THE WINNIPEG POLICE
PENSION PLAN

2008
ANNUAL REPORT

TABLE OF CONTENTS

PLAN PROFILE

The Winnipeg Police Pension Board was established under By-law with the responsibility for administration of the Winnipeg Police Pension Plan and the Police Employees' Group Life Insurance Plan.

The Board consists of two members appointed by the Winnipeg Police Association, one member from the Winnipeg Police Senior Officers' Association and four representatives appointed by the City of Winnipeg.

The Board is responsible for ensuring that the Plan is administered in accordance with the By-law, and approving and reviewing the investment policy, investment performance and funding of the Plan. The Board is responsible for ensuring adequate financial records are maintained and for reporting annually on the results of operations of the Plan to City Council and to Plan Members.

INVESTMENT COMMITTEE

The Investment Committee is responsible for determining the asset mix of the Plan, recommending investment managers to manage the assets of the Plan and monitoring the performance of each investment manager.

The Board has appointed the Investment Committee of The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund) to carry out these responsibilities.

ADMINISTRATION

The day-to-day administration of the Plan is carried out by the Executive Director and staff of The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund).

THE CITY OF WINNIPEG - WINNIPEG POLICE PENSION PLAN

Financial Position

As at December 31, 2008		Fair Value		Actuarial Value
		(000's)		(000's)
Net Assets Available For Benefits				
Main Account - General Component	$	706,075	$	29,220
Main Account - Contribution Stabilization Reserve		48,042		48,042
Plan Members' Account		5,975		5,975
	$	760,092	$	883,237
Plan Obligations - as extrapolated	$	806,245	$	806,245
Funded Ratio - on extrapolated obligations		94.3%		109.5%

Plan Highlights

		2008		2007
		(000's)		(000's)
Investments at Fair Value	$	760,092	$	916,138
Net Investment Income - Total Plan (including changes in fair value)	$	(138,682)	$	18,610
Investment Rate of Return		-15.2%		2.2%
Employee Contributions*	$	8,774	$	7,769
Employer Contributions	$	8,602	$	7,623
Pension Payments	$	33,322	$	31,234
Lump Sum Refunds	$	1,408	$	1,218
Membership				
Contributing Members		1,372		1,330
Inactive Members		13		14
Pensioners		971		40
		2,356		2,284

**Employee contributions include such items as additional voluntary contributions and contributions during leaves of absence for which there are no required Employer contributions.*

STATEMENT OF ACTUARIAL POSITION

		December 31, 2007
		(000's)
1. Actuarial Value of Assets		
Main Account	$	885,996
Plan Members' Account		7,053
		893,049
2. Actuarial Liabilities		817,917
3. Excess of Actuarial Value of Plan Assets over Actuarial Liabilities		75,132
4. Amounts Previously Allocated		
Contribution Stabilization Reserve		52,442
Plan Members' Account		7,053
		59,495
5. Actuarial Surplus (3.- 4.)		15,637
6. Funded Ratio (1. / 2.)		
Including Plan Members' Account		109.2%
Excluding Plan Members' Account		108.3%

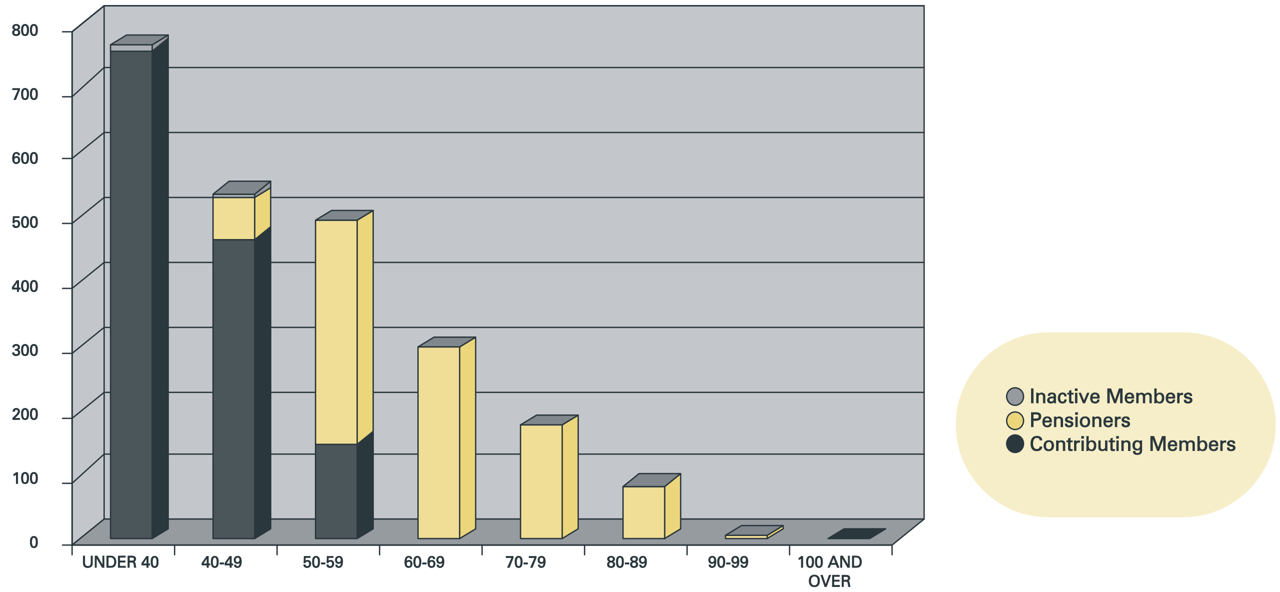
COST OF BENEFITS FOR SERVICE IN 2008

	As % of Contributory Earnings
Non-Indexed Benefits	21.20%
COLA'S	4.53%
Total	25.73%
Employee Contributions	8.00%
City Contributions (Matching)	8.00%
Balance from Contribution Stabilization Reserve	9.73%
Total	25.73%

WINNIPEG POLICE PENSION PLAN

Membership Profile as at December 31, 2008

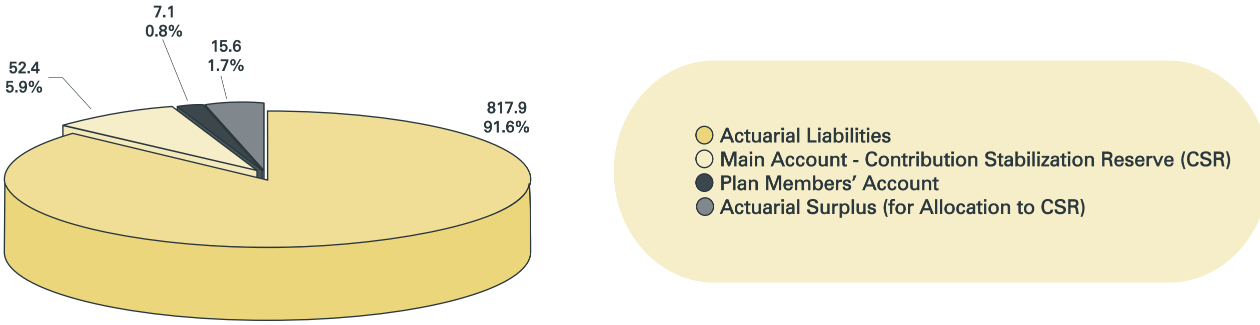
(By Age Bands)



WINNIPEG POLICE PENSION PLAN

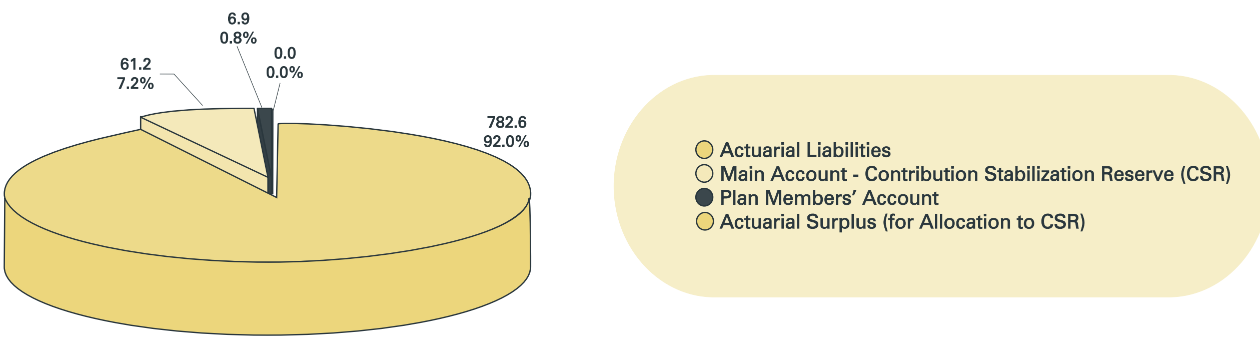
ACTUARIAL LIABILITIES AND RESERVES

Per Actuarial Valuation as at December 31, 2007
(in $ millions)



ACTUARIAL LIABILITIES AND RESERVES

Per Actuarial Valuation as at December 31, 2006
(in $ millions)




Horse & Co
Horse & Co
City of Winnipeg
Mounted Patrol
and
Horse & Co.
PRESENT
Name the Horse
Contest

WINNIPEG POLICE PENSION PLAN

HISTORY

Police officers of the City of Winnipeg have enjoyed a long and proud history of participation in employee pension plans in one form or another, with the origins of the current Pension Plan (separate from the Winnipeg Civic Employees' Pension Plan) for police officers dating back to 1975. The current Plan encompasses the amalgamation, in 1989, of the police officers' component of a number of prior pension plans that had previously existed separately for the former municipalities and cities of greater Winnipeg.

The Winnipeg Police Pension Plan has seen many changes over the years, most recently with the implementation of the Surplus and Risk Sharing Agreement, effective January 1, 2003.

SURPLUS AND RISK SHARING

On May 26, 2003, the City of Winnipeg entered into an agreement with the Winnipeg Police Association and the Winnipeg Police Senior Officers Association relative to the sharing of surpluses and risks under the Winnipeg Police Pension Plan, with effect from January 1, 2003. Under the terms of this agreement, actuarial surplus at January 1, 2003, was used to fully fund future cost-of-living adjustments on all accrued pension and deferred pension benefits at the rate of 75% of the Canadian inflation rate. The surplus was also used to establish a Contribution Stabilization Reserve to maintain the City's contribution rate at 8% of pensionable earnings, which is the same rate as that which police officers contribute to the Plan.

Future actuarial surpluses, in excess of the amount required to fully fund i) future cost-of-living adjustments to pensions at 75% of the Canadian inflation rate and ii) a Contribution Stabilization Reserve sufficient to maintain the City's contribution rate at 8% of pensionable earnings, will be shared equally between the City and the Plan Members. The City will remain responsible for ensuring the financial solvency of the Plan with respect to benefits other than cost-of-living adjustments to pensions.

The terms of the agreement have been formally incorporated into the Plan By-law.

FUNDED STATUS OF THE PLAN AT DECEMBER 31, 2007

The most recent actuarial valuation of the Winnipeg Police Pension Plan as at December 31, 2007 disclosed that the Plan was fully funded and had an excess of smoothed value of assets over actuarial liabilities of $75,132,000 - a funded ratio of 109.2% on an actuarial basis. If the fair value had been used instead of the smoothed value of assets, the excess would have been $98,079,000 – a funded ratio of 112.0% on a fair value basis. These results portrayed a picture of absolute and relative health for the Plan relative to service accrued to December 31, 2007.

