2012 ANNUAL REPORT

WCEBP
WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM
TRUST • INTEGRITY • EQUITY • RESPECT • SERVICE

PROGRAM PROFILE

The *Program* is comprised of:

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

Nine employers participate in the *Program*:

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

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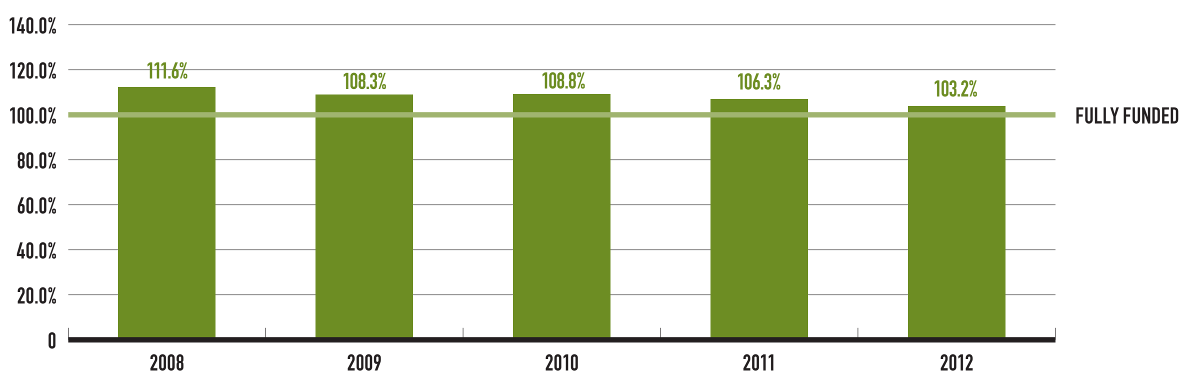
2012 AT A GLANCE

The Winnipeg Civic Employees' Benefits Program currently serves close to 17,000 members, including almost 7,000 pensioners and almost 9,000 active employees.

FUNDED STATUS

The most recent actuarial valuation of *The Winnipeg Civic Employees' Benefits Program* as at December 31, 2012, disclosed that the *Program* was fully funded and had an excess of smoothed value of assets over actuarial liabilities of $115,596,000—a funded ratio of 103.2% on the basis of actuarial values.

FUNDED RATIO BASED ON ACTUARIAL VALUE OF ASSETS



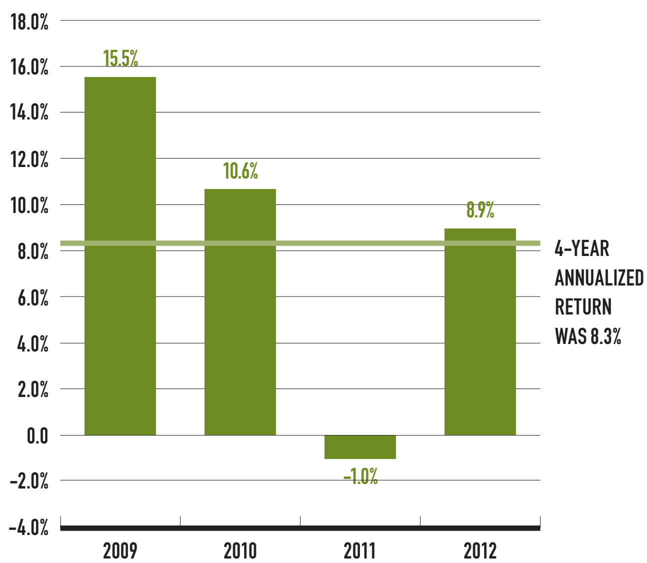
INVESTMENTS

New allocations to real estate continued in 2012. Overall, the *Program* also saw an increase in the allocation to equity investments—the result of strong performance in the equity markets during the year.

MEMBERSHIP

Total *Program* membership increased by 236 people in 2012. The number of pensioners grew at a slightly higher rate than the number of contributing members.

