

The  
**WINNIPEG POLICE**  
PENSION PLAN



# TABLE OF CONTENTS

<b>Plan Profile</b>	<b>1</b>
<b>Message from the Chair and Executive Director</b>	<b>6</b>
<b>Winnipeg Police Pension Plan</b>	<b>7</b>
Managing Assets Prudently	9
Five Year Financial Summary	12
Building Strong Relationships	14
Report from the Director of Investments	15
Actuarial Opinion	19
Financial Statements and Auditors' Report	20
<b>Group Life Insurance</b>	<b>29</b>
Summary of Plan Membership	31
Five Year Financial Summary	33
Report from the Director of Investments	34
Actuarial Opinion	37
Financial Statements and Auditors' Report	39
<b>Appendices</b>	<b>47</b>
Investment Managers	48
Fixed Income Investments Summary	49
Top 50 Corporate Share Holdings	50

## 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, 2006	Fair Value (000's)	Actuarial Value (000's)
Net Assets Available For Benefits		
Main Account - General Component	\$ 846,816	\$ 776,702
Main Account - Contribution Stabilization Reserve	61,225	61,225
Plan Members' Account	6,911	6,911
	<u>\$ 914,952</u>	<u>\$ 844,838</u>
Plan Obligations – as extrapolated	\$ 756,011	\$ 756,011
Funded Ratio - on extrapolated obligations	121.0%	117.5%

### Plan Highlights

	2006 (000's)	2005 (000's)
Investments at Fair Value	\$ 914,952	\$ 826,003
Net Investment Income - Total Plan (including changes in fair value)	\$ 104,249	\$ 90,272
Investment Rate of Return	12.9%	12.3%
Employee Contributions*	\$ 7,842	\$ 7,070
Employer Contributions	\$ 7,676	\$ 6,938
Pension Payments	\$ 28,924	\$ 27,369
Lump Sum Refunds	\$ 1,343	\$ 1,397
Membership		
Contributing Members	1,291	1,266
Inactive Members	14	14
Pensioners	899	861
	<u>2,204</u>	<u>2,141</u>

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

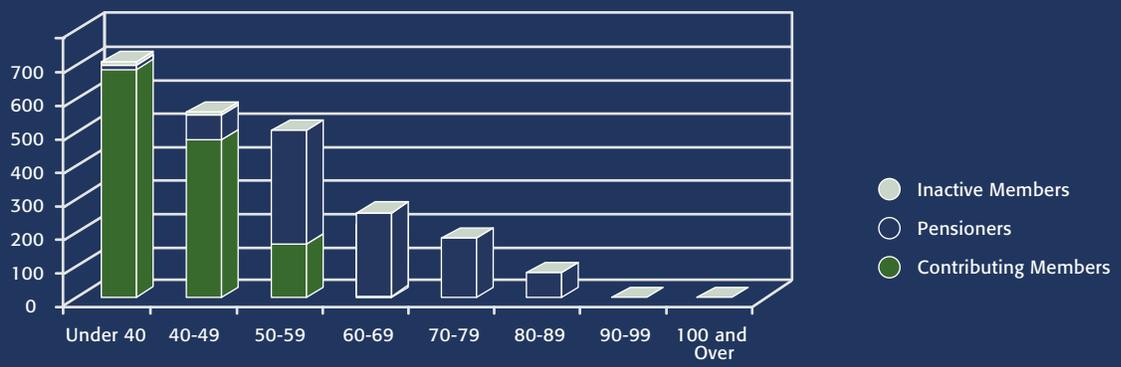
## STATEMENT OF ACTUARIAL POSITION

	December 31, 2005
	(000's)
1. Actuarial Value of Assets	
Main Account	\$ 780,455
Plan Members' Account	6,130
	786,585
2. Actuarial Liabilities	717,793
3. Excess of actuarial value of Plan Assets over Actuarial Liabilities	68,792
4. Amounts Previously Allocated	
Contribution Stabilization Reserve	55,361
Plan Members' Account	6,130
	61,491
5. Actuarial Surplus (3. - 4.)	7,301
6. Funded Ratio (1. / 2.)	
Including Plan Members' Account	109.6%
Excluding Plan Members' Account	108.7%

## COST OF BENEFITS FOR SERVICE IN 2006

	As % of Contributory Earnings
Non-Indexed Benefits	20.72%
COLA'S	4.51%
Total	25.23%
Employee Contributions	8.00%
City Contributions (Matching)	8.00%
Balance from Contribution Stabilization Reserve	9.23%
Total	25.23%

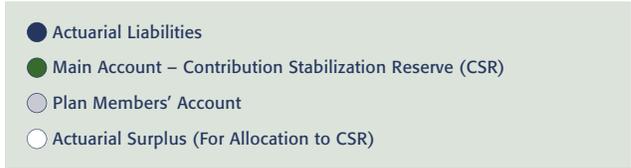
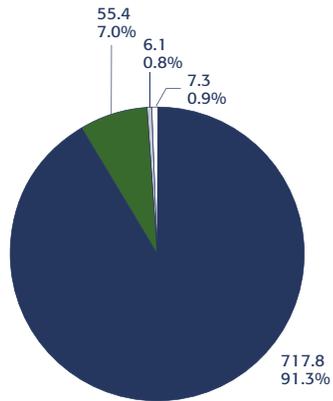
WINNIPEG POLICE PENSION PLAN  
**Membership Profile** as at December 31, 2006  
 (By Age Bands)



WINNIPEG POLICE PENSION PLAN

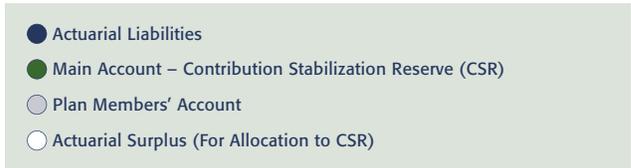
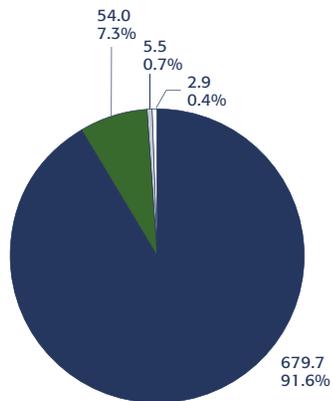
**Actuarial Liabilities And Reserves** Per Actuarial Valuation as at December 31, 2005

(in \$ millions)



**Actuarial Liabilities And Reserves** Per Actuarial Valuation as at December 31, 2004

(in \$ millions)



MESSAGE FROM  
**THE CHAIR AND EXECUTIVE DIRECTOR**

As a Pension Plan Board and Plan Administration, our responsibility is to serve the Winnipeg Police Pension Plan, and ultimately, Plan Members.

While annual reports, such as this, by their very nature, tend to focus on investment and financial information and results, be assured that we are mindful always of our commitment to provide quality service to our Members. Whether services for new entrants, active employees, pensioners or their survivor beneficiaries – our staff work diligently to meet your needs and expectations.

For the year in review, the rate of return of the Winnipeg Police Pension Plan of 12.9% significantly exceeded the nominal actuarial assumption of 6.25%. It is recognized, however, that the 5% per year real rate of return objective will prove to be challenging in light of today's investment markets and low interest rates. A number of changes on the investment front were made during the year with the expectation that these changes will position our portfolio well going forward.

The Plan's allocation to Non-North American equities was increased during 2006 to 13.6% of the portfolio weighting (from 12.1% in 2005) by increasing assets under the management of Franklin Templeton Investments. Concurrently, an investment manager search was conducted for an additional Non-North American equities manager to complement the investment style of the Plan's incumbent managers, namely Franklin Templeton Investments and Capital Guardian. The process concluded with the engagement of Baillie Gifford Overseas Limited to manage a Non-North American publicly-traded equities portfolio with target funding of \$40 million Canadian.

Progress was made in respect of the Plan's strategy of participation in the private equity asset class. In this regard, the Board incorporated a wholly-owned subsidiary, 5332665 Manitoba Ltd., to invest in and hold certain private equity investments on behalf of the Pension Plan. Hamilton Lane Advisors, LLC, was engaged as a "fund of funds" private equity manager with a funding commitment of \$20 million Canadian. The Plan also continued to fund its private equity investment through the Richardson Financial Group during 2006. At year-end 2006, \$5.2 million in private equity investments have been funded (with the aggregate commitment to be funded over the next several years representing approximately 2.7% of the Fund).

In closing, we would like to recognize the service to the Board of David Shepherdson, who stepped down in January 2006. In his place, we welcome Sudhir Sandhu (Acting Manager of Labour Relations), appointed to the Board by the City of Winnipeg.