Under the terms of the Plan, the entire excess on an actuarial basis is allocated to a special-purpose Reserve and special-purpose Accounts, as follows:

- The Contribution Stabilization Reserve exists to finance the future service cost of benefits that exceed matching employee and employer contributions.
- The Plan Members' Account is credited with the share of actuarial surpluses that are credited to the Members.
- The financial structure also provides for a City Account, which will be credited with the share of any future actuarial surpluses that are allocated to the City of Winnipeg. To date, no actuarial surpluses have been credited to the City Account.

The cost of future service benefits under the Plan is currently 25.7% of pay, which is significantly more than the combined matching contributions of the City and the employees at 16% of pay. The City's ability to continue contributing to the Plan at the matching rate of 8% of pay will depend on the ability of the Contribution Stabilization Reserve to finance the shortfall between contributions and the cost of benefits in the future. The Reserve will have to be continuously "topped up" if the City's contributions are to be maintained at the target rate. The actuarial valuation indicates that if the Contribution Stabilization Reserve is exhausted, the City's contribution rate could rise to about 15.2% of pay.

The actuarial valuation as at December 31, 2007 disclosed that the Plan generated a surplus of $15,637,000 on 2007 operations, which was allocated to the Contribution Stabilization Reserve in accordance with the terms of the Plan. The actuarial valuation also disclosed that the Contribution Stabilization Reserve is funded at 55.0% of its target level of $124,310,000.

Under the terms of the Plan, should a future funding deficiency emerge in the Main Account – General Component, it would be resolved, firstly, by transferring funds from the Contribution Stabilization Reserve until the amount of the Reserve is reduced to $48,582,000 (which is equal to the amount of actuarial surplus originally allocated to fully fund cost-of-living adjustments to pensions and deferred pensions) and, secondly, by an equal reduction in the rate of future cost-of-living adjustments (and hence, the funding of these cost-of-living adjustments) and the Contribution Stabilization Reserve.

Although the balance of the Contribution Stabilization Reserve is available to resolve funding deficiencies if they emerge, the Reserve is not intended to be used as a buffer to permanently finance investment shortfalls or other experience losses. To the extent that it ends up being used for such purposes, its ability to finance the cost of future service benefits will be constrained, and could result in increases to the City's contribution rate, as earlier described, and decreases to the future level of cost-of living adjustments.

KEY ACTUARIAL ASSUMPTIONS

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 6.00% per year in the 2007 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 Plan, and after assuming an equity premium that is modest by historical standards.

Other key economic assumptions in the 2007 actuarial valuation include inflation at 2.25% per year (resulting in an assumed real rate of investment return of 3.75% per year) and general increases in pay of 3.75% per year.

Although these assumptions were considered appropriate both for funding and accounting purposes in 2007, 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 Plan, 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 losses that were incurred by the Plan as a result of the downturn in the investment markets during 2008. The Plan's rate of investment return for 2008 was -15.2%, reflective of the significant losses incurred by pension plans generally on a global basis. The "Extrapolated Funded Status" described in the next section includes the impact of such investment losses (on a smoothed basis).

EXTRAPOLATED FUNDED STATUS AT DECEMBER 31, 2008

At the time the year-end financial statements were being prepared, the results of the next actuarial valuation of the Plan as at December 31, 2008 were not available. Accordingly, the results of the December 31, 2007 actuarial valuation were extrapolated to December 31, 2008, with the exception of certain assumptions being updated to reflect economic circumstances for 2008, 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% (2007 – 6.0%) per year, inflation of 2.0% (2007 – 2.25%) per year and general increases in pay of 3.5% (2007 – 3.75%) per 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 surplus and risk sharing provisions of the Plan that would affect its funded status are undertaken only with reference to the reported results of the formal actuarial valuation. Readers of the 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 Plan by approximately $22,975,000 as at December 31, 2008. Although the extrapolated values of the assets and obligations project a somewhat significant amount of apparent surplus emerging on 2008 operations, this result should be viewed within the context of the Plan only recognizing, for actuarial measurement purposes, approximately one-fifth of the 2008 investment market losses (after applying unrecognized investment gains from 2007) upon applying its five-year asset smoothing method (see further comments below). 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, 2008. It is not expected that the results of this forthcoming valuation will result in changes to the City's contribution rate or the level of cost-of living adjustments in 2009 under the Plan.

After taking into account the Contribution Stabilization Reserve and the Plan Members' Account, the extrapolated funded status of the Plan remains at 109.5% on an actuarial basis and 94.3% on a fair value basis. These funded positions compare with those from the previous actuarial valuation one year earlier of 109.2% and 112.0% respectively.

The application of a five-year asset smoothing method had the effect of deferring a very significant portion of the investment market losses in 2008 to future years, as the actual rate of return fell significantly short of the assumed rate of return for this year.

As at December 31, 2008, the assets as measured on a smoothed basis are greater than their related fair value by $123,145,000 – a reduction in position of $146,089,000 from the previous year. In effect, the smoothing method has served to temporarily buffer (i.e. potentially delay recognition of) the impact of the Plan earning -15.2% during 2008, versus the assumed rate of investment return for 2008 of 6.0%.

Accordingly, should the Plan earn exactly the assumed 6.25% on the actuarial asset base over the next four years, the remaining $123,145,000 smoothing difference would be expected to emerge as funding deficiencies over this four year period, a situation that would be significantly detrimental to the financial position of the Plan. At present, any resulting funding deficiencies would be dealt with in accordance with the terms of the Plan, which could result in decreases to the future level of cost-of living adjustments, as well as increases in the City's contribution rate.

The above noted funding deficiencies could be avoided to the extent that there is a significant reversal in the investment markets, which results in higher than assumed rates of investment return realized over the next four years. Such outcomes remain very uncertain. Should future returns fall short of the assumed rates of return, this situation will be worsened.

LONG-TERM INVESTMENT GOALS AND PERFORMANCE

Over the last ten years, the Plan achieved an average rate of return of 4.6% per year, ranking fourth quartile (68th percentile) among larger pension plans in Canada. The current long-term goal of the Plan is to achieve a rate of return that exceeds inflation by 5.0% per year. With the ten-year annualized inflation rate being 2.2%, the Plan fell short of this goal by a margin of 2.6% per year over the last ten years. It should be noted that such measurements are end date sensitive. It should also be noted that in the previous year's annual report it was reported that the 10 year objective had been achieved with a small excess margin of 0.3%. There has been considerable erosion in the margin over the last few years because the 2007 absolute return, at 2.2%, was low, and the 2008 return, at -15.2%, fell into double digit negative territory.

Although a long-term investment return which exceeds inflation by 3.75 per year (4.25% on the extrapolated basis), together with matching contributions from the employees and the City, is expected to adequately finance the benefits derived from past service for the existing Plan Members, ongoing future actuarial surplus generation will be required to maintain funding of the Contribution Stabilization Reserve to finance the ongoing shortfall of matching contributions versus the future service benefit cost and to avoid a reduction in the rate of cost-of living adjustments to pensions.

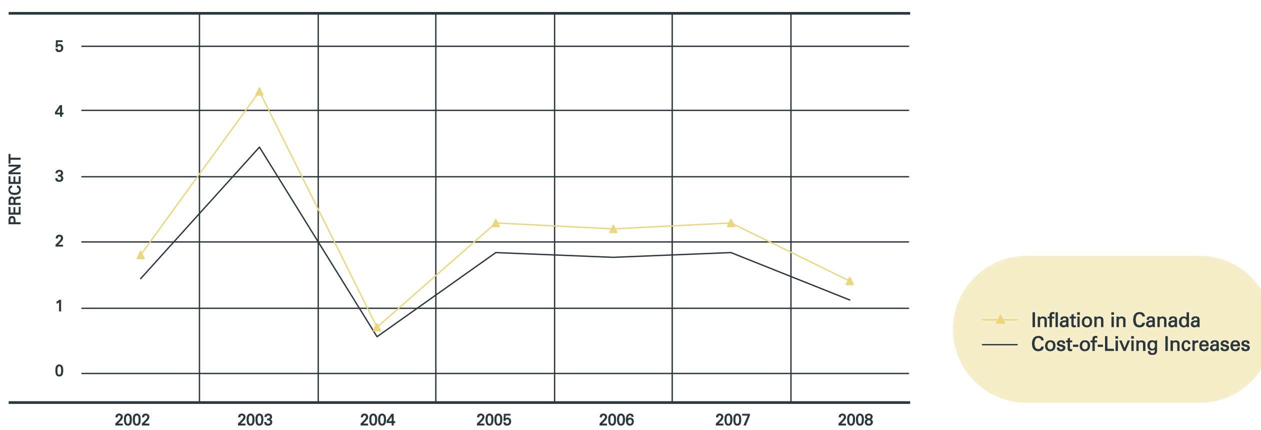
Accordingly, notwithstanding the assumed 3.75% per year real return used for the actuarial valuation, it is desirable to strive for a real rate of return of at least 5% per year over the long term. This 5% objective is reflected in the Plan's Statement of Investment Policies and Procedures.

It is the achievement of sufficient excess investment returns in the future (both to reverse 2008 investment losses and to permit ongoing surplus generation) that will have the most significant bearing on the ultimate sustainability of City contribution levels and the current level of cost-of-living adjustment.

The Board recognizes that the 5% per year real rate of return objective will prove to be a challenging objective in light of today's investment markets and low interest rates. The Board, and the Investment Committee, will continue to prudently manage the Plan's assets towards this objective.

WINNIPEG POLICE PENSION PLAN

Cost-of-Living Increases



FIVE YEAR FINANCIAL SUMMARY

	2008	2007	2006	2005	2004
	(000's)	(000's)	(000's)	(000's)	(000's)
Investments at Fair Value					
Bonds and Debentures	$ 301,921	$ 325,875	$ 317,237	$ 286,143	$ 287,966
Real Return Bonds	7,162	10,076	10,170	10,690	9,882
Canadian Equities	187,247	303,111	335,699	317,039	270,648
Foreign Equities	208,840	232,672	225,399	187,000	156,417
Cash and Short-term Deposits	46,298	40,982	23,807	23,649	26,899
Private Equities	9,241	5,396	5,183	3,353	604
Other Liabilities	(617)	(1,974)	(2,543)	(1,871)	(1,397)
	$ 760,092	$ 916,138	$ 914,952	$ 826,003	$ 751,019
Assets Available for					
Main Account					
- General Component	706,075	856,643	846,816	764,512	691,517
- Contribution Stabilization Reserve	48,042	52,442	61,225	55,361	54,036
Plan Members' Account	5,975	7,053	6,911	6,130	5,466
	$ 760,092	$ 916,138	$ 914,952	$ 826,003	$ 751,019

MAIN ACCOUNT- GENERAL COMPONENT

	2008	2007	2006	2005	2004
Contributions					
Employees	$ 8,774	$ 7,769	$ 7,842	$ 7,070	$ 7,028
City of Winnipeg	8,602	7,623	7,676	6,938	6,924
Reciprocal Transfers	668	296	50	46	204
Transfer from Contribution Stabilization Reserve	10,430	9,938	8,856	8,056	7,824
Net Investment Income (Loss)	(127,997)	17,313	96,049	83,178	64,680
	(99,523)	42,939	120,473	105,288	86,660
Pension Payments	33,322	31,234	28,924	27,369	25,167
Lump Sum Benefits	1,408	1,218	1,343	1,397	694
Administration	678	660	601	576	619
Transfer to Contribution Stabilization Reserve	15,637	-	7,301	2,951	4,656
Transfer to Plan Members' Account	-	-	-	-	-
	51,045	33,112	38,169	32,293	31,136
Increase in Assets	$ (150,568)	$ 9,827	$ 82,304	$ 72,995	$ 55,524

CONTRIBUTION STABILIZATION RESERVE

	2008 (000's)	2007 (000's)	2006 (000's)	2005 (000's)	2004 (000's)
Transfer of Surplus from Main Account - General Component	$ 15,637	$ -	$ 7,301	$ 2,951	$ 4,656
Net Investment Income (Loss)	(9,607)	1,155	7,419	6,430	5,403
	6,030	1,155	14,720	9,381	10,059
Transfer to Main Account - General Component	10,430	9,938	8,856	8,056	7,824
Increase (Decrease) in Net Assets	$ (4,400)	$ (8,783)	$ 5,864	$ 1,325	$ 2,235

PLAN MEMBERS' ACCOUNT

	2008	2007	2006	2005	2004
Transfer of Surplus from Main Account - General Component	$ -	$ -	$ -	$ -	$ -
Net Investment Income (Loss)	(1,078)	142	781	664	510
Increase in Net Assets	$ (1,078)	$ 142	$ 781	$ 664	$ 510
Annual Rates of Return	-15.2%	2.2%	12.9%	12.3%	10.5%

BUILDING STRONG RELATIONSHIPS

Our staff strive to provide quality service to Plan Members.