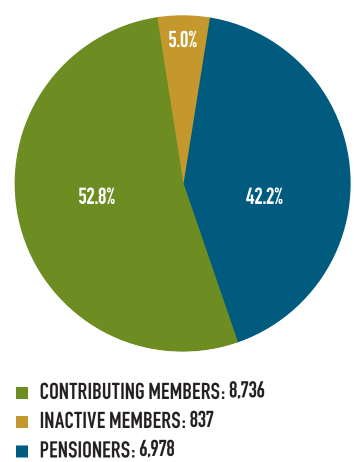
ANNUAL INVESTMENT RETURN



MEMBERSHIP PROFILE

AS AT DECEMBER 31, 2012

TOTAL MEMBERS: 16,551



MESSAGE

We are pleased to present the annual report of *The Winnipeg Civic Employees' Benefits Program* for the year ended December 31, 2012. This report contains the audited financial statements for the *Pension Plan* and the *Disability Plan*, and highlights the activity of the *Board of Trustees* as well as key operational activities of the *Program* in the year.

FINANCIAL STATUS

The most recent actuarial valuation of the *Program*, as at December 31, 2012, showed that on a going-concern basis, the *Program* was fully funded (going-concern funded ratio of 103.2%) with respect to all benefits in payment and all benefits earned for service up to the valuation date.

The *Program* earned a rate of investment return for 2012 of 8.9%, which is 2.65% greater than the assumed net rate of investment return for actuarial purposes. The "excess" investment return of $70,377,000 in 2012 served to reduce the balance of unrecognized investment loss carried forward from 2011 when the *Program's* rate of investment return was -1.0%. It is important to note, however, that there remains a balance of $78,063,000 of the unrecognized investment loss incurred in 2011, to be recognized in future years (through 2015).

In light of the long-term outlook of challenging economic and investment conditions, the *Board of Trustees* made the prudent decision to reduce the valuation interest rate assumption for the *Program's* 2012 actuarial valuation to 6.0% (down from 6.25% for the 2011 actuarial valuation). The valuation interest rate is a key factor in the determination of the *Program's* actuarial liabilities. Reducing the valuation interest rate increased the value of the *Program's* obligations by $116,183,000, with the effect of injecting a measure of conservatism into the valuation of the *Program*.

The *Program's* going-concern funded status of 103.2% as at December 31, 2012 will enable the upcoming cost-of-living adjustment (COLA) to pensions (payable in July 2013) to be maintained at 80% of the increase in the Consumer Price Index (CPI) for Canada (measured as at March 31, 2013). It is important to remember, however (as previously communicated with the 2011 *Program* changes), that the COLA rate granted to pensions in pay and deferred pensions is expected to gradually decline over time from 80% to 50% of the percentage increase in CPI.

INVESTMENT OUTLOOK

Over the last ten years, the *Program* achieved an average rate of return of 6.5% per year, ranking fourth quartile (81st percentile) among larger pension plans in Canada. This fell short of the *Program's* objective of 6.8% per year (CPI+5%), but exceeded the *Program's* actuarial requirement which averaged 6.2% per year over this period.

As noted in last year's report, the *Board's* long term investment policy includes a transition to a higher weight in alternative investment classes, in particular real estate and infrastructure, and to longer duration bonds. This transition is well underway and its continued implementation will be a priority on the investment front for 2013.

GOVERNANCE

A Governance Manual was completed during the year and has become a working guide for the *Board* and *Board* Committees on matters of *Pension Plan* governance. This manual is a valuable resource for current Trustees and will serve as an excellent orientation document for new Trustees and Committee members. Implementation of various aspects of the Governance Manual will continue into 2013 and beyond.

The vision of the *Board of Trustees*—as identified in its Governance Manual—is *to be considered by Plan members and industry peers as one of the best-managed pension plan organizations in Canada*. The *Board* has developed a detailed mission statement outlining what the organization will do to deliver on its vision. The vision, mission statement, and the *Board's* agreed-upon values are presented in the Governance section of this report.

In pursuing its vision, the *Board* held a strategic planning session in June 2012. It was an extremely productive process whereby a number of important new initiatives were identified. Generally speaking, Member services were highlighted as a priority, with the Member website and communications identified as areas of opportunity, in particular. Preliminary plans for the development of multimedia tools for members to use online, as well as several new communications tools, were presented to the *Board* by the *Program Administration* late in 2012. Implementation of these exciting new initiatives will begin in 2013.

The *Board* and its executive team are committed to an annual strategic planning process moving forward.

ACKNOWLEDGEMENTS

Appointment—After an extensive executive search, the position of Chief Investment Officer was filled by Nestor Theodorou in November, 2012. Mr. Theodorou was previously a member of the *Program's* Investment Committee and brings close to two decades of experience as a Chartered Financial Analyst.

