund). The Board of Trustees is comprised of six employer appointed Trustees and six member appointed Trustees.

2. Obligations for Long Term Disability Benefits

An actuarial valuation of The Winnipeg Civic Employees' Benefits Program was made as of December 31, 2009 by Mercer (Canada) Limited. The valuation disclosed obligations related to The Winnipeg Civic Employees' Long Term Disability Plan in the amount of $56,612,000. The results of the December 31, 2009 actuarial valuation were extrapolated to December 31, 2010, to determine the actuarial present value of accrued benefits. The assumptions used by the actuary were approved by the Board of Trustees for purposes of extrapolating the obligation, which is estimated at $65,816,000 as at December 31, 2010.

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

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

APPENDICES

APPENDIX A
TOP 50 CORPORATE SHARE HOLDINGS*
as at December 31, 2010

		Pension Plan Market Value (000's)			Pension Plan Market Value (000's)
1	Royal Bank of Canada	$ 64,858	26	Loblaw Companies Limited	$ 15,508
2	Bank of Nova Scotia	51,634	27	Exxon Mobil Corporation Common	15,445
3	Toronto - Dominion Bank	42,466	28	Alimentation Couche-Tard Inc., Class B, SV	15,353
4	Canadian Natural Resources Limited	35,690	29	Apple Inc.	14,821
5	Suncor Energy Inc.	32,129	30	ShawCor Ltd., Class "A" SV	14,105
6	Potash Corporation of Saskatchewan Inc.	28,194	31	Gildan Activewear Inc.	13,211
7	Research in Motion Limited	27,497	32	Barrick Gold Corporation	12,906
8	Goldcorp Inc.	27,381	33	Atlas Copco, Class "A"	12,265
9	Cenovus Energy Inc.	25,942	34	Agnico-Eagle Mines Limited	12,238
10	Intact Financial Corporation	24,696	35	Bhp Billiton Plc (Gbp)	12,074
11	Tim Hortons Inc.	23,387	36	ARC Energy Trust	11,438
12	Thompson Reuters Corporation	23,013	37	Ensign Energy Services Inc.	11,113
13	EnCana Corporation	22,111	38	Microsoft Corp.	10,989
14	TransCanada Corporation	21,161	39	Consolidated Thompson Iron Mines Limited	10,903
15	Bank of Montreal	20,710	40	Peyto Energy Trust	10,759
16	Rogers Communications Inc., Class "B" NV	18,339	41	Agrium Inc.	10,598
17	Cameco Corp.	18,323	42	Imperial Oil Limited	10,379
18	MacDonald Dettwiler & Associates Ltd.	17,774	43	Nintendo Co Ltd.	10,188
19	SNC - Lavalin Group Inc.	17,661	44	Celestica Inc., SV	10,080
20	Sun Life Financial Inc.	17,372	45	Groupe Aeroplan Inc.	9,957
21	Power Corporation of Canada, SV	17,038	46	Osisko Mining	9,818
22	Canadian Imperial Bank of Commerce	16,825	47	Teck Cominco Limited, Class B, SV	9,748
23	Finning International Inc.	16,195	48	Niko Resources Ltd.	9,582
24	Canadian National Railway Company	16,088	49	Manulife Financial Corporation	9,514
25	TELUS Corporation	16,004	50	Legacy Oil & Gas, Common	9,467

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

APPENDIX B
INVESTMENT MANAGERS

As at December 31, 2010

Fixed Income

Kirk Merlevede, Manager of Fixed Income Investments

Canadian Equities

Burgundy Asset Management Ltd.
Foyston, Gordon and Payne Inc.
Guardian Capital L.P.
Phillips, Hager & North Investment Management Ltd.
TD Asset Management Inc.

US Equities

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

Non-North American Equities

Baillie Gifford Overseas Ltd.
Franklin Templeton Investments Corp.

Private Equities

Hamilton Lane Advisors LLC
Richardson Capital Limited

2010 DIRECTORY
THE BOARD OF TRUSTEES OF THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

as at December 31, 2010

BOARD OF TRUSTEES

Member Trustees

BRIAN ELLIS (Chair)
CUPE, Local 500

RICK BORLAND
Pensioners and Deferred Members
(Pension Fund Board only)

ROB LABOSSIERE
United Fire Fighters of Winnipeg

BOB RIPLEY
CUPE, Local 500

BOB ROMPHF
Other unionized and non-unionized employees

KEITH SCOTT
Amalgamated Transit Union

BRYAN VERITY
Winnipeg Association of Public Service Officers

Employer Trustees
Appointed by City of Winnipeg

PHIL SHEEGL (Vice-Chair)
Deputy CAO

LINDA BLACK
Director, Corporate Support Services

NEIL DUBOFF
Duboff Edwards Haight & Schacter Law Corp.

JO-ANNE FERRIER
City Treasurer

ALEX ROBINSON
Deputy CAO
(Pension Fund Board only)

MIKE RUTA
Chief Financial Officer/Deputy CAO

DAVE WARDROP
Director, Transit

COMMITTEES

Investment Committee
Appointed by Employer Trustees

ERIC STEFANSON F.C.A. (Chair)

JOHN MCCALLUM (Vice-Chair)
University of Manitoba Faculty of Management

PHIL SHEEGL
Employer Trustee

Appointed by Member Trustees

JON HOLEMAN
RBC Dominion Securities

BOB ROMPHF
Member Trustee

GARY TIMLICK
Wawanesa Insurance

Audit Committee
(Pension Fund)

MIKE RUTA (Chair)

BRYAN VERITY (Vice-Chair)

RICK BORLAND

JO-ANNE FERRIER

Audit Committee
(Disability Fund)

MIKE RUTA (Chair)

BRYAN VERITY (Vice-Chair)

JO-ANNE FERRIER

BOB RIPLEY

Benefits Committee
(Disability Fund)

BOB RIPLEY (Chair)

LINDA BLACK

MIKE RUTA

KEITH SCOTT

ROB LABOSSIERE (ex-officio)

DAVE WARDROP (ex-officio)

Governance Committee

BRYAN VERITY (Chair)

NEIL DUBOFF

BRIAN ELLIS

ROB LABOSSIERE

ALEX ROBINSON

PHIL SHEEGL

MANAGEMENT

GLENDA WILLIS
Executive Director

KIRK MERLEVEDE
Manager, Fixed Income Investments

BILL BATTERSHILL
Manager, Information Systems

AMANDA JENINGA
Manager, Communications

ELEANORE KRAYNYK
Manager, Pension and Group Insurance Benefits

CATHIE LANGDON
Manager, Disability Benefits

ROB SUTHERLAND
Manager, Finance and Administration

ADVISORS

Actuary
Mercer (Canada) Limited

Consulting Actuary
Western Compensation & Benefits Consultants

Investment Consultant
Aon Hewitt

Auditor
Deloitte & Touche, LLP

Legal Counsel
Koskie Minsky
Taylor McCaffrey

Medical Consultants
Dr. Lori Koz
Dr. Mark Etkin

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