Services to Members, either prior to or after retirement, include the following:

- 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) or the surviving beneficiaries of Plan Members;
- responding to Members' personal and general enquiries;
- producing a bi-weekly pension payroll;
- producing individual annual statements of benefits;
- participating in pre-retirement seminars.

During 2008, a total of 37 individuals retired under the Winnipeg Police Pension Plan. This represents a decrease from 2007, when 50 members retired. Of the 37 members who retired during 2008, four retired under the early retirement option (age 50 or at least 20 years of credited service), which was introduced in July of 1994.

New members totalled 84 in 2008, versus 98 in 2007. New enrolments have averaged 74 members over the last five years.

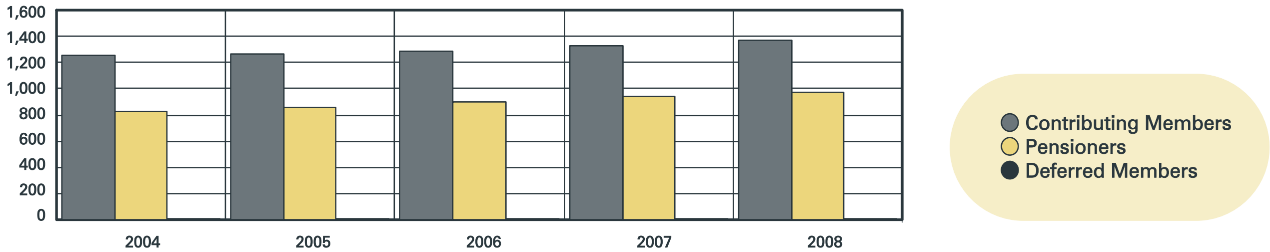
THE CITY OF WINNIPEG - WINNIPEG POLICE PENSION PLAN

Summary of Plan Membership

	2008	2007	2006	2005	2004
Contributing Members	1,372	1,330	1,291	1,266	1,250
Deferred Members	13	14	14	14	14
Pensioners	971	940	899	861	829
Total Membership	2,356	2,284	2,204	2,141	2,093
Activity During the Year					
Normal Retirements	33	47	38	39	38
Early Retirements	4	3	4	5	3
Deaths in Service	1	1	2	1	1
Pensioner Deaths	16	18	15	19	25
New Members	84	98	72	68	49
Terminations	6	8	3	7	8

CITY OF WINNIPEG - WINNIPEG POLICE PENSION PLAN

Membership Profile



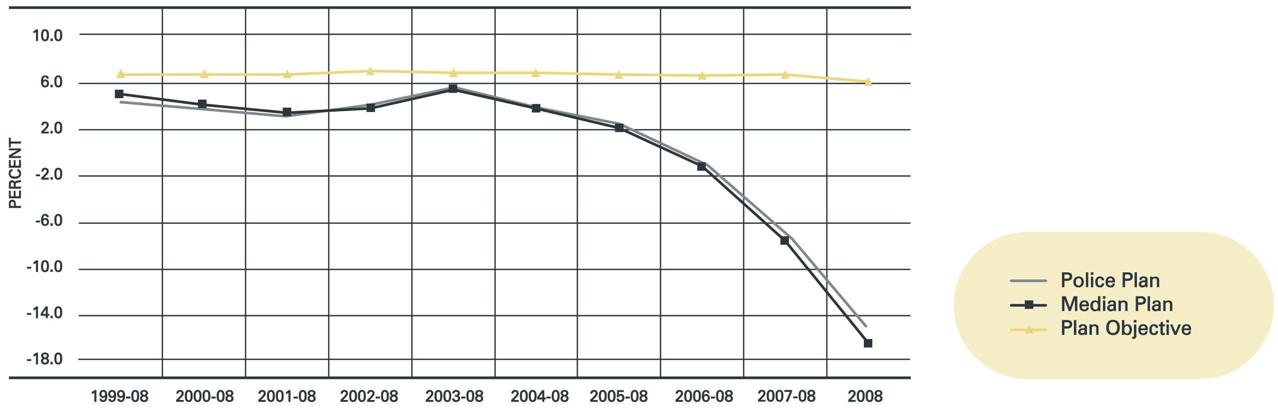
The Winnipeg Police Pension Board delegates, to the Investment Committee of The Board of Trustees of The Winnipeg Civic Employees' Benefits Program, the responsibility for determining the Plan`s asset mix (within the parameters of the Plan`s Statement of Investment Policies and Procedures), for recommending the selection or termination of various investment managers and for monitoring the performance of these investment managers. The Plan 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 2008, the investment portfolio reported a negative return of 15.23%. 2008 was tumultuous, as the global credit markets "seized up" in the last half of the year and the "worst global recession since the Great Depression" became evident. The years 1999 and 2000 and 2003-2006 experienced abnormally high real returns, interspersed by negative returns for 2001 and 2002 and meagre returns in 2007. The Program's four-year and ten-year annualized rates of return of 2.38% and 4.62%, respectively, place the Plan at the 43rd percentile and 68th percentile ranking, respectively, of Canadian pension fund returns as measured by RBC Dexia Investor Services, an independent measurement service.

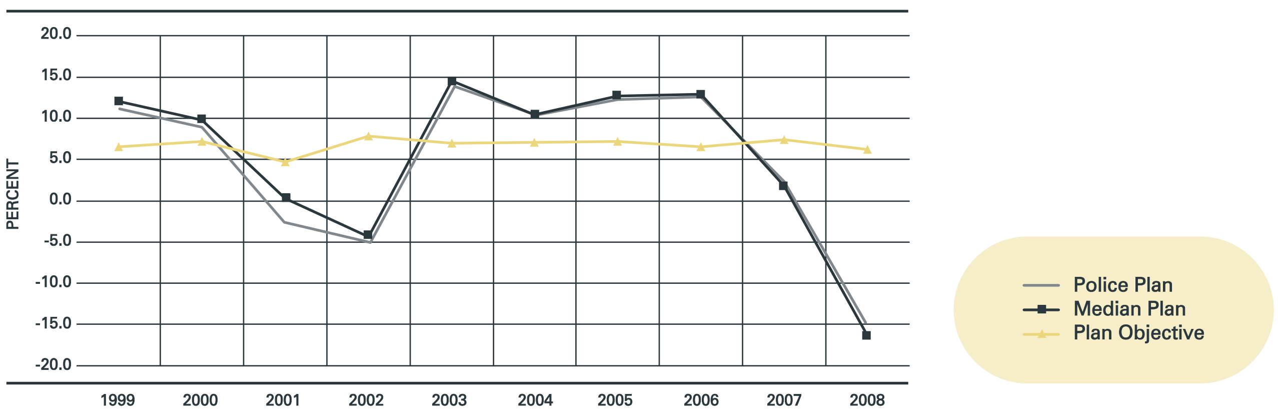
The below median ten-year record (median return of 5.05%) can be attributed to the underperformance of our Canadian equity managers and the underperformance, until recently, of ourpassive investment in the S&P 500 Index relative to the performance of active managers. More recent performance, on a relative basis, has been positively affected by having the Program's Canadian equity portfolios underweighted in the energy and materials sectors which experienced dramatic declines in values in the latter half of 2008. Generally, our investment managers have a more conservative position in these cyclical sectors which represented more than 48% of the S&P/TSX in 2008.

WINNIPEG POLICE PENSION PLAN

Annualized Rates of Return



Annual Rates of Return



ASSET MIX

As a result of a general significant decline in the global equity markets and significant withdrawals from Canadian equities, there was a decrease in allocation to equity investments – from 58.3% of the portfolio at the beginning of the year to 52.1% at year-end. Benefit payments and administrative expenses exceeded contributions by $20.3 million in 2008. Funds were raised by liquidating $28.2 million from the Program's Canadian equity position and $43.3 million from bonds and money market investments. An allocation of $15.9 million was directed to one of the Program`s non-North American equity managers, Baillie Gifford, and $3.4 million was directed to our private equity fund-of-funds manager, Hamilton Lane.

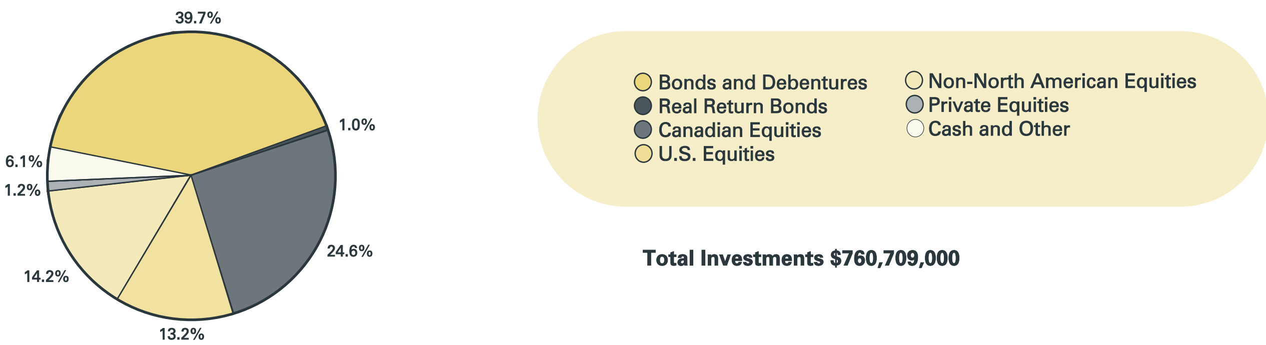
With the termination of our US Small Cap growth manager in October 2008 and an additional allocation to JPMorgan, our core active US equity manager, a net $31.8 million was added to US equities in the latter part of 2008.