From the Board and the Administration, let us express our sincere appreciation to each and every Board Member and Investment Committee Member for their strong commitment to fulfilling the objectives and responsibilities of the Board, and to staff who work diligently to deliver quality service to our Plan Members.

We invite you to read our 2006 Annual Report. In addition to the Winnipeg Police Pension Plan, this report includes the City of Winnipeg Employees' Group Life Insurance Plan, the "Police" component of which is administered by the Winnipeg Police Pension Board. We hope you will find this report to be helpful and informative. Your feedback is welcome.

Sincerely,



Menno Zacharias  
Chair

Sincerely,



Glenda Willis  
Executive Director

# 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

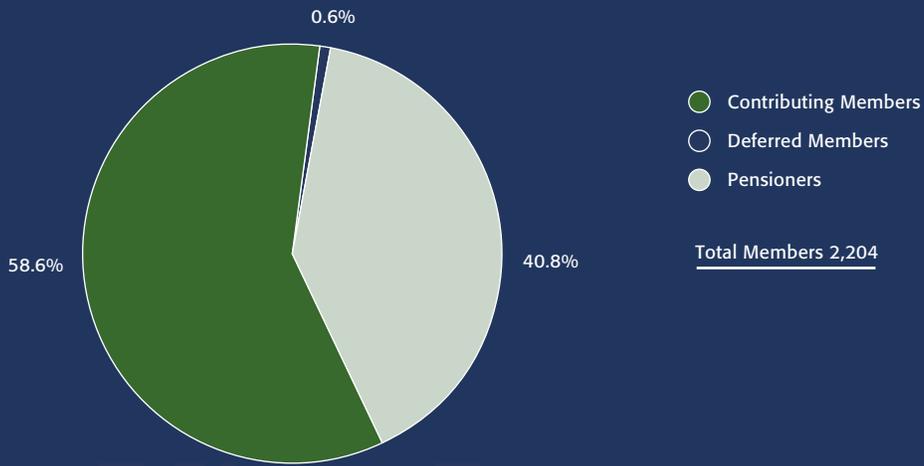
On May 26, 2003, the City of Winnipeg entered into an agreement with the Winnipeg Police Association and the Winnipeg Police Senior Officers Association relative to the sharing of surpluses and risks under the Winnipeg Police Pension Plan, with effect from January 1, 2003. Under the terms of this agreement, 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.



WINNIPEG POLICE PENSION PLAN  
**Membership Profile** as at December 31, 2006



# MANAGING ASSETS PRUDENTLY

## Funded Status of the Plan at December 31, 2005

The most recent actuarial valuation of the Winnipeg Police Pension Plan as at December 31, 2005 disclosed that the Plan was fully funded and had an excess of actuarial value of assets over actuarial liabilities of \$68,792,000 - a funded ratio of 109.6% on an actuarial basis. If the market value had been used instead of the actuarial value of assets, the excess would have been \$108,210,000 – a funded ratio of 115.1% on a market value basis. These results portray a picture of absolute and relative health for the Plan relative to service accrued to December 31, 2005.

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 25.2% 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 14.7% of pay.

The actuarial valuation as at December 31, 2005 disclosed that the Plan generated a surplus of \$7,301,000 on 2005 operations. In accordance with the terms of the Plan, the entire amount was allocated to the Contribution Stabilization Reserve.

The actuarial valuation also disclosed that the Contribution Stabilization Reserve, after allocation of the 2005 actuarial surplus, is at 63.0% of its target level of \$99,475,000.

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 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 6.25% per year, 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 include inflation at 2.25% per year (resulting in an assumed real rate of investment return of 4% per year) and general increases in pay of 3.75% per year.

Although the assumptions are considered appropriate both for funding and accounting purposes, there is nonetheless 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.

## Extrapolated Funded Status at December 31, 2006

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, 2006 were not available. Accordingly, the assumptions used in the most recent actuarial valuation as at December 31, 2005 were used to extrapolate the obligations of the Plan at year-end. 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 \$20,691,000 as at December 31, 2006. Although the extrapolated values of the assets and obligations project a sizeable amount of apparent surplus, the experience gains or losses, as well as the effect of any future changes in actuarial assumptions, that ultimately emerge for 2006 will have a significant bearing on the final level of surplus (or funding deficiency) that is determined for the Main Account – General Component in the next actuarial valuation as at December 31, 2006. 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 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 111.7% on an actuarial basis and 121.0% on a market value basis. These funded positions compare with those from the previous actuarial valuation one year earlier of 109.6% and 115.1% respectively.

The application of a five-year asset smoothing method had the effect of deferring a portion of the market gains in 2004 through 2006 to future years, as actual rates of return have exceeded the 6.25% assumed rate of return for these years.

As at December 31, 2006, the assets as measured on an actuarial basis are less than their related market value by \$70,114,000 – an improvement in position of \$30,696,000 from the previous year. Accordingly, on the basis of the 2005 actuarial assumptions, should the Plan earn exactly the assumed 6.25% on the actuarial asset base over the next four years, the \$70,114,000 smoothing difference would be expected to emerge as surplus over this four year period, potentially enhancing the financial position of the Plan.

## **Long-Term Investment Goals and Performance**

Over the last ten years, the Plan achieved an average rate of return of 9.2% per year, ranking second quartile among larger plans in Canada. The 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 2.0%, the Plan exceeded this goal by a sizeable margin of 2.2% per year over the last ten years. It should be noted, however, that this ten year measurement period includes the return for 1997 – a year in which the absolute return was very high by historical standards.

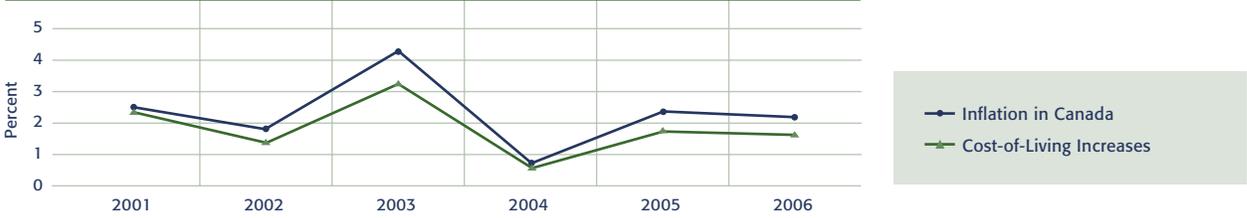
Although a long-term investment return which exceeds inflation by 4% per year, together with matching contributions from the employees and the City, is expected to adequately finance the benefits derived from past service for the existing Plan Members, ongoing future actuarial surplus generation will 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 4% 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.

Although the Plan has for many years been able to achieve long-term real returns in excess of 5%, it is the generation of future surplus from excess investment returns 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**



THE CITY OF WINNIPEG – WINNIPEG POLICE PENSION PLAN  
**FIVE YEAR FINANCIAL SUMMARY**

	2006 (000's)	2005 (000's)	2004 (000's)	2003 (000's)	2002 (000's)
Investments at Fair Value					
Bonds and Debentures	\$ 317,237	\$ 286,143	\$ 287,966	\$ 281,845	\$ 263,496
Real Return Bonds	10,170	10,690	9,882	8,820	8,163
Canadian Equities	335,699	317,039	270,648	253,414	202,040
Foreign Equities	225,399	187,000	156,417	133,392	119,910
Cash and Term Deposits	23,807	23,649	26,899	16,483	27,639
Private Equities	5,183	3,353	604	34	64
Other Liabilities	(2,543)	(1,871)	(1,397)	(1,238)	(959)
	<b>\$ 914,952</b>	<b>\$ 826,003</b>	<b>\$ 751,019</b>	<b>\$ 692,750</b>	<b>\$ 620,353</b>
Assets Available for					
Main Account					
– General Component	846,816	764,512	691,517	635,993	620,353
– Contribution Stabilization Reserve	61,225	55,361	54,036	51,801	-
Plan Members' Account	6,911	6,130	5,466	4,956	-
	<b>\$ 914,952</b>	<b>\$ 826,003</b>	<b>\$ 751,019</b>	<b>\$ 692,750</b>	<b>\$ 620,353</b>