Departure—Long-serving Member Trustee Bryan Verity stepped down from the *Board* at the end of 2012. Mr. Verity had served *Program* Members for over 11 years since being appointed to the former Employee Benefits Board by the Winnipeg Association of Public Service Officers (WAPSO) in 1999. We take this opportunity to express our sincere gratitude to Mr. Verity for his dedication and his always thoughtful and well-balanced perspective.

In closing, we hope you will find this report helpful and informative. As always, we welcome your feedback.

Sincerely,

Brian Ellis
CHAIR

Glenda Willis
CHIEF EXECUTIVE OFFICER

GOVERNANCE

The governance objective for *The Winnipeg Civic Employees' Pension Plan* is to maintain an efficient governance framework which ensures that all fiduciaries adequately fulfill their responsibilities and optimize the use of their skills and time while supervising, managing and administering the *Program*.

The *Program* operates under a jointly-trusteed governance structure according to the terms and conditions of the Pension Trust Agreement and the Disability Plan Trust Agreement entered into by the City of Winnipeg and ten Signatory Unions.

The Pension Plan Board is comprised of seven Employer Trustees (appointed by City of Winnipeg) and seven Member Trustees (appointed by civic unions). These same individuals sit on the Disability Plan Board with the exception of one Employer Trustee and the Member Trustee on behalf of pensioners and deferred members.

Recently, the Board of Trustees formalized a vision, mission and values for the governance of the *Program*.

VISION: To be considered by Plan members and industry peers as one of the best-managed pension plan organizations in Canada.

MISSION: To deliver the promised benefits (subject to the terms of the Pension Trust Agreement and the Plan text) to the Plan's members and beneficiaries. In doing so, the Board:

- Maintains an effective and transparent governance structure and process encouraging a culture of excellence
- Preserves the level of benefits agreed to by all parties to the extent possible given financial and any other constraints and subject to the requirements of the Pension Trust Agreement and applicable law
- Promotes financial management responsibility by weighing risks and returns for each decision
- Provides high quality administration services with a focus on members, beneficiaries and employers
- Complies with all laws, rules, regulations, Plan provisions and applicable policies and guidelines
- Provides leadership and communication to Plan members and other stakeholders on behalf of the Plan
- Recognizes that the Plan is jointly governed between participating employers and members and that this joint governance arrangement entails sharing responsibility for costs and unfunded liabilities and sharing the benefit of any actuarial surpluses

VALUES: Trust • Integrity • Equity • Respect • Service

ROLE OF THE BOARD OF TRUSTEES

Trustees have a fiduciary duty, an obligation, to act on behalf of *Program* members and in good faith. The fiduciary obligations of the Trustees include that the Trustees:

- Treat members and beneficiaries impartially, subject to the terms of the Pension Trust Agreement
- Exercise the care, skill and diligence that a person of ordinary prudence would exercise in dealing with the property of another person
- Interpret the terms of the Plan fairly, impartially and in good faith
- Prevent their personal interest, and the interests of their Appointing Group, from conflicting with those of the Plan and its members and beneficiaries

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

- Ensuring the *Program* is administered in accordance with the Trust Agreement, Program Text, and applicable legislation
- Adopting and reviewing the investment policy
- Monitoring investment performance
- Adopting and reviewing funding policy

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

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

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

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

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

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

Benefits Committee (of the Disability Plan Board)—The Benefits Committee adjudicates certain categories of long term disability claims with the assistance of the Board's medical consultants and Case Management Team.

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

PENSION PLAN REVIEW

FUNDING

The results of the most recent actuarial valuation, using the smoothed value of assets, continued to portray a picture of relative health for the *Program* with respect to benefits accrued for all service up to December 31, 2012. However, the funded ratio, at 103.2%, has declined somewhat in comparison with the previous year's funded ratio of 106.3%, when measured using the smoothed value of assets.

FUNDED STATUS AT DECEMBER 31, 2012

An actuarial valuation performed on a going-concern basis assumes that the *Program* will continue to operate indefinitely. Members are assumed to continue to earn pension benefits for future service, and it is assumed that contributions will continue to be made to the *Program*.

The most recent actuarial valuation of *The Winnipeg Civic Employees' Benefits Program* as at December 31, 2012, disclosed that the *Program* was fully funded and had an excess of smoothed value of assets over actuarial liabilities of $115,596,000—a funded ratio of 103.2% on the basis of actuarial values. If the fair value of assets had been used instead of the smoothed value, there would have been an excess of $37,533,000—which would have resulted in a funded ratio of 101.0% on a fair value basis. The application of an actuarial asset "smoothing" technique has been used by the *Program* for many years.