Asset Mix

	2008	2007	2006	2005	2004
Bonds and Debentures	40.6%	36.6%	35.7%	35.8%	39.6%
Canadian Equities	24.6%	33.0%	36.6%	38.3%	36.0%
Foreign Equities	27.5%	25.3%	24.5%	22.6%	20.8%
Cash and Other	6.1%	4.5%	2.6%	2.9%	3.5%
Private Equities	1.2%	0.6%	0.6%	0.4%	0.1%
	100.0%	100.0%	100.0%	100.0%	100.0%

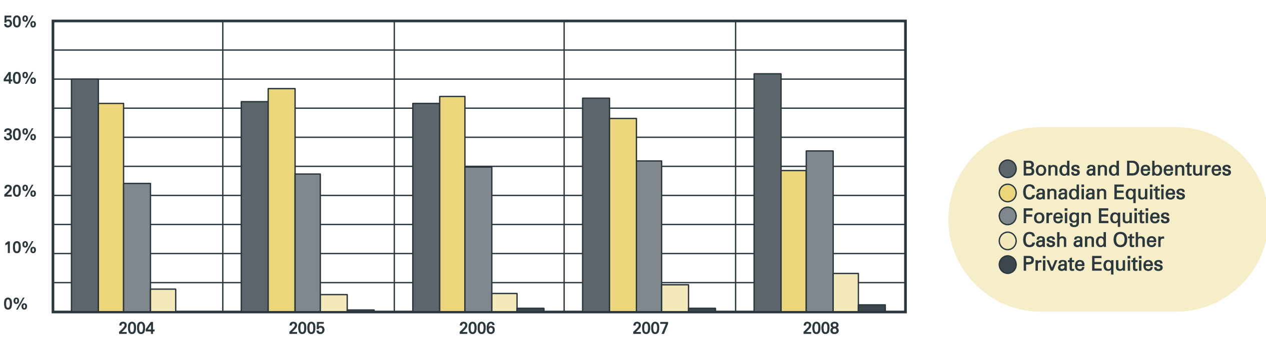
WINNIPEG POLICE PENSION PLAN

Asset Mix as at December 31, 2008



Total Investments $760,709,000

Asset Mix



EQUITY INVESTMENTS

The Program's Canadian equity managers outperformed the S&P/TSX Composite Index and the median pension fund in 2008 with a negative rate of return of 31.39%. The S&P/TSX Composite Index had a negative return of 33.00% in 2008 compared to a return of 9.8% in 2007.

The Program's Foreign equity managers, collectively, experienced a negative return of 29.02% in Canadian dollar terms in 2008. This return was marginally below the median. The US equity managers collectively reported a negative return of 22.67%, in Canadian dollars, in 2008 which was below the return of the S&P 500 of 21.20%. 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 collectively reported a negative return 32.32% in 2008. The Europe, Australia, Far East Index declined 29.18% which was initiated from the sub prime loan fallout experienced in the US.

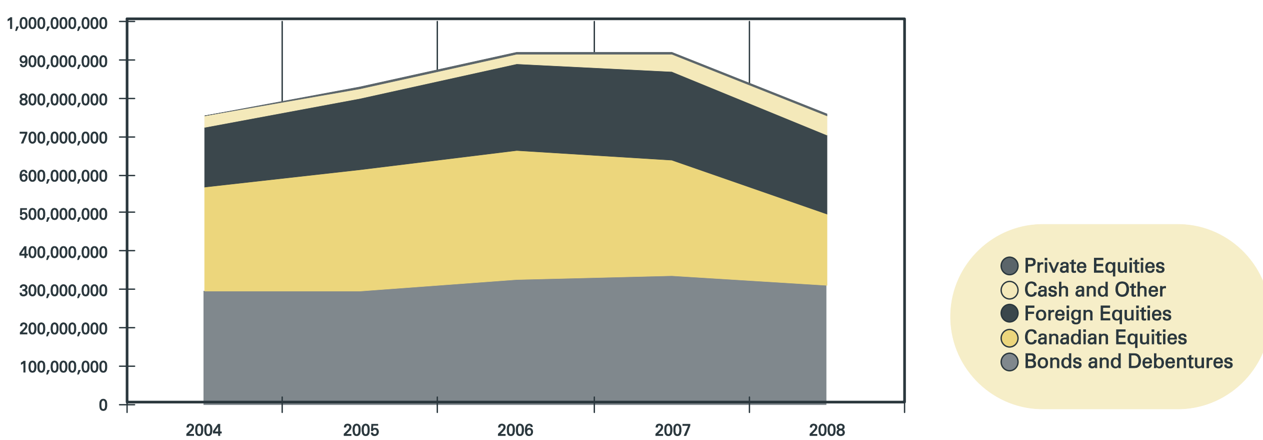
The World index declined 25.8% in Canadian dollars in 2008.

FIXED INCOME INVESTMENTS

The Program`s bond portfolio achieved a rate of return of 6.65% in 2008. For the four- and nine-year periods ended December 31, 2008, the bond portfolio returned 5.52% and 7.45% annually, ranking well into the 1st quartile.

Our strategy of maintaining a marginally long duration, high quality bond portfolio positively influenced our absolute and relative performance over the nine years. Performance for 2008 ranking at the 20th percentile, represented the avoidance of any credit defaults.

Investments



ASSET MIX STRATEGY FOR 2009

After a historically negative year for institutional funds in 2008, the Investment Committee anticipates an elongated global recession, deflation challenges and a steep yield curve. In the long term, assuming a recovery in the latter part of 2009, stocks should outperform bonds (interest rates cannot go much lower).

We expect that the asset mix of the Fund will gradually alter over the year to the desired asset mix as funds are drawn from fixed income to fund benefit payments. It is anticipated there will be no direct new allocation to public equities.

Total Returns

	One Year	Four Years	Ten Years
Total Fund	-15.2 %	2.4 %	4.6 %
Bonds and Debentures	6.7 %	5.5 %	5.9 %
Canadian Equities	-31.4 %	1.2 %	6.3 %
Foreign Equities	-29.0 %	-3.9 %	-2.2 %
Benchmarks			
DEX Universe Bond Index	6.4 %	5.1 %	6.0 %
S&P / TSX Composite Index	-33.0 %	1.7 %	5.3 %
S&P 500	-21.2 %	-4.5 %	-3.5 %
Europe, Australia, Far East Stock Market Index	-29.2 %	-1.8 %	-1.4 %
Consumer Price Index	1.2 %	1.8 %	2.2 %

Rick Abbott
Director of Investments

ACTUARIAL OPINION

Mercer has conducted an actuarial valuation of the Winnipeg Police Pension Plan as at December 31, 2007, relying on data and other information provided to us by the Plan administrator. The results of the valuation are contained in our report dated June 2009.

The principal results of the valuation are as follows:

Actuarial Position

The Plan is fully funded on a going-concern basis in respect of benefits earned for service up to December 31, 2007 and has an excess of smoothed value of assets over actuarial liabilities of $75,132,000 as at that date, on the basis of the assumptions and methods described in our report. Of this excess $59,495,000 has been previously allocated to the Contribution Stabilization Reserve and the Plan Members' Account.

The remaining actuarial surplus of $15,637,000 will be allocated to the Contribution Stabilization Reserve in accordance with the terms of the Plan.

The Plan has a solvency excess of $163,403,000 as at December 31, 2007.

Cost of Benefits for Service in 2008

The normal actuarial cost of the benefits expected to be earned under the Plan for service in 2008 is 25.73% of contributory earnings.

This cost is expected to be financed by employee contributions of 8.0% of contributory earnings, City contributions of 8.0% of contributory earnings and transfers from the Contribution Stabilization Reserve of 9.73% of contributory earnings.

In our opinion:

- the actuarial valuation and our report thereon present fairly the actuarial position of the Winnipeg Police Pension Plan as at December 31, 2007 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,
- the assumptions are appropriate for the purposes of determining the funded status of the Plan as at December 31, 2007 on going-concern and solvency bases, and determining the minimum funding requirements, and
- the methods employed in the valuation are appropriate for the purposes of determining the funded status of the Plan as at December 31, 2007 on going-concern and solvency bases, and determining the minimum funding requirements.

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

Enzo DeLuca

Fellow of the Canadian Institute of Actuaries

Fellow of the Canadian Institute of Actuaries

Ryan Welsh

Fellow of the Canadian Institute of Actuaries

AUDITORS' REPORT

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

We have audited the consolidated statement of net assets available for benefits of the Winnipeg Police Pension Plan as at December 31, 2008 and the consolidated statements of changes in net assets available for benefits of the main account – general component, main account – contribution stabilization reserve and plan members' account for the year then ended. These financial statements are the responsibility of the board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits of the Winnipeg Police Pension Plan as at December 31, 2008 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
May 28, 2009

CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31	2008	2007
	(000's)	(000's)
Assets		
Investments, at fair value		
Bonds and debentures	$ 307,701	$ 334,468
Canadian equities	187,247	303,111
Foreign equities	208,840	232,672
Cash and short-term deposits	46,298	40,982
Private equities	9,241	5,396
	759,327	916,629
Accrued interest	1,382	1,483
Accounts receivable	571	388
Due from The Winnipeg Civic Employees' Pension Plan	346	-
Total Assets	761,626	918,500
Liabilities		
Accounts payable	1,534	2,091
Due to The Winnipeg Civic Employees' Pension Plan	-	271
Total Liabilities	1,534	2,362
Net Assets Available For Benefits	$ 760,092	$ 916,138
Net Assets Available For Benefits Comprised of:		
Main Account - General Component	$ 706,075	$ 856,643
Main Account - Contribution Stabilization Reserve	48,042	52,442
Plan Members' Account	5,975	7,053
	$ 760,092	$ 916,138

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	2008	2007
	(000's)	(000's)
Increase in Assets		
Contributions		
The City of Winnipeg	$ 8,602	$ 7,623
Employees	8,774	7,769
Reciprocal transfers from other plans	668	296
	18,044	15,688
Transfers from Contribution Stabilization Reserve (Note 1)	10,430	9,938
Investment income (Note 5)	31,694	32,229
Total increase in assets	60,168	57,855
Decrease in Assets		
Pension payments	33,322	31,234
Lump sum benefits	1,408	1,218
Administrative expenses (Note 7)	678	660
Investment management and custodial fees	1,695	1,970
Current period change in fair value of investments	157,996	12,946
Transfer of surplus to Contribution Stabilization Reserve (Note 3)	15,637	-
Total decrease in assets	210,736	48,028
(Decrease) increase in net assets	(150,568)	9,827
Net assets available for benefits at beginning of year	856,643	846,816
Net assets available for benefits at end of year	$ 706,075	$ 856,643

See accompanying notes to the consolidated financial statements

MAIN ACCOUNT - CONTRIBUTION STABILIZATION RESERVE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31	2008	2007
	(000's)	(000's)
Increase in Assets		
Transfer of surplus from Main Account - General Component (Note 3)	$ 15,637	$ -
Investment income (Note 5)	2,379	2,151
Total increase in assets	18,016	2,151
Decrease in Assets		
Investment management and custodial fees	127	132
Current period change in fair value of investments	11,859	864
Transfer to Main Account - General Component (Note 1)	10,430	9,938
Total decrease in assets	22,416	10,934
(Decrease) in net assets	(4,400)	(8,783)
Net assets available for benefits at beginning of year	52,442	61,225
Net assets available for benefits at end of year	$ 48,042	$ 52,442