**Main Account – General Component\***

Contributions					
Employees	\$ 7,842	\$ 7,070	\$ 7,028	\$ 6,271	\$ 6,271
City of Winnipeg	7,676	6,938	6,924	6,175	3,843
Reciprocal Transfers	50	46	204	48	227
Transfer from Contribution Stabilization Reserve	8,856	8,056	7,824	7,101	-
Net Investment Income (Loss)	96,049	83,178	64,680	77,199	(34,499)
	<b>120,473</b>	<b>105,288</b>	<b>86,660</b>	<b>96,794</b>	<b>(24,158)</b>
Pension Payments	28,924	27,369	25,167	23,488	21,895
Lump Sum Benefits	1,343	1,397	694	461	642
Administration	601	576	619	638	595
Transfer to Contribution Stabilization Reserve	7,301	2,951	4,656	52,210	-
Transfer to Plan Members' Account	-	-	-	4,357	-
	<b>38,169</b>	<b>32,293</b>	<b>31,136</b>	<b>81,154</b>	<b>23,132</b>
Increase (Decrease) in Net Assets	<b>\$ 82,304</b>	<b>\$ 72,995</b>	<b>\$ 55,524</b>	<b>\$ 15,640</b>	<b>\$ (47,290)</b>

**Contribution Stabilization Reserve**

	2006	2005	2004	2003	2002
	(000's)	(000's)	(000's)	(000's)	(000's)
Transfer of Surplus from Main Account – General Component	\$ 7,301	\$ 2,951	\$ 4,656	\$ 52,210	\$ -
Net Investment Income	7,419	6,430	5,403	6,692	-
	14,720	9,381	10,059	58,902	-
Transfer to Main Account – General Component	8,856	8,056	7,824	7,101	-
Increase in Net Assets	\$ 5,864	\$ 1,325	\$ 2,235	\$ 51,801	\$ -

**Plan Members' Account**

Transfer of Surplus from Main Account – General Component	\$ -	\$ -	\$ -	\$ 4,357	\$ -
Net Investment Income	781	664	510	599	-
Increase in Net Assets	\$ 781	\$ 664	\$ 510	\$ 4,956	\$ -
Annual Rates of Return	12.9%	12.3%	10.5%	13.9%	-5.0%

\* The figures prior to 2003 presented in this summary related to the Main Account - General Component reflect the combination of the former Regular Pension Benefits Account and the Supplementary Pension Benefits Account.

# 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 2006, a total of 42 individuals retired under the Winnipeg Police Pension Plan. This represents a small decrease from 2005, when 44 members retired. Of the 42 members who retired during 2006, 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 72 in 2006, versus 68 in 2005. New enrolments have averaged 70 members over the last five years.

## THE CITY OF WINNIPEG – WINNIPEG POLICE PENSION PLAN

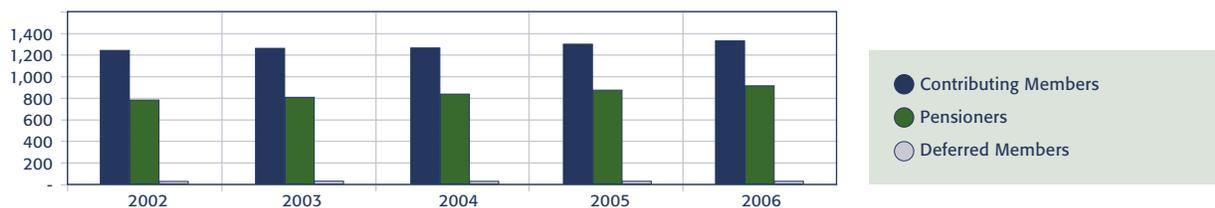
### Summary Of Plan Membership

	2006	2005	2004	2003	2002
Contributing Members	1,291	1,266	1,250	1,251	1,211
Deferred Members	14	14	14	14	16
Pensioners	899	861	829	802	773
<b>Total Membership</b>	<b>2,204</b>	<b>2,141</b>	<b>2,093</b>	<b>2,067</b>	<b>2,000</b>

### Activity During the Year

	2006	2005	2004	2003	2002
Normal Retirements	38	39	38	35	36
Early Retirements	4	5	3	2	8
Deaths in Service	2	1	1	0	1
Pensioner Deaths	15	19	25	13	13
New Members	72	68	49	82	79
Terminations	3	7	8	7	7

### Membership Profile

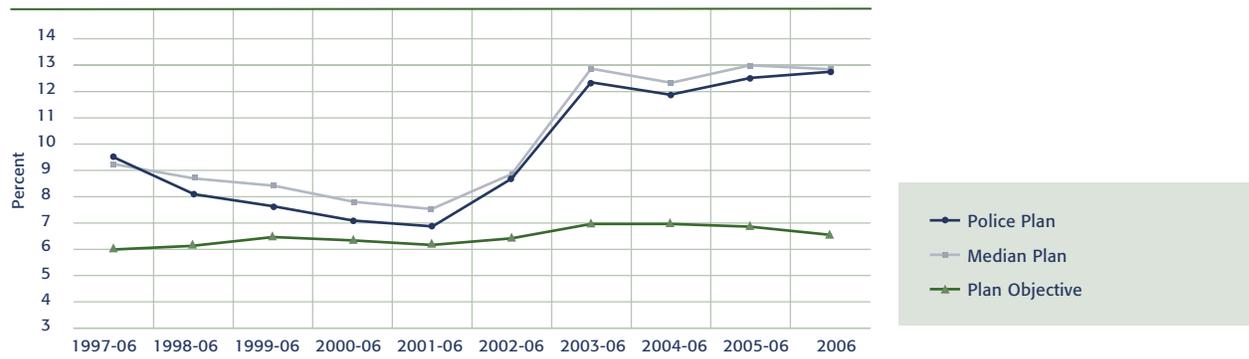


# REPORT FROM THE DIRECTOR OF INVESTMENTS

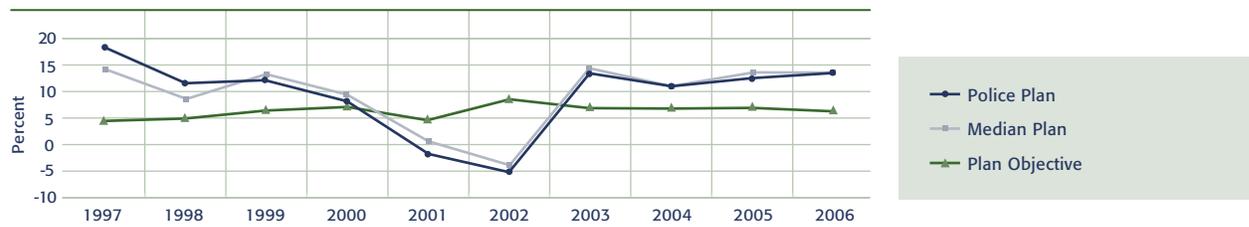
The Winnipeg Police Pension Board delegates, to the Investment Committee of The Board of Trustees of The Winnipeg Civic Employees' Benefits Program, the responsibility for determining the Plan's asset mix (within the parameters of the Plan's Statement of Investment Policies and Procedures), for recommending 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 2006, the investment portfolio returned 12.9%. Stock markets globally rose in 2006 as consumer confidence and capital investment continued to improve. The years 1996 through 2000 experienced abnormally high real returns, followed by negative returns for 2001 and 2002. The Plan's four-year and ten-year annual rates of return of 12.4% and 9.2%, respectively, place the Plan at the 63rd percentile and 46th percentile ranking, respectively, of Canadian pension fund returns as measured by Benchmark, an independent measurement service. The median ten-year record (median return of 9.1%) can be attributed to the under performance 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. Our bond performance over this period ranks well into the 1st quartile. More recent performance, however, has been adversely affected by having the Program's Canadian equity portfolios underweighted in the energy and materials sectors which have experienced exceptional returns for the last four years. Generally, our investment managers have a more conservative position in these cyclical sectors which now dominate the Canadian market.

## WINNIPEG POLICE PENSION PLAN Annualized Rates of Return



## Annual Rates of Return



## Asset Mix

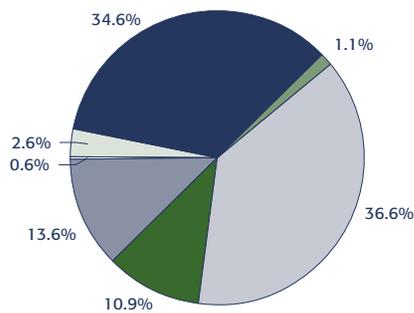
As a result of appreciation in the equity markets, there was a marginal increase in allocation to equity investments - from 61.0% of the portfolio at the beginning of the year to 61.1% at year-end. Benefit payments and administrative expenses exceeded contributions and interest income by \$16.3 million in 2006. Funds were raised by liquidating \$34.9 million from the Plan's Canadian equity position. An allocation of \$17.1 million was added to the Plan's bond position, thus maintaining this asset allocation at approximately 35% of the portfolio, and \$1 million was directed to our new private equity fund-of-funds manager, Hamilton Lane.