FINANCIAL POSITION

AS AT DECEMBER 31, 2012

	FAIR VALUE (000's)	ACTUARIAL VALUE (000's)
Net assets available for benefits		
Main Account	$ 3,583,935	$ 3,661,998
Plan Members' Account	2,645	2,645
City Account	60,135	60,135
	$ 3,646,715	$ 3,724,778
Program obligations	$ 3,609,182	$ 3,609,182
Funded ratio	101.0%	103.2%

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

GOING CONCERN FINANCIAL STATUS

	DECEMBER 31, 2012 (000's)
1. Actuarial value of assets	
Main Account	$ 3,661,998
Plan Members' Account	2,645
City Account	60,135
	$ 3,724,778
2. Actuarial liabilities	
Pension Plan	$ 3,561,291
Long Term Disability Plan	43,603
Early Retirement Benefits Arrangement	4,288
	$ 3,609,182
3. Excess of actuarial value of *Program* assets over actuarial liabilities	$ 115,596
4. Amounts previously allocated	
Plan Members' Account	2,645
City Account	60,135
	$ 62,780
5. Financial position (*3. - 4.*)	$ 52,816
6. Actuarial surplus (*1. - 4. - (105% x 2.),* or 0; whichever is greater)	$ 0
7. Funded ratio (*1. / 2.*)	
Including Plan Members' and City Accounts	103.2%
Excluding Plan Members' and City Accounts	101.5%

The *Program's* rate of investment return for 2012 was 8.9%, significantly exceeding the assumed rate of investment return for 2012 of 6.25%. The excess investment return of $70,377,000 in 2012 served to reduce the balance of unrecognized investment losses from 2011, under the asset smoothing technique.

It is important to note that there remains a balance of $78,063,000 of unrecognized investment market losses incurred in 2011, when the *Program's* rate of investment return was -1.0%, to be recognized in future years. Accordingly, should the *Program* earn exactly the assumed future investment rate of return of 6.0% on the actuarial value of assets over the next three years (see Key Actuarial Assumptions below), the remaining $78,063,000 smoothing difference would be expected to emerge as in-year funding deficiencies of $26,021,000 per year in each of 2013, 2014 and 2015, offsetting any existing surplus over this three-year period. Such an outcome would negatively affect the financial position of the *Program*.

The above referenced excess of smoothed value of *Program* assets over actuarial liabilities, in the amount of $115,596,000 includes $52,816,000 which remains accounted for within the Main Account. Under the terms of the Pension Trust Agreement, emerging excess or "surplus" related to ongoing *Program* operation is accumulated within the Main Account and retained as a buffer unless it exceeds 5% of *Program* liabilities. If in the future the 5% retention threshold is exceeded, an equal allocation of the portion of the excess which exceeds the retention threshold would be transferred to the special-purpose Accounts held within the *Program* (specifically the Plan Members' Account and the City Account). At December 31, 2012, the balance of the Plan Members' Account was $2,645,000 and the balance of the City Account was $60,135,000.

Under the Pension Trust Agreement, the Plan Members' Account may be used to fund improvements in benefits or to reduce member contributions. The City Account is available to finance, through transfers to the Main Account, any reduction in the participating employers' contributions from the amounts needed to match the *Program* members required contributions. Actuarial surpluses and funding deficiencies are dealt with in accordance with the Pension Trust Agreement. The prescribed steps to resolve a funding deficiency generally include revising the actuarial assumptions, reducing the anticipated level of future cost-of-living adjustment, increasing contributions (if agreed upon by the City and the Signatory Unions), drawing upon available funds within special-purpose Accounts, and if necessary, reducing benefits.

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

The most recent solvency valuation of the *Program*, as at December 31, 2012, revealed a solvency ratio of 74.0%. This indicates that, on a plan termination basis, the *Program's* assets would not be sufficient to cover all the liabilities accrued for benefits under the *Program* as at December 31, 2012. No action is required to be taken on the basis of this solvency valuation as the *Board of Trustees* has elected, under the *Solvency Exemption for Public Sector Pension Plans Regulation*, that *The Winnipeg Civic Employees' Pension Plan* be exempt from the solvency and transfer deficiency provisions of Manitoba's *Pension Benefits Act* and *Regulations*.