See accompanying notes to the consolidated financial statements

THE CITY OF WINNIPEG - WINNIPEG POLICE PENSION PLAN

PLAN MEMBERS' ACCOUNT

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31	2008	2007
	(000's)	(000's)
Increase in Assets		
Investment income (Note 5)	$ 267	$ 264
Total increase in assets	267	264
Decrease in Assets		
Current period change in fair value of investments	1,331	106
Investment management and custodial fees	14	16
Total decrease in assets	1,345	122
(Decrease) increase in net assets	(1,078)	142
Net assets available for benefits at beginning of year	7,053	6,911
Net assets available for benefits at end of year	$ 5,975	$ 7,053

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

1. Description of Plan

a) General

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

b) Financial structure

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

i) Main Account – General Component

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

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

If the Contribution Stabilization Reserve is insufficient to provide the above transfer, then the City contributes the balance of the cost of non-indexed benefits, as determined by the Plan's Actuary, in excess of Plan members' contributions of 7% of earnings (towards non-indexed benefits), plus 1% of earnings for cost-of-living adjustments.

ii) Main Account – Contribution Stabilization Reserve

The Contribution Stabilization Reserve is credited with a portion of actuarial surpluses. The Contribution Stabilization Reserve finances, through transfers to the Main Account – General Component, the portion of the current service cost of benefits that exceeds the Plan members' and the City's matching contributions. The reserve is also intended to finance the future service cost related to this shortfall of matching contributions for the existing members.

iii) Plan Members' Account

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

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

iv) City Account

The financial structure provides for a City Account which will be credited with the share of future actuarial surpluses that are allocated to the City in accordance with the Plan. To date, no actuarial surplus has been credited to the City Account.

c) Retirement pensions

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

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the Plan text, which level is currently 75% of the percentage change in the Consumer Price Index for Canada.

d) Disability pensions

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

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 66 2/3% 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 with the City.

g) Variation in benefits

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

h) Administration

The Plan is administered by the Winnipeg Police Pension Board which is comprised of two members appointed by the Winnipeg Police Association, one member appointed by the Winnipeg Police Senior Officers' Association and four members appointed by the City. 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 City and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

These consolidated financial statements include the financial statements of the Plan and its wholly-owned subsidiary, 5332665 Manitoba Ltd., which was incorporated on July 14, 2006. The 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 using published market quotations.

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

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

c) Foreign currency translation

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

d) Use of estimates

The preparation of financial statements in accordance with Canadian 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 December 2006, the CICA issued section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; and Section 1535, Capital Disclosures. All three Sections are applicable to the financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Plan has adopted the new standards for its fiscal year beginning January 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial statements is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. This information is included in Notes 3 and 4.

3. Obligations for Pension Benefits

An actuarial valuation of the Plan was made as of December 31, 2007 by Mercer (Canada) Limited. The results of the December 31, 2007 actuarial valuation were extrapolated to December 31, 2008, with the exception of certain assumptions being updated to reflect economic circumstances for 2008, to determine the actuarial present value of accrued benefits disclosed below. These assumptions were approved by the Winnipeg Police Pension Board. 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 preparing this note to the financial statements included a valuation interest rate of 6.25% (2007 – 6.0%) per year, inflation of 2.0% (2007 - 2.25%) per year and general increases in pay of 3.50% (2007 - 3.75%) per year. The demographic assumptions, including rates of termination of employment, 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.

The actuarial valuation as at December 31, 2007 disclosed a $15,637,000 actuarial surplus to be allocated in accordance with the Plan.

The actuarial present value of the Plan's accrued benefits as at December 31, 2008, as extrapolated and the principal components of changes in actuarial present values during the year, were as follows:

	2008	2007
	(000's)	(000's)
Actuarial present value of accrued benefits, beginning of year	$ 821,858	$ 756,011
Experience gains and losses and other factors	(1,146)	318
Changes in actuarial assumptions	(52,506)	26,261
Interest accrued on benefits	47,711	46,732
Benefits accrued	25,736	25,648
Benefits paid	(34,730)	(32,452)
Administrative expenses paid	(678)	(660)
Actuarial present value of accrued benefits, end of year	$ 806,245	$ 821,858

The assets available to finance the Plan'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:

	2008	2007
	(000's)	(000's)
Fair value of net assets available for benefits	$ 706,075	$ 856,643
Fair value changes not reflected in actuarial value of assets	123,145	(22,944)
Actuarial value of net assets available for benefits	$ 829,220	$ 833,699

A full actuarial valuation of the Plan is being carried out as of December 31, 2008. Any actuarial surplus or funding deficiency disclosed in this valuation will be dealt with in accordance with the provisions of the Pension By-Law.

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 regularly 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, 2008, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $355,381,000. The Plan's concentration of credit risk as at December 31, 2008, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	2008 Fair Value	2007 Fair Value
	(000's)	(000's)
Government of Canada and Government of Canada guaranteed	$ 47,555	$ 94,749
Provincial and Provincial guaranteed	158,846	148,218
Canadian cities and municipalities	4,238	7,974
Corporations and other institutions	97,062	83,527
	$ 307,701	$ 334,468

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $44,889,000 at December 31, 2008.

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:

	2008		2007	
Credit Rating	Percent of Total Bonds	Percent of of Net Assets	Percent of Total Bonds	Percent of of Net Assets
	(%)	(%)	(%)	(%)
AAA	28.4	11.5	38.0	13.9
AA	62.7	25.4	56.0	20.4
A	7.2	2.9	5.3	1.9
BBB	0.9	0.4	0.7	0.3
BB	0.8	0.3	-	-
	100.0	40.5	100.0	36.5

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 47% of its assets invested in fixed income securities as at December 31, 2008. 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, 2008 are as follows:

Term to Maturity	2008 Fair Value	2007 Fair Value
	(000's)	(000's)
Less than one year	$ 27,986	$ 68,851
One to five years	96,186	84,652
Greater than five years	183,529	180,965
	$ 307,701	$ 334,468

As at December 31, 2008, had prevailing interest rates raised or lowered by 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 $8,662,000 (approximately 1.1% of total net assets). 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, 2008. 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.

	2008				2007	
	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	$ 112,397	$ 110	$ 112,507	$ 11,250	$ 101,282	$ 10,128
Euro	32,585	86	32,671	3,267	41,344	4,134
Japan	18,043	(257)	17,786	1,779	21,087	2,109
United Kingdom	17,832	-	17,832	1,783	28,566	2,857
Switzerland	7,776	(212)	7,564	756	8,361	836
Australia	4,454	463	4,917	492	3,622	362
Hong Kong	3,645	-	3,645	365	6,201	620
Other	19,338	(171)	19,167	1,917	25,756	2,576
	$ 216,070	$ 19	$ 216,089	$ 21,609	$ 236,219	$ 23,622

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, 2008, 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 $59,413,000 (approximately 7.8% of total net assets). 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, 2008, the estimated fair value of private equity investments is $9,241,000 (2007 - $5,396,000), approximately 1.2% of total net assets (2007 – 0.6%), and the related change in fair value of investments recognized for the year ended December 31, 2008 is $447,000 (2007 – ($958,000)).

5. Investment Income

	2008	2007
	(000's)	(000's)
Bonds and debentures	$ 18,581	$ 20,581
Canadian equities	6,738	7,014
Foreign equities	7,108	5,931
Cash and short term-deposits	1,913	1,118
	$ 34,340	$ 34,644
Allocated to:		
Main Account – General Component	$ 31,694	$ 32,229
Main Account –Contribution Stabilization Reserve	2,379	2,151
Plan Members' Account	267	264
	$ 34,340	$ 34,644

6. Investment Transaction Costs

During 2008, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $400,042 (2007 - $317,754). Investment transaction costs are included in the current period change in fair value of investments.

7. Administrative Expenses

	2008	2007
	(000's)	(000's)
Winnipeg Civic Employees' Benefits Program	$ 588	$ 459
Actuarial fees	52	151
Meetings and seminars	1	1
Consulting and professional fees	10	12
Legal fees	19	29
General and administrative expenses	8	8
	$ 678	$ 660

8. Commitments

The Plan's wholly-owned subsidiary, 5332665 Manitoba Ltd., has entered into an investment management agreement wherein it has authorized an investment manager to make private equity investment commitments on its behalf, with aggregate commitments not to exceed $20,000,000. Commitments will be funded over the next several years. As at December 31, 2008, $7,501,155 had been funded.

9. Comparative Figures

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

2008
ANNUAL REPORT

THE WINNIPEG CIVIC EMPLOYEES
GROUP LIFE INSURANCE PLAN

EMPLOYEES' GROUP LIFE INSURANCE PLAN

The City of Winnipeg Employees' Group Life Insurance Plan is comprised of two Plans, the Civic Employees' Group Life Insurance Plan for employees of the City of Winnipeg other than police officers ("Civic employees") and the Police Employees' Group Life Insurance Plan for police employees ("Police employees").

Civic employees join the Group Life Insurance Plan at the same time they are enrolled in The Winnipeg Civic Employees' Benefits Program. Plan members are covered for basic life insurance coverage of one or two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage to up to four times annual earnings. Plan members and the City share equally in the cost of basic life insurance for active members. Upon retirement, a portion of the basic life insurance can be continued at the employee's option. Coverage on the life of a disabled member continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

All Police employees are required to become members of the Police Plan commencing on their employment date. Police employees are covered for basic life insurance coverage of two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. Plan members and the City share equally in the cost of basic life insurance for active members. Coverage on the life of disabled members will continue at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

Contributions to the Plans finance the cost of pre-retirement basic and additional life insurance coverage in the year the coverage is provided and set aside funds which, together with investment income and the contributions made by pensioners, will finance the cost of post-retirement insurance coverage. Pensioners contribute at the same rate as employees, although these contributions cover only a fraction of the cost of this insurance. The balance of the cost of the post-retirement insurance is financed by a portion of the contributions made to the Plans while the member is an employee. This portion of the contributions which is set aside to fund post-retirement insurance coverage is invested from the time the contributions are made until after the member's retirement.

Total Plan membership for the Civic Employees has increased 5.1% over the past four years. The number of active members has increased 2.4% over this period, going from 8,023 at the end of 2004 to 8,215 at the end of 2008. The number of pensioners has grown 10.7% over this period, increasing from 4,187 at the end of 2004 to 4,634 at the end of 2008.

Total Plan membership for Police Employees has grown by 14.3% over the past four years. The number of active members has increased 9.9% over this period, going from 1,246 at the end of 2004 to 1,369 at the end of 2008. The number of police pensioners has grown substantially, going from 607 at the end of 2004 to 749 at the end of 2008, a 23.4% increase over the period.

The Civic Employees' Group Life Insurance Plan's most recent actuarial valuation as at December 31, 2004 disclosed an actuarial surplus of $27,355,000 and a contingency reserve in the amount of $5,304,000. The surplus is being utilized to finance reductions to contribution rates of 54% for basic life insurance. On the advice of the Plan's Actuary, a revised table of contribution rates payable by the members for optional additional insurance was adopted effective January, 2006, in which contribution rates were reduced by an average of 33%. These revised rates continue to incorporate a 25% reduction on account of the actuarial surplus.