## Asset Mix

	2006	2005	2004	2003	2002
Bonds and Debentures	35.7%	35.8%	39.6%	41.9%	43.7%
Canadian Equities	36.6%	38.3%	36.0%	36.5%	32.5%
Foreign Equities	24.5%	22.6%	20.8%	19.2%	19.3%
Cash and Other	2.6%	2.9%	3.5%	2.4%	4.5%
Private Equities	0.6%	0.4%	0.1%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

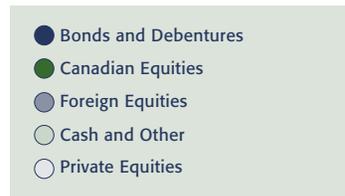
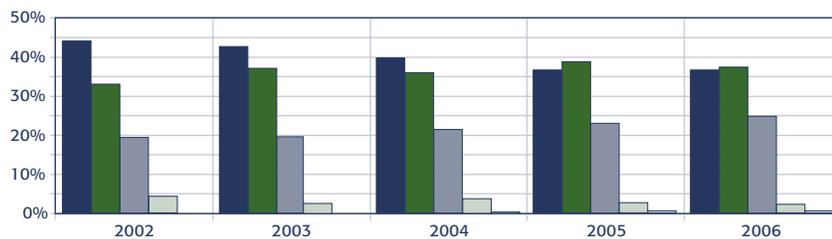
## WINNIPEG POLICE PENSION PLAN

### Asset Mix as at December 31, 2006



Total Investments \$917,495,000

## Asset Mix



## Equity Investments

The Plan's Canadian equity managers outperformed the S&P/TSX Composite Index but marginally underperformed the median pension fund in 2006 with a rate of return of 18.0%. The S&P/TSX Composite Index had a return of 17.3% in 2006 compared to a return of 24.1% in 2005.

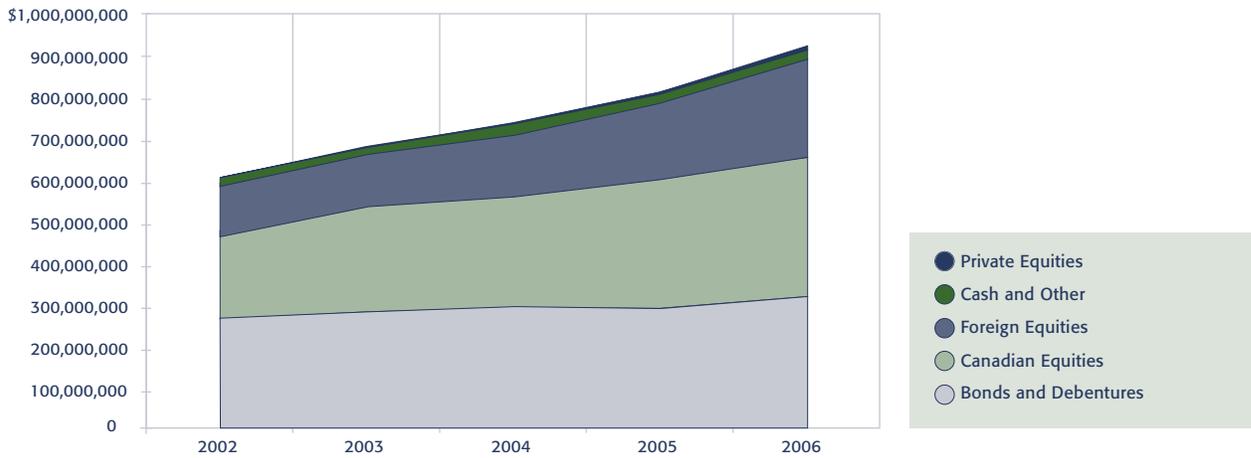
The Plan's Foreign equity managers, collectively, achieved a rate of return of 20.5% in Canadian dollar terms in 2006. This return was below the median due to below-median performance in Non-North American equities. The U.S. equity managers collectively achieved a return of 15.1%, in Canadian dollars, in 2006, which was marginally below the return of the S&P 500 of 15.7%. Over the last ten years, the U.S. stock market has underperformed the Canadian stock market in Canadian dollars. The Plan's Non-North American equity managers collectively returned 25.3% in 2006. The Europe, Australia, Far East Index rose 26.3% which was reflective of improving foreign markets, and strength in the Euro and British Pound.

## Fixed Income Investments

The Plan's bond portfolio achieved a rate of return of 4.2% in 2006. For the four- and ten-year periods ended December 31, 2006, the bond portfolio returned 6.7% and 8.0% annually, respectively, ranking in the top 4% of all bond fund returns in Canada for the ten-year period.

Our strategy of maintaining a marginally long duration, high quality bond portfolio positively influenced our absolute and relative performance over the ten years.

## Investments



## Asset Mix Strategy for 2007

The Investment Committee anticipates maintaining the public equity weighting in the portfolio at approximately 60% of the total portfolio. The Non-North American equity portion will increase by approximately 3%, thus improving the diversification of our fund and lessening risk. Correspondingly, profits will be taken in the Canadian equity position, reducing the weight to 33%. By year-end 2007, it is anticipated that the portfolio will be weighted 61% equities, 37% fixed income, 1% short term investments and 1% private equity.

## Total Returns

	One Year	Four Years	Ten Years
Total Fund	12.9%	12.4%	9.2%
Bonds and Debentures	4.2%	6.7%	8.0%
Canadian Equities	18.0%	20.4%	11.4%
Foreign Equities	20.5%	10.6%	7.1%

## Benchmarks

Scotia Capital Markets Universe Bond Index	4.1%	6.1%	6.9%
S&P / TSX Composite Index	17.3%	20.6%	10.0%
S&P 500	15.7%	6.3%	6.7%
Europe, Australia, Far East Stock Market Index	26.3%	15.2%	6.0%
Consumer Price Index	1.6%	2.0%	2.0%



Rick Abbott  
Director of Investments

THE CITY OF WINNIPEG – WINNIPEG POLICE PENSION PLAN  
**ACTUARIAL OPINION**

Western Compensation & Benefits Consultants has performed an actuarial valuation of the Winnipeg Police Pension Plan as at December 31, 2005, relying on data and other information provided to us by the Plan administrator. The results of the valuation are contained in our report dated August 25, 2006.

The principal results are as follows:

**Actuarial Position**

The Plan is fully funded in respect of benefits earned for service up to December 31, 2005 and has an excess of actuarial value of assets over actuarial liabilities of \$68,792,000.

The Plan has an actuarial surplus of \$7,301,000 for 2005, after taking into account \$61,491,000 of the above excess that was previously allocated to the Contribution Stabilization Reserve and the Plan Members' Account. In accordance with the terms of the Plan, this actuarial surplus should be transferred to the Contribution Stabilization Reserve.

**Cost of Benefits for Service in 2006**

The normal actuarial cost of the benefits expected to be earned under the Plan for service in 2006 is 25.23% 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 9.23% of contributory earnings.

In our opinion, the actuarial valuation and our report thereon presents fairly the actuarial position of the Winnipeg Police Pension Plan as at December 31, 2005 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  
Fellow of the Canadian Institute of Actuaries



Natalie F. Thompson  
Fellow of the Canadian Institute of Actuaries

THE CITY OF WINNIPEG – WINNIPEG POLICE PENSION PLAN  
**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, 2006 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 consolidated 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, 2006 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Winnipeg, Manitoba  
April 4, 2007

THE CITY OF WINNIPEG – WINNIPEG POLICE PENSION PLAN

**Consolidated Statement of Net Assets Available For Benefits**

As at December 31	2006	2005
	(000's)	(000's)
<b>Assets</b>		
Investments, at fair value		
Bonds and debentures	\$ 326,100	\$ 295,892
Canadian equities	335,699	317,039
Foreign equities	225,399	187,000
Cash and short-term deposits	23,807	23,649
Private equities	5,183	3,353
	916,188	826,933
Accrued interest	1,307	941
Accounts receivable	314	337
Due from The Winnipeg Civic Employees' Pension Plan	88	108
<b>Total Assets</b>	<b>917,897</b>	<b>828,319</b>
<b>Liabilities</b>		
Accounts payable	2,945	2,316
<b>Total Liabilities</b>	<b>2,945</b>	<b>2,316</b>
<b>Net Assets Available For Benefits</b>	<b>\$ 914,952</b>	<b>\$ 826,003</b>
<b>Net Assets Available for Benefits Comprised of:</b>		
Main Account – General Component	\$ 846,816	\$ 764,512
Main Account – Contribution Stabilization Reserve	61,225	55,361
Plan Members' Account	6,911	6,130
	<b>\$ 914,952</b>	<b>\$ 826,003</b>