KEY ACTUARIAL ASSUMPTIONS— DECEMBER 31, 2012 ACTUARIAL VALUATION

One of the key assumptions that underlies the determination of actuarial liabilities, thereby affecting the actuarial surplus, is the valuation interest rate. The valuation interest rate assumed was 6.00% per year in the 2012 actuarial valuation (down from 6.25% for the 2011 actuarial valuation), and was developed with reference to expected long-term economic and investment conditions. The valuation interest rate assumed was carefully and prudently developed, giving recognition to the long-term asset mix expected to be utilized by the *Program*, and after assuming an equity premium that was considered relatively normal by historical standards. The change in the valuation interest rate from 6.25% to 6.00% increased *Program* obligations by $116,183,000.

Other key economic assumptions in the 2012 actuarial valuation include future inflation at 2.00% per year (unchanged from the 2011 actuarial valuation), resulting in an assumed real rate of investment return of 4.00% per year and future general increases in pay of 3.50% per year (unchanged from the 2011 actuarial valuation).

On the recommendation of the *Program's* actuary, certain demographic assumptions were also revised in the 2012 actuarial valuation. The demographic assumption with respect to retirement rates was revised, decreasing *Program* obligations by $90,185,000. The demographic assumptions for annual rates of mortality were revised to utilize generational mortality tables, increasing *Program* obligations by $36,828,000.

Although these assumptions were considered appropriate both for funding and accounting purposes in 2012, there nonetheless is measurement uncertainty associated with these estimates versus actual future investment returns and salary escalation that will affect the future financial position of the *Program*, possibly in a material way.

LONG TERM OUTLOOK

Over the last ten years, the *Program* achieved an average rate of return of 6.5% per year, ranking fourth quartile (81st percentile) among larger pension plans in Canada. The long-term goal of the *Program* through 2012 was to achieve a rate of return that exceeded inflation by 5.0% per year. With the ten-year annualized inflation rate being 1.8%, the *Program* fell short of this goal by a margin of 0.3% per year over the last ten years. It should be noted that such measurements are end date sensitive.

Based on the funding assumption, adopted by the Actuary and the Board as at December 31, 2012, of an average 4.00% per annum real rate of investment return, net of investment expenses, the *Program* is fully funded with respect to all pensions currently in payment and pension benefits earned for service to date by current and former employees. Despite the contribution and benefit changes which took effect on September 1, 2011, it is desirable to continue to seek real investment returns in excess of 4.00% per annum in order to: i) finance contribution shortfalls during the remaining 2013 phase-in period for contribution increases, ii) strengthen the existing surplus position, and iii) in as far as possible, maintain Cost-of-Living Adjustments (COLA) at a rate higher than the 50% of Consumer Price Index increases at which it is being funded.

It is recognized that the current low interest rate environment and economic conditions will make the future achievement of a 5% real rate of investment return very difficult, unless more investment risk is taken within the investment portfolio. It is not considered prudent at this time to significantly increase investment risk to maintain the 5% real return objective moving forward. However, notwithstanding the assumed 4.00% per year real investment return used for the actuarial valuation at December 31, 2012, it remains desirable to strive for a real rate of return in excess of 4% per year over the long-term as long as the current level of investment risk does not significantly increase. Given the above considerations, a 4% long term real rate of investment return objective is reflected in the *Program's* Statement of Investment Policies and Procedures commencing in 2013.

As the *Program* is presently constituted, it is the achievement of sufficient investment returns in the future which will have the most significant bearing on the ultimate sustainability of current benefits and contribution levels.

As noted in the prior year's report, the Board's long term investment policy includes a transition to a higher weight in alternative investment classes, in particular real estate and infrastructure, and to longer duration bonds. During 2012, the Plan continued funding its allocation to the real estate asset class, with the Plan holding approximately $156.0 million of real estate assets at year-end 2012. The Board, and its Investment Committee, will continue to prudently manage the *Program's* assets towards this 4% real return objective.

REPORT ON INVESTMENTS

The portfolio's asset mix experienced some changes during 2012. The transition to the new long term policy asset mix resulted in an increase in the *Program's* exposure to real estate and corresponding decreases to both bonds and cash. The *Program's* exposure to equities also increased due to strong global equity markets.