The Police Employees' Group Life Insurance Plan's most recent actuarial valuation as at December 31, 2004 disclosed an actuarial surplus of $5,419,000 and a contingency reserve in the amount of $1,085,000. The surplus is being utilized to finance reductions to contribution rates of 51% for basic life insurance. On the advice of the Plan's Actuary, a revised table of contribution rates payable by the members for optional additional insurance was adopted effective January, 2006, in which contribution rates were reduced by an average of 33%. These revised rates continue to incorporate a 25% reduction on account of the actuarial surplus.

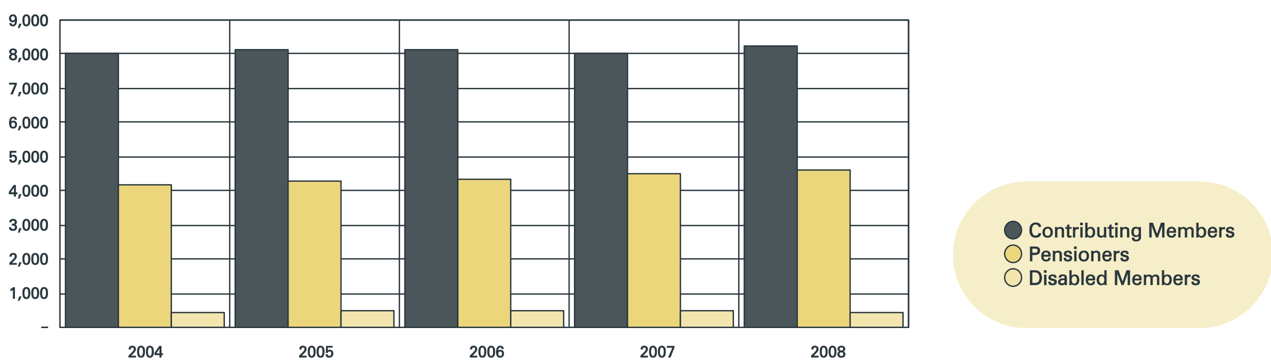
Actuarial valuations for the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan have historically been performed by the same actuarial firm that prepared the actuarial valuations for the pension plans. The Board has engaged Mercer (Canada) Limited to provide such services.

It is expected that updated actuarial valuations for each of the Plans will be commenced during 2009.

SUMMARY OF PLAN MEMBERSHIP

	2008	2007	2006	2005	2004
Members					
Active Members	8,215	8,025	8,124	8,155	8,023
Disabled Members	446	491	488	461	435
Pensioners	4,634	4,487	4,348	4,297	4,187
Total	13,295	13,003	12,960	12,913	12,645
Deaths					
Active	26	24	12	13	18
Pensioners	144	123	136	130	145
Life Insurance In Force	(000's)	(000's)	(000's)	(000's)	(000's)
Basic	$844,982	817,963	782,392	781,590	738,691
Optional	202,867	200,385	194,765	199,341	183,655
Pensioners	130,136	121,823	115,035	110,212	104,292

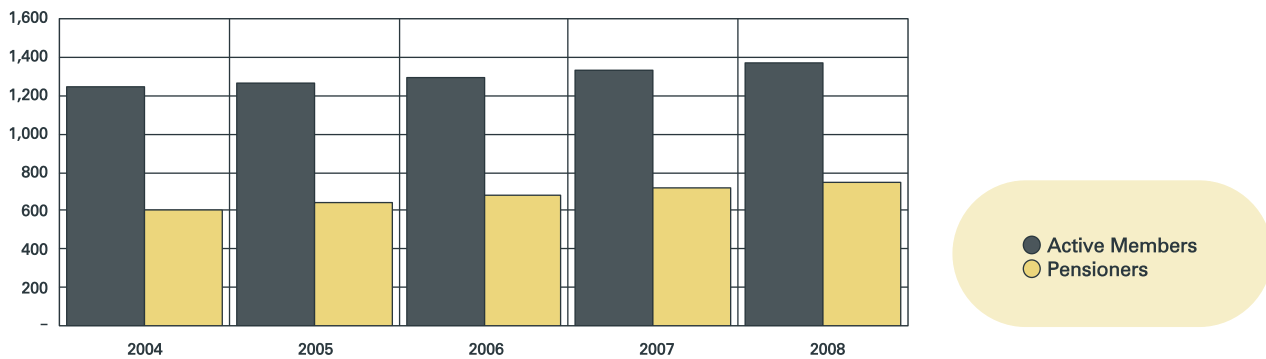
Membership Profile



SUMMARY OF PLAN MEMBERSHIP

	2008	2007	2006	2005	2004
Members					
Active Members	1,369	1,330	1,289	1,266	1,246
Pensioners	749	722	679	644	607
Total	2,118	2,052	1,968	1,910	1,853
Deaths					
Active	1	1	2	1	1
Pensioners	8	9	7	7	6
Life Insurance In Force	(000's)	(000's)	(000's)	(000's)	(000's)
Basic	$214,132	$195,836	$187,407	$174,971	$169,738
Optional	56,573	50,053	46,033	41,659	40,630
Pensioners	45,328	43,041	39,250	36,407	33,270

Membership Profile



FIVE YEAR FINANCIAL SUMMARY

	2008	2007	2006	2005	2004
	(000's)	(000's)	(000's)	(000's)	(000's)
Investments at Market:					
Bonds and Debentures	$ 47,130	$ 47,811	$ 47,831	$ 40,244	$ 37,652
Real Return Bonds	550	775	782	822	760
Canadian Equities	28,486	42,774	46,484	45,067	43,525
Foreign Equities	17,589	26,999	31,387	25,937	21,512
Short-term Deposits	15,920	12,810	2,875	4,338	2,017
Other Liabilities	(122)	(1,224)	(399)	(362)	(383)
	$ 109,553	$ 129,945	$ 128,960	$ 116,046	$ 105,083
Net Assets:					
Civic Employees	90,217	107,364	106,862	96,281	87,381
Police Employees	19,336	22,581	22,098	19,765	17,702
	$ 109,553	$ 129,945	$ 128,960	$ 116,046	$ 105,083

INCREASE IN CIVIC EMPLOYEES' NET ASSETS

	2008	2007	2006	2005	2004
Contributions					
City of Winnipeg*	$ 1,013	$ 981	$ 942	$ 947	$ 874
Employees	1,345	1,308	1,235	1,370	1,260
Pensioners	160	152	148	144	130
Investment Income (Loss)	(15,024)	2,472	11,962	10,647	8,984
	(12,506)	4,913	14,287	13,108	11,248
Decrease in Assets					
Actuarial Fees	8	-	34	65	-
Administration	151	107	100	99	101
Benefit Payments	4,123	3,926	3,221	3,718	3,489
Investment Management Fees	158	184	163	140	134
Claims Administration and Taxes	201	194	188	186	182
	4,641	4,411	3,706	4,208	3,906
Increase (Decrease) in Net Assets	$ (17,147)	$ 502	$ 10,581	$ 8,900	$ 7,342
Annual Rates of Return	-14.2%	2.3%	12.6%	12.3%	11.4%

INCREASE IN POLICE EMPLOYEES' NET ASSETS

	2008	2007	2006	2005	2004
Contributions					
City of Winnipeg	$ 218	$ 190	$ 193	$ 174	$ 174
Employees	258	230	230	221	220
Pensioners	44	40	32	30	28
Investment Income (Loss)	(3,154)	518	2,459	2,160	1,797
	(2,634)	978	2,914	2,585	2,219
Decrease in Assets					
Actuarial Fees	1	-	4	50	-
Administration	29	23	20	20	20
Benefit Payments	516	405	495	397	366
Investment Management Fees	33	38	34	29	27
Claims Administration and Taxes	32	29	28	26	24
	611	495	581	522	437
Increase (Decrease) in Net Assets	$ (3,245)	$ 483	$ 2,333	$ 2,063	$ 1,782
Annual Rates of Return	-14.2%	2.3%	12.6%	12.3%	11.4%

** Includes participating employers*

REPORT FROM THE DIRECTOR OF INVESTMENTS

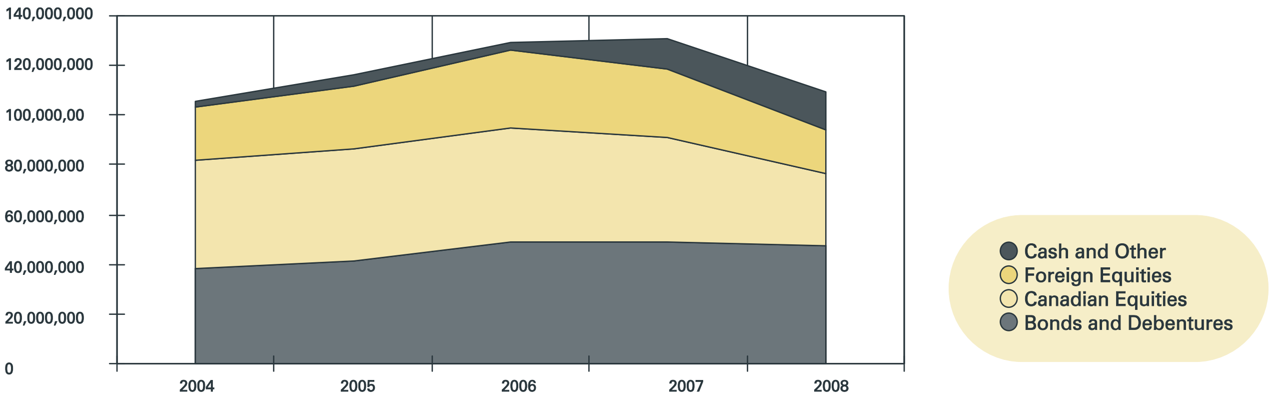
The responsibility for determining the asset mix of the Employees' Group Life Insurance Plan, within the parameters of the Plan's Statement of Investment Policies and Procedures, rests with the Investment Committee of The Board of Trustees of The Winnipeg Civic Employees' Benefits Program. So too does the responsibility for recommending the selection or termination of various investment managers, and for monitoring the performance of these investment managers. The Plan 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 2008, the investment portfolio reported a negative return of 14.32%. 2008 was tumultuous, as the global credit markets "seized up" in the last half of the year and the "worst global recession since the Great Depression" became evident. The years 1999 and 2000 and 2003-2006 experienced abnormally high real returns, interspersed by negative returns for 2001 and 2002 and meagre returns in 2007. The Program's four-year and ten-year annualized rates of return of 2.62% and 4.57%, respectively, place the Plan at the 37th percentile and 69th percentile ranking, respectively, of Canadian pension fund returns as measured by RBC Dexia Investor Services, an independent measurement service.

The below median ten-year record (median return of 5.05%) can be attributed to the underperformance of our Canadian equity managers and the underperformance, until recently, of our passive investment in the S&P 500 Index relative to the performance of active managers. More recent performance, on a relative basis, has been positively affected by having an underweighting in Equities relative to the sample. Liquidating the position in the US Index Fund at year end 2007 contributed to a significant underweighting in US equities, thus avoiding some of the carnage in the Global Equity markets in 2008.

EMPLOYEES' GROUP LIFE INSURANCE PLAN

Investments



ASSET MIX

As a result of a general significant decline in the global equity markets, there was a decrease in allocation to equity investments – from 54% at year end 2007 to 42.2% at December '08 with $1 million having been liquidated from US equities with the termination of our US Small Cap growth manager in October 2008. $3.3 million was added to our money market investment holdings and $5.4 million was liquidated from bonds.