See accompanying notes to the consolidated financial statements

THE CITY OF WINNIPEG – WINNIPEG POLICE PENSION PLAN  
**MAIN ACCOUNT – GENERAL COMPONENT**

**Consolidated Statement of Changes in Net Assets Available For Benefits**

For the years ended December 31

	2006 (000's)	2005 (000's)
<b>Increase in Assets</b>		
Contributions		
The City of Winnipeg	\$ 7,676	\$ 6,938
Employees	7,842	7,070
Reciprocal transfers from other plans	50	46
	15,568	14,054
Transfer from Contribution Stabilization Reserve (Note 1)	8,856	8,056
Investment income (Note 5)	28,598	26,607
Current period change in fair value of investments	69,110	57,866
<b>Total increase in assets</b>	<b>122,132</b>	<b>106,583</b>
<b>Decrease in Assets</b>		
Pension payments	28,924	27,369
Lump sum benefits	1,343	1,397
Administrative expenses (Note 6)	601	576
Investment management and custodial fees	1,659	1,295
Transfer of surplus to Contribution Stabilization Reserve (Note 3)	7,301	2,951
<b>Total decrease in assets</b>	<b>39,828</b>	<b>33,588</b>
<b>Increase in net assets</b>	<b>82,304</b>	<b>72,995</b>
Net assets available for benefits at beginning of year	764,512	691,517
<b>Net assets available for benefits at end of year</b>	<b>\$ 846,816</b>	<b>\$ 764,512</b>

See accompanying notes to the consolidated financial statements

THE CITY OF WINNIPEG – WINNIPEG POLICE PENSION PLAN

## MAIN ACCOUNT – CONTRIBUTION STABILIZATION RESERVE

### Consolidated Statement of Changes in Net Assets Available For Benefits

For the years ended December 31

	2006		2005
	(000's)		(000's)
<b>Increase in Assets</b>			
Transfer of surplus from Main Account – General Component (Note 3)	\$ 7,301	\$	2,951
Investment income (Note 5)	2,209		2,057
Current period change in fair value of investments	5,338		4,474
Total increase in assets	14,848		9,482
<b>Decrease in Assets</b>			
Investment management and custodial fees	128		101
Transfer to Main Account – General Component (Note 1)	8,856		8,056
Total decrease in assets	8,984		8,157
Increase in net assets	5,864		1,325
Net assets available for benefits at beginning of year	55,361		54,036
Net assets available for benefits at end of year	\$ 61,225	\$	55,361

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

	2006		2005
	(000's)		(000's)
<b>Increase in Assets</b>			
Investment income (Note 5)	\$ 232	\$	212
Current period change in market value of investments	562		462
Total increase in assets	794		674
<b>Decrease in Assets</b>			
Investment management and custodial fees	13		10
Total decrease in assets	13		10
Increase in net assets	781		664
Net assets available for benefits at beginning of year	6,130		5,466
Net assets available for benefits at end of year	\$ 6,911	\$	6,130

See accompanying notes to the consolidated financial statements

THE CITY OF WINNIPEG – WINNIPEG POLICE PENSION PLAN  
**NOTES TO THE FINANCIAL STATEMENTS** AS AT DECEMBER 31, 2006

## 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 any 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.

## **3. Obligations for Pension Benefits**

An actuarial valuation of the Plan was made as of December 31, 2005 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 pension benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6.25% per year, inflation of 2.25% per year and general increases in pay of 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, 2005, disclosed an actuarial surplus of \$7,301,000 which was allocated in 2006 to the Contribution Stabilization Reserve in accordance with the Plan.

The results of the December 31, 2005 actuarial valuation were extrapolated to December 31, 2006 to determine the actuarial present value of accrued benefits disclosed below. The actuarial present value of the Plan's accrued benefits as at December 31, 2006, and the principal components of changes in actuarial present values during the year, were as follows:

	2006 (000's)	2005 (000's)
Actuarial present value of accrued benefits, beginning of year	\$ 714,680	\$ 680,381
Experience gains and losses and other factors	2,989	(272)
Changes in actuarial assumptions	124	(450)
Interest accrued on benefits	44,661	42,253
Benefits accrued	24,425	22,110
Benefits paid	(30,267)	(28,766)
Administrative expenses paid	(601)	(576)
Actuarial present value of accrued benefits, end of year	\$ 756,011	\$ 714,680

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:

	2006 (000's)	2005 (000's)
Fair value of net assets available for benefits	\$ 846,816	\$ 764,512
Fair value changes not reflected in actuarial value of assets	(70,114)	(39,418)
Actuarial value of net assets available for benefits	\$ 776,702	\$ 725,094

#### 4. Interest Rate, Credit, Foreign Currency and Market Risk

##### a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's asset values, future investment income and actuarial liabilities. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

The Plan's actuarial liabilities are exposed to the long term expectation of rates of return on investments 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 City contribution rates or lower cost-of-living adjustments to pensioners.

The Plan has approximately 38% of its assets invested in fixed income securities as at December 31, 2006. 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, 2006 are as follows:

<b>Term to Maturity</b>	2006 Fair Value (000's)	2005 Fair Value (000's)
Less than one year	\$ 23,586	\$ 12,347
Two to five years	126,725	107,909
Greater than five years	175,789	175,636
	\$ 326,100	\$ 295,892

## b) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan. At December 31, 2006, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled \$351,214,000.

The Plan's concentration of credit risk as at December 31, 2006, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	2006	2005
	Fair Value (000's)	Fair Value (000's)
Government of Canada and Government of Canada guaranteed	\$ 108,212	\$ 122,243
Provincial and Provincial guaranteed	142,400	136,880
Canadian cities and municipalities	7,971	1,516
Corporations and other institutions	67,517	35,253
	<u>\$ 326,100</u>	<u>\$ 295,892</u>

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of \$21,862,000 at December 31, 2006.

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.

## c) Foreign currency risk

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.

As at December 31, 2006, the Plan's net foreign currency exposure after giving effect to the net related hedge was as follows:

	2006			2005
	Gross Exposure (000's)	Net Foreign Currency Hedge (000's)	Net Exposure (000's)	Net Exposure (000's)
United States	\$ 103,448	\$ -	\$ 103,448	\$ 88,852
Euro	38,647	187	38,460	27,244
United Kingdom	22,922	-	22,922	19,025
Japan	20,009	-	20,009	20,741
Switzerland	8,135	-	8,135	6,423
Hong Kong	6,231	-	6,231	3,261
Other	26,981	-	26,981	21,454
	<u>\$ 226,373</u>	<u>\$ 187</u>	<u>\$ 226,186</u>	<u>\$ 187,000</u>

## d) Market risk

Market risk is the risk that the value of investments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments.

## 5. Investment Income

	2006	2005
	(000's)	(000's)
Bonds and debentures	\$ 19,390	\$ 19,166
Canadian equities	6,106	5,463
Foreign equities	4,349	3,529
Cash and short term-deposits	1,194	718
	<u>\$ 31,039</u>	<u>\$ 28,876</u>
Allocated to:		
Main Account – General Component	\$ 28,598	\$ 26,607
Main Account – Contribution Stabilization Reserve	2,209	2,057
Plan Members' Account	232	212
	<u>\$ 31,039</u>	<u>\$ 28,876</u>

## 6. Administrative Expenses

	2006	2005
	(000's)	(000's)
Winnipeg Civic Employees' Benefits Program	\$ 423	\$ 379
Actuarial fees	114	185
Meetings and seminars	1	1
Consulting and professional fees	8	-
Legal fees	33	4
General and administrative expenses	22	7
	<u>\$ 601</u>	<u>\$ 576</u>

## 7. 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, 2006, \$1,022,849 had been funded.



The  
**CITY OF WINNIPEG  
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 3.2% over the past four years. The number of active members has increased marginally over this period, going from 8,086 at the end of 2002 to 8,124 at the end of 2006. The number of pensioners has grown 7.5% over this period, increasing from 4,044 at the end of 2002 to 4,348 at the end of 2006.

Total Plan membership for Police Employees has grown by 12.7% over the past four years. The number of active members has increased 6.7% over this period, going from 1,208 at the end of 2002 to 1,289 at the end of 2006. The number of police pensioners has grown substantially, going from 539 at the end of 2002 to 679 at the end of 2006, a 26.0% increase over the period.