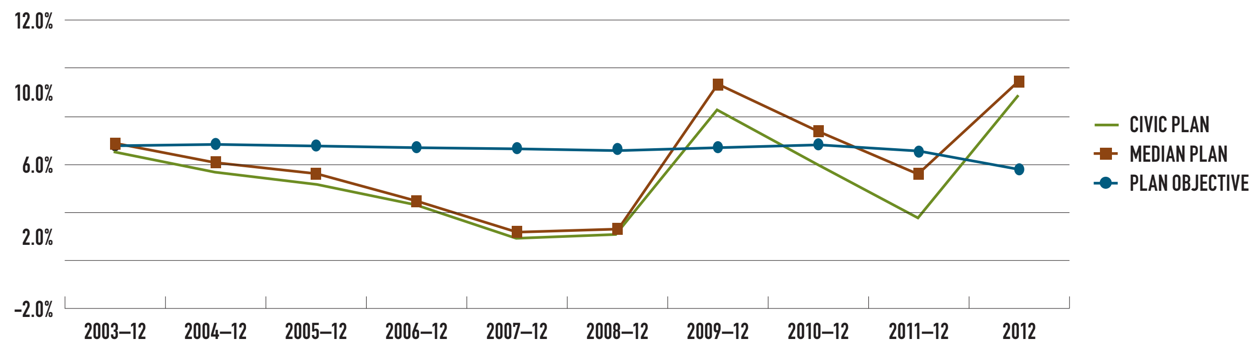
While there were no new additions or deletions to the manager line up during 2012, searches for asset managers in the real estate and fixed income sectors continued during the year. At year-end, the *Program* utilized external investment managers to manage all equity and real estate portfolios. The short-term investments and the bond portfolio, including real return bonds, were managed internally.

PORTFOLIO PERFORMANCE SUMMARY

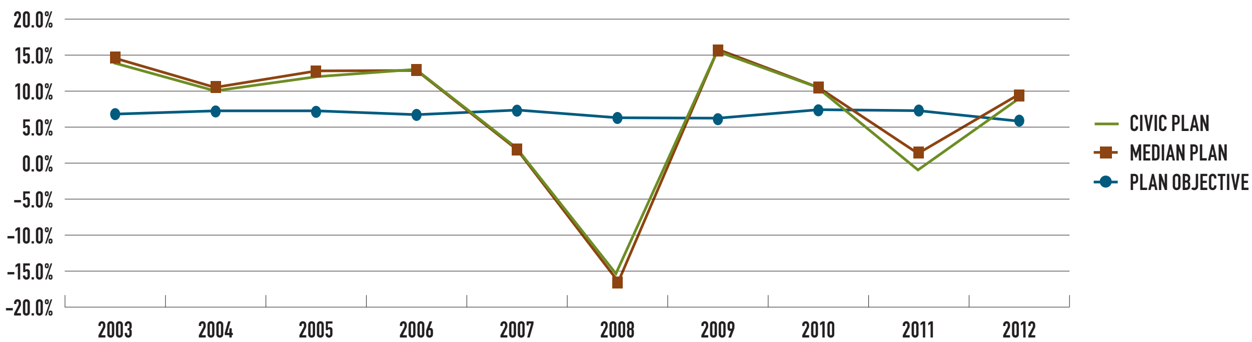
For the year 2012, the investment portfolio posted a positive return of 8.9%. This was less than the median Canadian pension fund return of 9.5% as measured by RBC Investor Services, an independent measurement service. The underperformance can be attributed to the *Program's* fixed income portfolio, which is positioned conservatively along the yield curve and underweighted in its corporate bond exposure.

On a ten-year basis, the portfolio's return was below the *Program's* "CPI+5%" objective of 6.8%. Positive returns in years 2003–2006, 2009–2010, and 2012 were not enough to offset negative returns in 2007, 2008, and 2011. The *Program's* four-year and ten-year annualized rates of return were 8.3% and 6.5%, which placed the *Program* at the 77th percentile and 81st percentile ranking, respectively, of Canadian pension funds. The below median ten-year performance (median return of 6.9%) can be attributed to the underperformance of the bond portfolio over the same period.