EQUITY INVESTMENTS

The Program's Canadian equity managers underperformed the S&P/TSX Composite Index and the median pension fund in 2008 with a negative rate of return of 33.40%. The S&P/TSX Composite Index had a negative return of 33% in 2008 compared to a return of 9.8% in 2007.

The Program's Foreign equity managers, collectively, experienced a negative return of 31.28% in Canadian dollar terms in 2008. This return was below the median. The US market reported a negative return of 21.20% in Canadian dollars, in 2008. 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 manager reported a negative return of 31.10% in 2008. The Europe, Australia, Far East Index declined 29.18% which was initiated from the sub prime loan fallout experienced in the US.

The World index declined 25.8% in Canadian dollars in 2008.

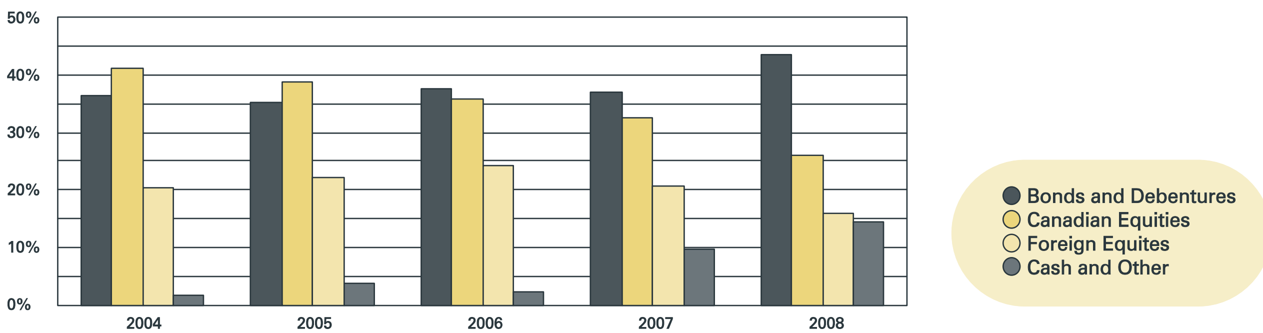
FIXED INCOME INVESTMENTS

The Program`s bond portfolio achieved a rate of return of 8.98% in 2008. For the four- and ten-year periods ended December 31, 2008, the bond portfolio returned 6.02% and 6.26% annually, respectively, ranking well above the median for ten years.

Our strategy of maintaining a marginally long duration, high quality bond portfolio positively influenced our absolute and relative performance over the ten years. Outstanding performance for 2008 represented the avoidance of any credit defaults.

EMPLOYEES' GROUP LIFE INSURANCE PLAN

Asset Mix



ASSET MIX STRATEGY FOR 2009

The Investment Committee anticipates the equity weighting in the portfolio will rise in 2009 due to the Global Equity markets outperforming the Bond market.

Total Returns

	One Year	Four Years	Ten Years
Total Fund	-14.2 %	2.6 %	4.6 %
Bonds and Debentures	9.0 %	6.0 %	6.3 %
Canadian Equities	-33.4 %	0.2 %	6.3 %
Foreign Equities	-31.3 %	-4.7 %	-2.8 %
Benchmarks			
DEX Universe Bond Index	6.4 %	5.1 %	6.0 %
S&P / TSX Composite Index	-33.0 %	1.7 %	5.3 %
S&P 500	-21.2 %	-4.5 %	-3.5 %
Europe, Australia, Far East Stock Market Index	-29.2 %	-1.8 %	-1.4 %
Consumer Price Index	1.2 %	1.8 %	2.2 %

Rick Abbott
Director of Investments

ACTUARIAL OPINION

Western Compensation & Benefits Consultants has performed an actuarial valuation of the Civic Employees' Group Life Insurance Plan as at December 31, 2004, relying on data and other information provided to us by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program. The results of the valuation are contained in our report dated November 3, 2005.

The principal results are as follows:

BASIC LIFE INSURANCE

The Civic Employees' Group Life Insurance Plan is fully funded and has an actuarial surplus of $27,355,000 after taking into account the actuarial liability associated with post-retirement basic life insurance benefits in respect of Plan membership up to December 31, 2004 and a contingency reserve of 10% of the liability.

On the basis of the actuarial surplus and the estimated annual cost of the basic life insurance benefits, we recommend that Plan member and employer contributions continue at the reduced rate of 0.125% of earnings for basic life insurance of one times annual earnings and that the corresponding reduced rate of contribution continue to be paid by pensioners. These rates represent a 54% reduction relative to the normal actuarial cost of the basic life insurance benefits provided by the Plan.

OPTIONAL ADDITIONAL LIFE INSURANCE

The cost of optional additional life insurance has reduced by an average of 33%.

We recommend that a revised table of contribution rates payable by the members for optional additional insurance be adopted, and that these rates continue to incorporate a 25% reduction on account of the actuarial surplus.

We hereby certify that, in our opinion, the actuarial valuation and our report thereon presents fairly the actuarial position of the Civic Employees' Group Life Insurance Plan as at December 31, 2004 on the basis of the actuarial assumptions and valuation methods adopted. Our report has been prepared, and our opinion given, in accordance with accepted actuarial practice.

Donald M. Smith

Donald M. Smith
Fellow of the Canadian Institute of Actuaries

Natalie F. Thompson
Fellow of the Canadian Institute of Actuaries

ACTUARIAL OPINION

Western Compensation & Benefits Consultants has performed an actuarial valuation of the Police Employees' Group Life Insurance Plan as at December 31, 2004, relying on data and other information provided to us by the Plan administrator. The results of the valuation are contained in our report dated November 25, 2005.

The principal results are as follows:

BASIC LIFE INSURANCE

The Police Employees' Group Life Insurance Plan is fully funded and has an actuarial surplus of $5,419,000 after taking into account the actuarial liability associated with post-retirement basic life insurance benefits in respect of Plan membership up to December 31, 2004 and a contingency reserve of 10% of the liability.

On the basis of the actuarial surplus and the estimated annual cost of the basic life insurance benefits, we recommend that Plan member and City contributions continue at the reduced rate of 0.20% of earnings for basic life insurance coverage of two times annual earnings and that the corresponding reduced rate of contribution continue to be paid by pensioners. These rates represent a 51% reduction relative to the normal actuarial cost of the basic life insurance benefits provided by the Plan.

OPTIONAL ADDITIONAL LIFE INSURANCE

The cost of optional additional life insurance has reduced by an average of 33%.

We recommend that a revised table of contribution rates payable by the members for optional additional insurance be adopted, and that these rates continue to incorporate a 25% reduction on account of the actuarial surplus.

We hereby certify that, in our opinion, the actuarial valuation and our report thereon presents fairly the actuarial position of the Police Employees' Group Life Insurance Plan as at December 31, 2004 on the basis of the actuarial assumptions and valuation methods adopted. Our report has been prepared, and our opinion given, in accordance with accepted actuarial practice.

Donald M. Smith

Donald M. Smith
Fellow of the Canadian Institute of Actuaries

Natalie F. Thompson
Fellow of the Canadian Institute of Actuaries

AUDITORS' REPORT

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

We have audited the statement of net assets of the City of Winnipeg Employees' Group Life Insurance Plan as at December 31, 2008 and the statements of changes in net assets of the Civic Employees' and Police Employees' Group Life Insurance Plans for the year then ended. These financial statements are the responsibility of the boards' management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the City of Winnipeg Employees' Group Life Insurance Plan as at December 31, 2008 and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
May 28, 2009

CITY OF WINNIPEG EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF NET ASSETS

As at December 31	2008	2007
	(000's)	(000's)
Assets		
Investments, at market		
Bonds and debentures	$ 47,327	$ 48,188
Canadian equites	28,486	42,774
Foreign equities	17,589	26,999
Short-term deposits	15,920	12,810
	109,322	130,771
Accrued interest	353	398
Accounts receivable	107	78
Due from The Winnipeg Civic Employee's Pension Plan	23	-
Total Assets	109,805	131,247
Liabilities		
Accounts payable	252	257
Due to The Winnipeg Civic Employees' Pension Plan	-	1,045
Total Liabilities	252	1,302
Net Assets	$ 109,553	$ 129,945
Net Assets Comprised of:		
Civic Employees' (Note 4)	$ 90,217	$ 107,364
Police Employees' (Note 4)	19,336	22,581
	$ 109,553	$ 129,945

See accompanying notes to the consolidated financial statements

CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31	2008	2007
	(000's)	(000's)
Increased in Assets		
Contributions		
City of Winnipeg and participating employers	$ 1,013	$ 981
Employees - basic	1,018	984
Employees - optional	327	324
Pensions	160	152
	2,518	2,441
Investment income	3,871	3,346
Total increase in assets	6,389	5,787
Decrease in Assets		
Administration	139	107
Actuarial fees	8	-
Legal fees	12	-
Benefit payments	4,123	3,926
Investment management fees	158	184
Current period change in market value of investments	18,895	874
Claims administration and taxes	201	194
Total decrease in assets	23,536	5,285
(Decrease) increase in net assets	(17,147)	502
Net assets at beginning of year	107,364	106,862
Net assets at end of year	$ 90,217	$ 107,364

See accompanying notes to the consolidated financial statements

POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31	2008	2007
	(000's)	(000's)
Increase in Assets		
Contributions		
The City of Winnipeg	$ 218	$ 190
Employees - basic	214	191
Employees - optional	44	39
Pensioners	44	40
	520	460
Investment income	820	698
Total increase in assets	1,340	1,158
Decrease in Assets		
Administration	29	23
Actuarial fees	1	-
Benefit payments	516	405
Investment management fees	33	38
Current period change in market value of investments	3,974	180
Claims administration and taxes	32	29
Total decrease in assets	4,585	675
(Decrease) increase in net assets	(3,245)	483
Net assets at beginning of year	22,581	22,098
Net assets at end of year	$ 19,336	$ 22,581

See accompanying notes to the consolidated financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

1. Description of Plan

The City of Winnipeg Employees' Group Life Insurance Plan is comprised of two plans, the Civic Employees' Group Life Insurance Plan for employees of the City of Winnipeg, other than police officers, and certain other employers which participate in the Plan and the Police Employees' Group Life Insurance Plan for police officers of the City.

a) Civic Employees' Group Life Insurance Plan

All employees are eligible to join the Plan commencing on their date of employment. All new members of The Winnipeg Civic Employees' Pension Plan must become members of the group life plan. Plan members are covered for basic life insurance of one or two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. Plan members and the City share equally in the cost of the basic life insurance coverage until retirement. Coverage on the life of a disabled member continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Plan is administered by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund). The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

b) Police Employees' Group Life Insurance Plan

All police officers are required to become members of the Plan commencing on their date of employment. Plan members are covered for basic life insurance coverage of two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. The employees and the City share equally in the cost of basic life insurance until retirement. Coverage on the life of disabled members continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Winnipeg Police Pension Board is responsible for the administration of the Plan. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

2. Summary of Significant Accounting Policies

a) Basis of presentation

These 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 sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plans for the fiscal period.

b) Investments

The Plan's investments are classified as held for trading financial assets and are stated at market value. The fixed income and equity investments are valued based on bid prices at year end. Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

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.

3. Accounting changes

In December 2006, the CICA issued section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; and Section 1535, Capital Disclosures. All three Sections are applicable to the financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, the Plan has adopted the new standards for its fiscal year beginning January 1, 2008. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial statements is unchanged from the presentation requirements included in Section 3861. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. This information is included in Notes 4, 5, 6 and 7.