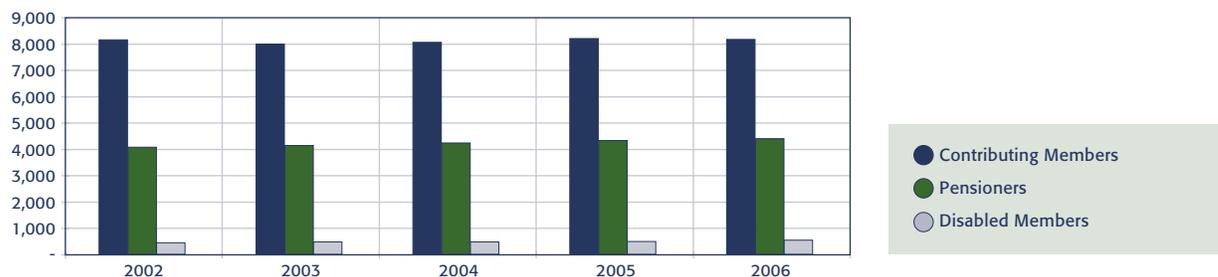
The Civic Employees' Group Life Insurance Plan's actuarial valuation as at December 31, 2004 disclosed an actuarial surplus of \$27,355,000 and a contingency reserve in the amount of \$5,304,000. The surplus is being utilized to finance reductions to contribution rates of 54% for basic life insurance. 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 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.

THE CITY OF WINNIPEG – CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN  
**SUMMARY OF PLAN MEMBERSHIP**

	2006	2005	2004	2003	2002
<b>Members</b>					
Active Members	8,124	8,155	8,023	7,919	8,086
Disabled Members	488	461	435	435	431
Pensioners	4,348	4,297	4,187	4,104	4,044
<b>Total</b>	<b>12,960</b>	<b>12,913</b>	<b>12,645</b>	<b>12,458</b>	<b>12,561</b>
<b>Deaths</b>					
Active	12	13	18	16	18
Pensioners	136	130	145	144	128
<b>Life Insurance In Force</b>					
	(000's)	(000's)	(000's)	(000's)	(000's)
Basic	\$ 782,392	\$ 781,590	\$ 738,691	\$ 702,260	\$ 680,240
Optional	194,765	199,341	183,655	179,594	175,340
Pensioners	115,035	110,212	104,292	99,291	96,586

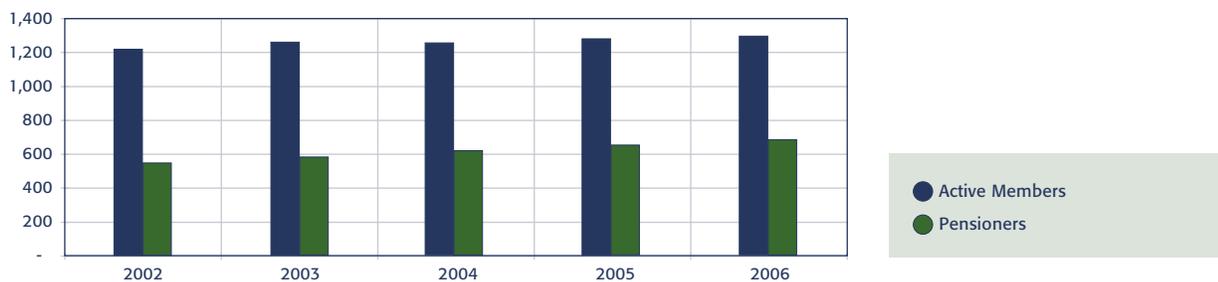
**Membership Profile**



THE CITY OF WINNIPEG – POLICE EMPLOYEES’ GROUP LIFE INSURANCE PLAN  
**SUMMARY OF PLAN MEMBERSHIP**

	2006	2005	2004	2003	2002
<b>Members</b>					
Active Members	1,289	1,266	1,246	1,247	1,208
Pensioners	679	644	607	572	539
<b>Total</b>	<b>1,968</b>	<b>1,910</b>	<b>1,853</b>	<b>1,819</b>	<b>1,747</b>
<b>Deaths</b>					
Active	2	1	1	-	1
Pensioners	7	7	6	3	2
<b>Life Insurance In Force</b>					
	(000's)	(000's)	(000's)	(000's)	(000's)
Basic	\$ 187,407	\$ 174,971	\$ 169,738	\$ 157,181	\$ 152,694
Optional	46,033	41,659	40,630	37,061	35,022
Pensioners	39,250	36,407	33,270	30,530	28,461

**Membership Profile**



THE CITY OF WINNIPEG – EMPLOYEES’ GROUP LIFE INSURANCE PLAN  
**FIVE YEAR FINANCIAL SUMMARY**

	2006 (000's)	2005 (000's)	2004 (000's)	2003 (000's)	2002 (000's)
<b>Investments at Market:</b>					
Bonds and Debentures	\$ 47,831	\$ 40,244	\$ 37,652	\$ 34,238	\$ 32,160
Real Return Bonds	782	822	760	679	628
Canadian Equities	46,484	45,067	43,525	37,668	29,820
Foreign Equities	31,387	25,937	21,512	19,610	17,655
Short-term Deposits	2,875	4,338	2,017	4,175	5,544
Other Liabilities	(399)	(362)	(383)	(411)	(486)
	\$ 128,960	\$ 116,046	\$ 105,083	\$ 95,959	\$ 85,321
<b>Net Assets:</b>					
Civic Employees	106,862	96,281	87,381	80,039	71,558
Police Employees	22,098	19,765	17,702	15,920	13,763
	\$ 128,960	\$ 116,046	\$ 105,083	\$ 95,959	\$ 85,321

**Increase in Civic Employees’ Net Assets**

<b>Contributions</b>					
City of Winnipeg*	\$ 942	\$ 947	\$ 874	\$ 838	\$ 801
Employees	1,235	1,370	1,260	1,207	1,151
Pensioners	148	144	130	131	122
Investment Income (Loss)	11,962	10,647	8,984	10,230	(5,110)
	14,287	13,108	11,248	12,406	(3,036)
<b>Decrease in Assets</b>					
Actuarial Fees	34	65	-	54	60
Administration	100	99	101	90	83
Benefit Payments	3,221	3,718	3,489	3,500	3,282
Investment Management Fees	163	140	134	107	113
Risk Premium & Taxes	188	186	182	174	171
	3,706	4,208	3,906	3,925	3,709
Increase (Decrease) in Net Assets	\$ 10,581	\$ 8,900	\$ 7,342	\$ 8,481	\$ (6,745)
Annual Rates of Return	12.6%	12.3%	11.4%	14.5%	-6.6%

**Increase in Police Employees’ Net Assets**

<b>Contributions</b>					
City of Winnipeg	\$ 193	\$ 174	\$ 174	\$ 155	\$ 154
Employees	230	221	220	189	193
Pensioners	32	30	28	26	24
Investment Income (Loss)	2,459	2,160	1,797	1,982	(948)
	2,914	2,585	2,219	2,352	(577)
<b>Decrease in Assets</b>					
Actuarial Fees	4	50	-	52	28
Administration	20	20	20	16	15
Benefit Payments	495	397	366	85	188
Investment Management Fees	34	29	27	21	21
Risk Premium & Taxes	28	26	24	21	22
	581	522	437	195	274
Increase (Decrease) in Net Assets	\$ 2,333	\$ 2,063	\$ 1,782	\$ 2,157	\$ (851)
Annual Rates of Return	12.6%	12.3%	11.4%	14.5%	-6.6%

\* Includes participating employers

# REPORT FROM THE DIRECTOR OF INVESTMENTS

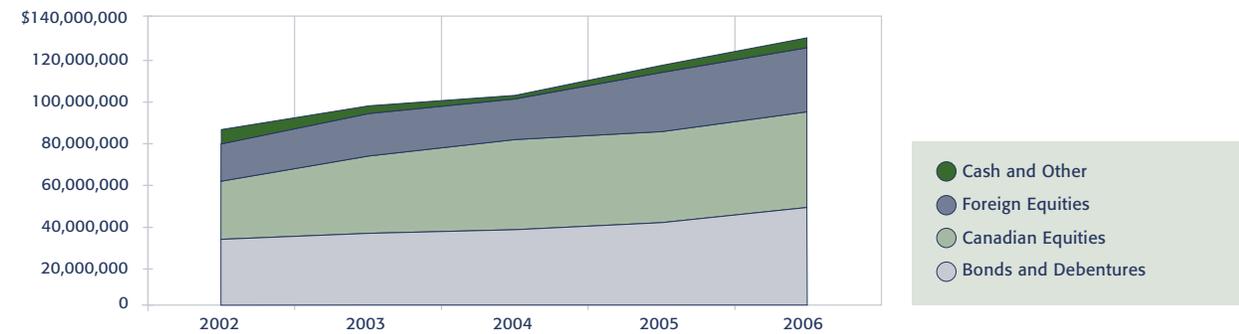
The responsibility for determining the asset mix of the Employees' Group Life Insurance Plan, within the parameters of the Plan's Statement of Investment Policies and Procedures, rests with the Investment Committee of The Board of Trustees of The Winnipeg Civic Employees' Benefits Program. So too does 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 2006, the investment portfolio returned 12.6%. Stock markets globally rose in 2006 as consumer confidence and capital investment continued to improve. The years 1996 through 2000 experienced abnormally high real returns, followed by negative returns for 2001 and 2002. The Plan's four-year and ten-year annual rates of return

of 12.7% and 8.9%, respectively, place the Plan at the 50th percentile and 60th percentile ranking, respectively, of Canadian pension fund returns as measured by Benchmark, an independent measurement service.