ANNUALIZED RATES OF RETURN



ANNUAL RATES OF RETURN



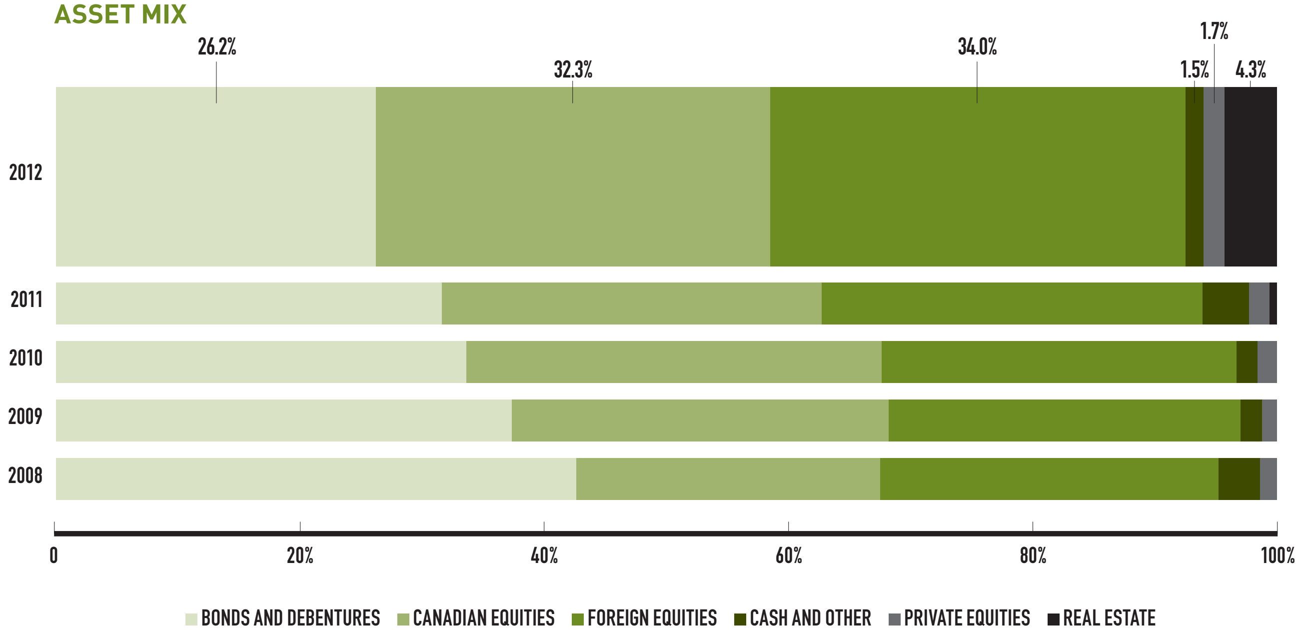
ASSET MIX

As a result of the *Program's* new long-term policy asset mix, assets were allocated out of Canadian fixed income and cash and into real estate. Overall, the *Program* also saw an increase in the allocation to equity investments—from 62.3% of the portfolio at the beginning of the year to 66.3% at year-end. This was primarily due to the strong performance experienced by equity markets during the year.

ASSET MIX

	2012	2011	2010	2009	2008
Bonds and debentures	26.2%	31.6%	33.6%	37.3%	42.6%
Canadian equities	32.3%	31.1%	34.0%	30.9%	24.9%
Foreign equities	34.0%	31.2%	29.1%	28.8%	27.7%
Cash and other	1.5%	3.8%	1.7%	1.8%	3.4%
Private equities	1.7%	1.7%	1.6%	1.2%	1.4%
Real estate	4.3%	0.6%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

ASSET MIX



EQUITY INVESTMENTS

In 2012, the *Program's* Canadian equity managers achieved a return of 8.9%, slightly behind the median pension fund return of 9.2% but ahead of the S&P/TSX Composite Index return of 7.2%.

The *Program's* foreign equity managers, collectively, reported a return of 14.7% in Canadian dollar terms for 2012, equal to the median pension fund return, and ahead of the benchmark (50% S&P 500 [CAD], 50% MSCI Europe, Australasia, Far East [CAD] Index) return of 14.1%. Foreign equity markets have recently started to outperform the Canadian equity market in Canadian dollars.

During 2012, the *Program's* US equity managers, collectively, reported a return of 14.7%, in Canadian dollars, out-performing both the median pension fund return of 13.2%, and the S&P 500 (CAD) Index return of 13.4%.

The *Program's* Non-North American equity managers reported a collective return of 14.6%, equal to the MSCI Europe, Australasia, Far East (CAD) Index return, but below the median pension fund return of 17.0%.

FIXED INCOME INVESTMENTS

The *Program's* bond portfolio reported a return of 2.9% in 2012, which underperformed both the median pension fund return of 4.6%, and the DEX Universe Index return of 3.6%. The under-performance was due to the bond portfolio's conservative positioning along the yield curve and in terms of less corporate credit exposure.