4. Net Assets

The Civic and Police Employees' Group Life Insurance Plans' net assets represent reserves to finance a portion of the cost of the post-retirement insurance expected to be provided in the future to the members of the Plans.

5. Obligation for Post-Retirement Basic Life Insurance Benefits – Civic Employees' Group Life Insurance Plan

An actuarial valuation of the Civic Employees' Group Life Insurance Plan was made as of December 31, 2004 by Western Compensation & Benefits Consultants. The assumptions used by the actuary 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 post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 5.5% per year and general increases in pay of 3.75% 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.

The actuarial valuation as at December 31, 2004 disclosed an actuarial surplus of $27,355,000 and a contingency reserve in the amount of $5,304,000.

The results of the December 31, 2004 actuarial valuation were extrapolated to December 31, 2008 to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed below. The actuarial present value of post-retirement insurance benefits for the Civic Employees' Group Life Insurance Plan as at December 31, 2008, and the principal components of changes in actuarial present values during the year, were as follows:

	2008	2007
	(000's)	(000's)
Actuarial present value of accrued benefits, beginning of year	$ 63,166	$ 59,179
Experience gains and losses and other factors	-	-
Changes in actuarial assumptions	-	-
Interest accrued on benefits	3,484	3,275
Benefits accrued	2,449	2,360
Benefits paid	(2,091)	(1,648)
Actuarial present value of accrued benefits, end of year	$ 67,008	$ 63,166

To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from market values. The actuarial value placed on the assets smoothes out fluctuations in market 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 Civic Employees' Group Life Insurance Plan on an actuarial basis were:

	2008	2007
	(000's)	(000's)
Market value of net assets available for benefits	$ 90,217	$ 107,364
Market value changes not reflected in actuarial value of assets	12,925	(4,624)
Actuarial value of net assets available for benefits	$ 103,142	$ 102,740

6. Obligation for Post-Retirement Basic Life Insurance Benefits – Police Employees' Group Life Insurance Plan

An actuarial valuation of the Police Employees' Group Life Insurance Plan was made as of December 31, 2004 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Winnipeg Police Pension Board for purposes of preparing this note to the financial statements. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions.

Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 5.5% per year and general increases in pay of 3.75% 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.

The actuarial valuation as at December 31, 2004 disclosed an actuarial surplus of $5,419,000 and a contingency reserve in the amount of $1,085,000.

The results of the December 31, 2004 actuarial valuation were extrapolated to December 31, 2008 to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed below. The actuarial present value of post-retirement insurance benefits for the Police Employees' Group Life Insurance Plan as at December 31, 2008, and the principal components of changes in actuarial present values during the year, were as follows:

	2008	2007
	(000's)	(000's)
Actuarial present value of accrued benefits, beginning of year	$ 13,570	$ 12,600
Experience gains and losses and other factors	-	-
Changes in actuarial assumptions	-	-
Interest accrued on benefits	753	700
Benefits accrued	587	526
Benefits paid	(345)	(256)
Actuarial present value of accrued benefits, end of year	$ 14,565	$ 13,570

To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from market values. The actuarial value placed on the assets smoothes out fluctuations in market 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 Police Employees' Group Life Insurance Plan on an actuarial basis were:

	2008	2007
	(000's)	(000's)
Market value of net assets available for benefits	$ 19,336	$ 22,581
Market value changes not reflected in actuarial value of assets	2,753	(935)
Actuarial value of net assets available for benefits	$ 22,089	$ 21,646

7. 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 regularly 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, 2008, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $63,600,000. The Plan's concentration of credit risk as at December 31, 2008, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	2008 Fair Value	2007 Fair Value
	(000's)	(000's)
Government of Canada and Government of Canada guaranteed	$ 31,149	$ 28,821
Provincial and Provincial guaranteed	2,548	2,806
Canadian cities and municipalities	2,250	3,394
Corporations and other institutions	11,380	13,167
	$ 47,327	$ 48,188

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $15,565,000 at December 31, 2008.

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:

	2008		2007	
Credit Rating	Percent of Total Bonds	Percent of of Net Assets	Percent of Total Bonds	Percent of of Net Assets
	(%)	(%)	(%)	(%)
AAA	81.4	35.2	78.4	29.1
AA	14.4	6.2	18.5	6.9
A	2.8	1.2	2.7	1.0
BBB	0.9	0.4	0.4	0.1
BB	0.5	0.2	-	-
	100.0	43.2	100.0	37.1

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 benefit payments and to fund investment commitments. The Plan invests solely in securities that are traded in active markets and can be readily disposed.

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 salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet the Plan's obligations.

The Plan has approximately 58% of its assets invested in fixed income securities as at December 31, 2008. 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, 2008 are as follows:

Term to Maturity	2008 Fair Value	2007 Fair Value
	(000's)	(000's)
Less than one year	$ 8,637	$ 5,726
One to five years	17,639	21,440
Greater than five years	21,051	21,022
	$ 47,327	$ 48,188

As at December 31, 2008, had prevailing interest rates raised or lowered by 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 $1,205,000 (approximately 1.1% of total net assets). 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, 2008. 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.

	2008				2007	
	Gross Exposure (000's)	Net Foreign Currency Hedge (000's)	Net Exposure (000's)	Impact on Net Assets (000's)	Net Exposure (000's)	Impact on Net Assets (000's)
Euro	$ 4,809	$ -	$ 4,809	$ 481	$ 6,622	$ 662
United States	4,486	-	4,486	449	7,697	770
United Kingdom	2,633	-	2,633	263	4,158	416
Japan	1,390	-	1,390	139	1,791	179
Switzerland	691	-	691	69	840	84
Korea	475	-	475	48	962	96
Hong Kong	330	-	330	33	1,164	116
Other	2,775	(1)	2,774	277	3,765	377
	$ 17,589	$ (1)	$ 17,588	$ 1,759	$ 26,999	$ 2,700

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, 2008, 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 $6,911,000 (approximately 6.3% of total net assets). In practice, the actual results may differ and the difference could be material.

8. Investment Transaction Costs

During 2008, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $49,317 (2007 - $42,984). Investment transaction costs are included in the current period change in market value of investments.

9. Comparative Figures

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

2008
ANNUAL REPORT

APPENDICES

INVESTMENT MANAGERS

As at December 31, 2008

Fixed Income

Mr. K. 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

AllianceBernstein Institutional Investment Management

J.P. Morgan Investment Management Inc.

State Street Global Advisors, Ltd.

Non-North American Equities

Baillie Gifford Overseas Ltd.

Capital Guardian Trust Company

Franklin Templeton Investments Corp.

Private Equities

Hamilton Lane Advisors LLC

Richardson Capital Limited

FIXED INCOME INVESTMENTS SUMMARY

As at December 31, 2008

Description	Maturity Date	Pension Plan Market Value	Group Life Market Value
		(000's)	(000's)
Government of Canada bonds	2009-2023	$ 47,555	$ 31,149
Provincial bonds	2009-2024	158,846	2,548
Municipal bonds (excluding Winnipeg bonds)	2009-2015	4,238	2,250
Corporate and other institutions bonds	2009-2019	97,062	11,380
Accrued interest		1,382	353
Total bonds and debentures		$ 309,083	$ 47,680
Call funds - City of Winnipeg		$ 44,889	$ 15,565
Short term investment fund		1,404	-
Funds on deposit - Great-West Life		-	350
Cash		5	5
Total short-term investments		$ 46,298	$ 15,920

TOP 50 CORPORATE SHARE HOLDINGS*

As at December 31, 2008

	Pension Plan Market Value (000's)	Group Life Market Value (000's)
EnCana Corporation	$ 9,191	1,836
Toronto - Dominion Bank	8,650	1,185
Manulife Financial Corporation	7,936	1,151
Bank of Nova Scotia	7,509	719
Rogers Communications Inc., Class B	6,376	731
Canadian Natural Resources Limited	6,090	595
Exxon Mobil Corp	5,070	85
Potash Corporation of Saskatchewan Inc.	4,636	922
Royal Bank of Canada	4,502	1,310
Shoppers Drug Mart Corporation	4,461	727
Goldcorp Inc.	4,189	398
Tim Hortons Inc.	4,086	198
Canadian Imperial Bank of Commerce	3,916	1,370
Research in Motion Limited	3,731	812
Talisman Energy Inc.	3,629	547
Sun Life Financial Services of Canada Inc.	3,501	88
Bank of Montreal	3,257	1,055
TELUS Corporation	3,130	388
Petro-Canada	3,080	356
Canadian National Railway Company	2,876	821
SNC - Lavalin Group Inc.	2,710	129
ShawCor Limited, Class A, SV	2,607	76
Thompson Reuters Corp, Common	2,558	626
Loblaw Companies Limited	2,539	169
General Electric	2,510	87

	Pension Plan Market Value (000's)	Group Life Market Value (000's)
Agnico-Eagle Mines Limited	$ 2,384	208
Procter and Gamble Co.	2,369	45
MacDonald Dettwiler & Associates Ltd.	2,257	88
TransCanada Corporation	2,222	428
Microsoft Corp.	2,186	6
Thompson Reuters PLC Common	2,159	-
Finning International Inc.	2,066	83
Metro Inc., Class A	2,060	344
Alimentation Couche-Tard Inc., Class B, SV	2,024	108
Jean Coutu Group PJC	2,014	377
Suncor Energy Inc.	2,001	871
Husky Energy Inc.	1,976	42
Barrick Gold Corporation	1,965	588
AT & T Inc.	1,940	92
Imperial Oil Ltd.	1,858	58
IGM Financial Inc.	1,711	20
Power Corporation of Canada, SV	1,671	268
Agrium Inc.	1,668	446
Cameco Corp.	1,621	413
China Telecom Corp	1,530	454
BCE Inc.	1,471	112
Magna International Inc., Class A, SV	1,433	215
Gildan Activewear Inc.	1,417	112
Crescent Point Energy Trust Units	1,383	104
Celestica Inc., SV	1,361	106

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

2008 DIRECTORY

WINNIPEG POLICE PENSION BOARD

Council-Appointed Employer Representatives

Doug Webster (Chair)
Deputy Chief

Betty Holsten Boyer
Manager of Financial
Planning and Review

Richard Kachur
City Clerk

Mike Ruta
Chief Financial Officer

Employee Representatives

Mike Sutherland (Vice Chair)
Winnipeg Police Association

Alex Katz
Winnipeg Police Senior
Officers Association

Marc Pellerin
Winnipeg Police Association

Investment Committee

Richard Bracken (Chair)

John McCallum (Vice Chair)

Bob Romphf

Jo-Anne Ferrier

Jon Holeman

Eric Stefanson

As at December 31, 2008

Management

Glenda Willis
Executive Director

Rick Abbott
Director of Investments

Kirk Merlevede
Manager, Fixed Income
Investments

Bill Battershill
Manager, Information Systems

Cathy Masek
Manager, Pension and Group
Insurance Benefits

Rob Sutherland
Manager, Finance and
Administration

Advisors

Actuary
Mercer (Canada) Limited

Consulting Actuary
Western Compensation &
Benefits Consultants

Auditor
Deloitte & Touche, LLP

Legal Counsel
City of Winnipeg Legal Services

Taylor McCaffrey

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