The marginally below median ten-year record (median return of 9.1%) 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. Our bond performance over this period ranks near the 1st quartile. More recent performance, however, has been adversely affected by having the Plan's Canadian equity portfolios underweighted in the energy and materials sectors which have experienced exceptional returns for the last four years. Generally, our investment managers have a more conservative position in these cyclical sectors which now dominate the Canadian market.

## EMPLOYEES' GROUP LIFE INSURANCE PLAN Investments



## Asset Mix

As a result of appreciation in the equity markets, significant profits were realized in Canadian equities and the allocation to equities was reduced from 61% of the portfolio at the beginning of the year to 60% at year end with \$5.8 million having been liquidated from Canadian equities and re-allocated to bonds.

## Equity Investments

The Plan's Canadian equity managers outperformed the S&P/TSX Composite Index but marginally underperformed the median pension fund in 2006 with a rate of return of 17.4%. The S&P/TSX Composite Index had a return of 17.3% in 2006 compared to a return of 24.1% in 2005.

The Plan's Foreign equity managers, collectively, achieved a rate of return of 21.0% in Canadian dollar terms in 2006. This return was marginally below the median due to below-median performance in U.S. equities. The U.S. market achieved a return of 15.7% in Canadian dollars, in 2006. Over the last ten years, the U.S. stock market has underperformed the Canadian stock market in Canadian dollars. The Plan's Non-North American manager achieved a return of 28.9% in 2006. The Europe, Australia, Far East Index rose 26.3% which was reflective of improving foreign markets and strength in the Euro and British Pound.

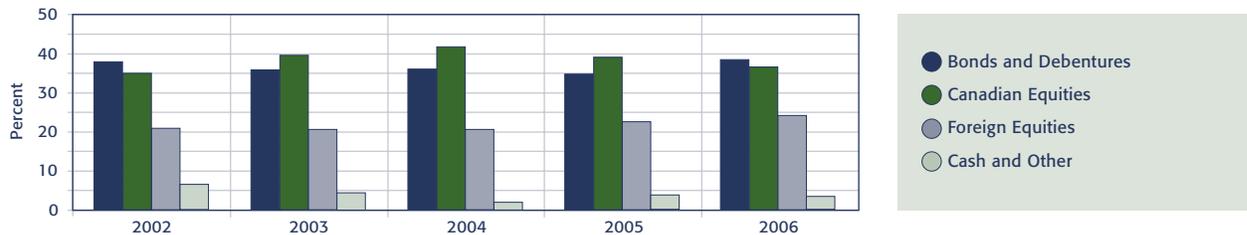
## Fixed Income Investments

The Plan's bond portfolio achieved a rate of return of 3.6% in 2006. For the four- and ten-year periods ended December 31, 2006, the bond portfolio returned 6.7% and 7.8% annually, respectively, ranking near the first quartile 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.

### EMPLOYEES' GROUP LIFE INSURANCE PLAN

#### Asset Mix



## Asset Mix Strategy for 2007

The Investment Committee anticipates maintaining the equity weighting in the portfolio at approximately 60% of the total portfolio. It intends, however, to increase the weighting of the Non-North American portion by approximately 3%, thus improving the diversification of our fund and lessening risk. Correspondingly, the Canadian equity position will be reduced by 3%. By year-end 2007, it is anticipated that the portfolio will be weighted 61% equities, 38% fixed income, 1% short term investments.

## Total Returns

	One Year	Four Years	Ten Years
Total Fund	12.6%	12.7%	8.9%
Bonds and Debentures	3.6%	6.7%	7.8%
Canadian Equities	17.4%	20.4%	11.5%
Foreign Equities	21.0%	11.2%	7.6%

## Benchmarks

Scotia Capital Markets Universe Bond Index	4.1%	6.1%	6.9%
S&P / TSX Composite Index	17.3%	20.6%	10.0%
S&P 500	15.7%	6.3%	6.7%
Europe, Australia, Far East Stock Market Index	26.3%	15.2%	6.0%
Consumer Price Index	1.6%	2.0%	2.0%



Rick Abbott  
Director of Investments

## THE CITY OF WINNIPEG – CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

# 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  
Fellow of the Canadian Institute of Actuaries



Natalie F. Thompson  
Fellow of the Canadian Institute of Actuaries

THE CITY OF WINNIPEG – POLICE EMPLOYEES’ GROUP LIFE INSURANCE PLAN  
**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  
Fellow of the Canadian Institute of Actuaries



Natalie F. Thompson  
Fellow of the Canadian Institute of Actuaries

THE CITY OF WINNIPEG – CITY OF WINNIPEG EMPLOYEES’ GROUP LIFE INSURANCE PLAN  
**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, 2006 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, 2006 and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Winnipeg, Manitoba  
April 4, 2007

**CITY OF WINNIPEG EMPLOYEES' GROUP LIFE INSURANCE PLAN****Statement of Net Assets**

As at December 31

	2006	2005
	(000's)	(000's)
<b>Assets</b>		
Investments, at market		
Bonds and debentures	\$ 48,209	\$ 40,745
Canadian equities	46,484	45,067
Foreign equities	31,387	25,937
Short-term deposits	2,875	4,338
	128,955	116,087
Accrued interest	404	321
Accounts receivable	71	85
Due from The Winnipeg Civic Employees' Pension Plan	26	6
<b>Total Assets</b>	<b>129,456</b>	<b>116,499</b>
<b>Liabilities</b>		
Accounts payable	496	453
Due to The Winnipeg Civic Employees' Pension Plan	-	-
<b>Total Liabilities</b>	<b>496</b>	<b>453</b>
<b>Net Assets</b>	<b>\$ 128,960</b>	<b>\$ 116,046</b>
<b>Net Assets Comprised of:</b>		
Civic Employees' (Note 3)	\$ 106,862	\$ 96,281
Police Employees' (Note 3)	22,098	19,765
	<b>\$ 128,960</b>	<b>\$ 116,046</b>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG  
**CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN**

**Statement of Changes in Net Assets**

For the years ended December 31

	2006	2005
	(000's)	(000's)
<b>Increase in Assets</b>		
Contributions		
City of Winnipeg and participating employers	\$ 942	\$ 947
Employees – basic	944	949
Employees – optional	291	421
Pensioners	148	144
	2,325	2,461
Investment income	3,313	2,956
Current period change in market value of investments	8,649	7,691
<b>Total increase in assets</b>	<b>14,287</b>	<b>13,108</b>
<b>Decrease in Assets</b>		
Administration	100	99
Actuarial fees	34	65
Benefit payments	3,221	3,718
Investment management fees	163	140
Risk premium and taxes	188	186
<b>Total decrease in assets</b>	<b>3,706</b>	<b>4,208</b>
Increase in net assets	10,581	8,900
Net assets at beginning of year	96,281	87,381
<b>Net assets at end of year</b>	<b>\$ 106,862</b>	<b>\$ 96,281</b>

See accompanying notes to the financial statements

**POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN****Statement of Changes in Net Assets**

For the years ended December 31

	2006		2005
	(000's)		(000's)
<b>Increase in Assets</b>			
Contributions			
The City of Winnipeg	\$ 193	\$	174
Employees – basic	193		174
Employees – optional	37		47
Pensioners	32		30
	455		425
Investment income	684		602
Current period change in market value of investments	1,775		1,558
Total increase in assets	2,914		2,585
<b>Decrease in Assets</b>			
Administration	20		20
Actuarial fees	4		50
Benefit payments	495		397
Investment management fees	34		29
Risk premium and taxes	28		26
Total decrease in assets	581		522
Increase in net assets	2,333		2,063
Net assets at beginning of year	19,765		17,702
Net assets at end of year	\$ 22,098	\$	19,765

See accompanying notes to the financial statements

THE CITY OF WINNIPEG – CITY OF WINNIPEG EMPLOYEES’ GROUP LIFE INSURANCE PLAN  
**NOTES TO THE FINANCIAL STATEMENTS** AS AT DECEMBER 31, 2006

## **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**

Investments are stated at market value. The fixed income investments are valued using published market quotations. Equity investments are valued using published closing market prices. 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. 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.

## **4. 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, 2006 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, 2006, and the principal components of changes in actuarial present values during the year, were as follows:

	2006 (000's)	2005 (000's)
Actuarial present value of accrued benefits, beginning of year	\$ 55,990	\$ 53,092
Experience gains and losses and other factors	-	(1,166)
)Changes in actuarial assumptions	-	1,111
Interest accrued on benefits	3,082	2,918
Benefits accrued	2,269	2,273
Benefits paid	(2,162)	(2,238)
Actuarial present value of accrued benefits, end of year	\$ 59,179	\$ 55,990

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:

	2006 (000's)	2005 (000's)
Market value of net assets available for benefits	\$ 106,862	\$ 96,281
Market value changes not reflected in actuarial value of assets	(9,835)	(5,934)
Actuarial value of net assets available for benefits	\$ 97,027	\$ 90,347

## 5. 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, 2006 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, 2006, and the principal components of changes in actuarial present values during the year, were as follows:

	2006 (000's)	2005 (000's)
Actuarial present value of accrued benefits, beginning of year	\$ 11,658	\$ 10,847
Experience gains and losses and other factors	-	(165)
Changes in actuarial assumptions	-	165
Interest accrued on benefits	649	602
Benefits accrued	515	466
Benefits paid	(222)	(257)
Actuarial present value of accrued benefits, end of year	\$ 12,600	\$ 11,658

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:

	2006 (000's)	2005 (000's)
Market value of net assets available for benefits	\$ 22,098	\$ 19,765
Market value changes not reflected in actuarial value of assets	(2,009)	(1,206)
Actuarial value of net assets available for benefits	\$ 20,089	\$ 18,559

## 6. Interest Rate, Credit, Foreign Currency and Market Risk

### a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's asset values, future investment income, and actuarial liabilities. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

The Plan's actuarial liabilities are exposed to the long term expectation of rates of return on investments 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 39% of its assets invested in fixed income securities as at December 31, 2006. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related market values of investments in bonds and debentures held by the Plan at December 31, 2006 are as follows:

<b>Term to Maturity</b>	2006 Market Value (000's)	2005 Market Value (000's)
Less than one year	\$ 1,007	\$ 504
Two to five years	27,183	16,457
Greater than five years	20,019	23,784
	\$ 48,209	\$ 40,745

**b) Credit risk**

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan. At December 31, 2006, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled \$50,549,267. The Plan's concentration of credit risk as at December 31, 2006, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	2006 Market Value (000's)	2005 Market Value (000's)
Government of Canada and Government of Canada guaranteed	\$ 30,049	\$ 31,410
Provincial and Provincial guaranteed	3,179	3,544
Canadian cities and municipalities	3,392	820
Corporations and other institutions	11,589	4,971
	\$ 48,209	\$ 40,745

The Plan's investments include short-term deposits with the City of Winnipeg which have a market value of \$1,933,818 at December 31, 2006.

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.

**c) Foreign currency risk**

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. There were no open forward contracts outstanding at December 31, 2006 (2005 - \$ nil).

As at December 31, 2006, the Plan's net foreign currency exposure was as follows:

	2006 Net Exposure (000's)	2005 Net Exposure (000's)
United States	\$ 14,676	\$ 12,967
Euro	5,497	3,651
United Kingdom	3,450	2,852
Japan	1,572	1,782
Hong Kong	1,123	604
Switzerland	890	649
Korea	827	894
Other	3,352	2,538
	\$ 31,387	\$ 25,937

**d) Market risk**

Market risk is the risk that the value of investments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments.



# APPENDICES

# INVESTMENT MANAGERS

AS AT DECEMBER 31, 2006

## 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.

Provident Investment Counsel, Inc.

State Street Global Advisors, Ltd.

## Non-North American Equities

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, 2006

Description	Maturity Date	Pension Plan Market Value (000's)	Group Life Market Value (000's)
Government of Canada bonds	2007 - 2023	\$ 108,212	\$ 30,049
Provincial bonds	2009 - 2024	142,400	3,179
Municipal bonds (excluding Winnipeg bonds)	2008 - 2015	7,971	3,392
Corporate and other institutions bonds	2007 - 2018	67,517	11,589
Accrued interest		1,307	404
<b>Total bonds and debentures</b>		<b>\$ 327,407</b>	<b>\$ 48,613</b>
Call funds – City of Winnipeg		\$ 21,873	\$ 1,936
Short term investment fund		1,931	-
Funds on deposit – Great-West Life		-	939
Term deposits		3	-
<b>Total short-term investments</b>		<b>\$ 23,807</b>	<b>\$ 2,875</b>

# TOP 50 CORPORATE SHARE HOLDINGS\*

AS AT DECEMBER 31, 2006

	Pension Plan Market Value (000's)	Group Life Market Value (000's)		Pension Plan Market Value (000's)	Group Life Market Value (000's)
Manulife Financial Corporation	\$ 19,424	3,171	Nexen Inc.	\$ 3,868	279
Bank of Nova Scotia	18,960	2,416	Goldcorp Inc.	3,642	283
Toronto - Dominion Bank	15,480	2,367	Celestica Inc., SV	3,630	539
Royal Bank of Canada	12,522	3,018	Petro-Canada	3,311	476
Bank of Montreal	12,164	1,474	Great-West Lifeco Inc.	3,229	1,033
Canadian Imperial Bank of Commerce	11,012	1,574	Cameco Corp.	3,217	239
Rogers Communications Inc., Class B	10,656	1,473	ShawCor Limited, Class A, SV	3,102	8
EnCana Corporation	10,456	2,126	General Electric Company	2,975	404
Suncor Energy, Inc.	10,306	2,271	Exxon Mobil Corporation	2,958	338
TELUS Corporation	7,306	1,203	Shoppers Drug Mart Corporation	2,946	192
Alcan Inc.	6,435	1,185	Canadian Pacific Railway Limited	2,917	202
BCE Inc.	5,859	1,004	Husky Energy Inc.	2,714	48
Research in Motion Limited	5,718	898	AGF Management Ltd., Class B, NV	2,531	159
Canadian National Railway Company	5,195	1,558	Biovail Corporation	2,513	660
The Thompson Corporation	5,129	1,035	IGM Financial Inc.	2,439	27
Potash Corporation of Saskatchewan Inc.	5,060	863	Gildan Activewear Inc.	2,404	153
Talisman Energy Inc.	5,012	731	Yellow Pages Income Fund	2,342	309
Tim Hortons Inc.	4,787	282	Citigroup Inc.	2,295	303
Canadian Natural Resources Limited	4,703	164	Alimentation Couche-Tard Inc., Class B, SV	2,149	140
Nortel Networks Corporation	4,505	224	Niko Resources Ltd.	2,104	135
Finning International Inc.	4,462	169	Microsoft Corporation	2,037	264
Sun Life Financial Services of Canada Inc.	4,407	139	CHC Helicopter Corporation, Class A	2,023	125
Magna International Inc., Class A, SV	4,397	798	Royal Bank of Scotland Group PLC	2,000	205
Loblaw Companies Limited	4,376	659	MacDonald Dettwiler & Associates Ltd.	1,981	120
Power Corporation of Canada, SV	3,945	694	Western Oil Sands Inc.	1,951	132

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





# 2006 DIRECTORY

WINNIPEG POLICE PENSION BOARD

## Council-Appointed Employer Representatives

Menno Zacharias (Chair)  
Deputy Chief – Support Services

Betty Holsten Boyer  
Manager of Financial  
Planning and Review

Mike Ruta  
Corporate Controller

Sudhir Sandhu  
Acting Manager, Labour Relations  
(appointed May 2006)

## Employee Representatives

Loren Schinkel (Vice Chair)  
Winnipeg Police Association

Ed Humphries  
Winnipeg Police Association

Alex Katz  
Winnipeg Police Senior  
Officers Association

## Investment Committee

Richard Bracken (Chair)

John McCallum (Vice Chair)

Nick Diakiw

Jo-Anne Ferrier

Jon Holeman

Scott Penman

## 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

Western Compensation  
& Benefits Consultants

### Auditor

Deloitte & Touche, LLP

### Legal Counsel

City of Winnipeg Legal Services

Taylor McCaffrey

## Our Address

185 King Street  
4th Floor, Mandarin Building  
Winnipeg, Manitoba R3B 1J1

Tel: 204-986-2516  
Fax: 204-986-3571  
Website: [cepp.winnipeg.ca](http://cepp.winnipeg.ca)