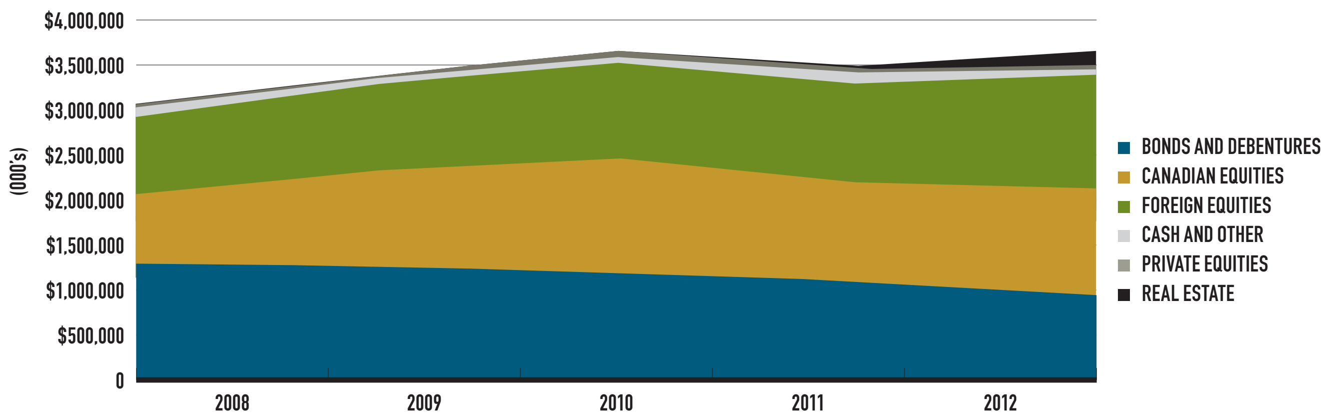
For the four- and ten-year periods ended December 31, 2012, the bond portfolio returned 5.5% and 5.8%, respectively. For the 10-year period, the portfolio has under-performed both the DEX Universe Index (6.0%) and the median pension fund (6.9%).

FIXED INCOME INVESTMENTS SUMMARY

AS AT DECEMBER 31, 2012

DESCRIPTION	MATURITY DATE	PENSION PLAN MARKET VALUE (000's)
Government of Canada bonds	2013-2023	$ 181,583
Provincial bonds	2013-2024	487,358
Municipal bonds (excluding Winnipeg bonds)	2013-2015	4,031
Corporate and other institutions bonds	2013-2021	280,660
Accrued interest		3,444
Total bonds and debentures		$ 957,076
Call funds—City of Winnipeg		$ 54,468
Cash		631
Total short-term investments		$ 55,099

INVESTMENTS



TOTAL RETURNS

	ONE YEAR	FOUR YEARS	TEN YEARS
Total Fund	**8.9%**	**8.3%**	**6.5%**
Bonds and debentures	2.9%	5.5%	5.8%
Canadian equities	8.9%	12.9%	9.6%
Foreign equities	14.7%	8.2%	3.1%
Real estate	12.9%	N/A	N/A
Benchmarks			
DEX Universe Bond Index	3.6%	6.3%	6.0%
S&P / TSX Composite Index	7.2%	11.7%	9.2%
S&P 500 (Canadian dollars)	13.4%	8.6%	2.3%
Europe, Australasia, Far East Stock Market Index (Canadian dollars)	14.7%	4.2%	3.3%
IPD Canadian Property Index	13.9%	9.6%	11.4%
Consumer Price Index (CPI)	0.8%	1.7%	1.8%

ASSET MIX STRATEGY FOR 2013

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

Among the notable changes arising from the study were new allocations to real estate and infrastructure, offset by reductions in equities and fixed income. These changes are being implemented over a three- to four-year period. To that end, the *Program* has continued to re-allocate capital to Greystone Managed Investments Inc. (real estate mandate) over the course of 2012, and they are now close to their maximum allocation.

Looking forward to 2013, it is anticipated that a second real-estate manager will be added. The *Program's* transition into the Global Infrastructure asset class will begin as well, and capital will be re-allocated from both equities and fixed income over the course of the year. In addition, it is expected that the transition of the *Program's* fixed income assets to a pair of external asset managers will also occur during the first half of the year.

MEMBERSHIP

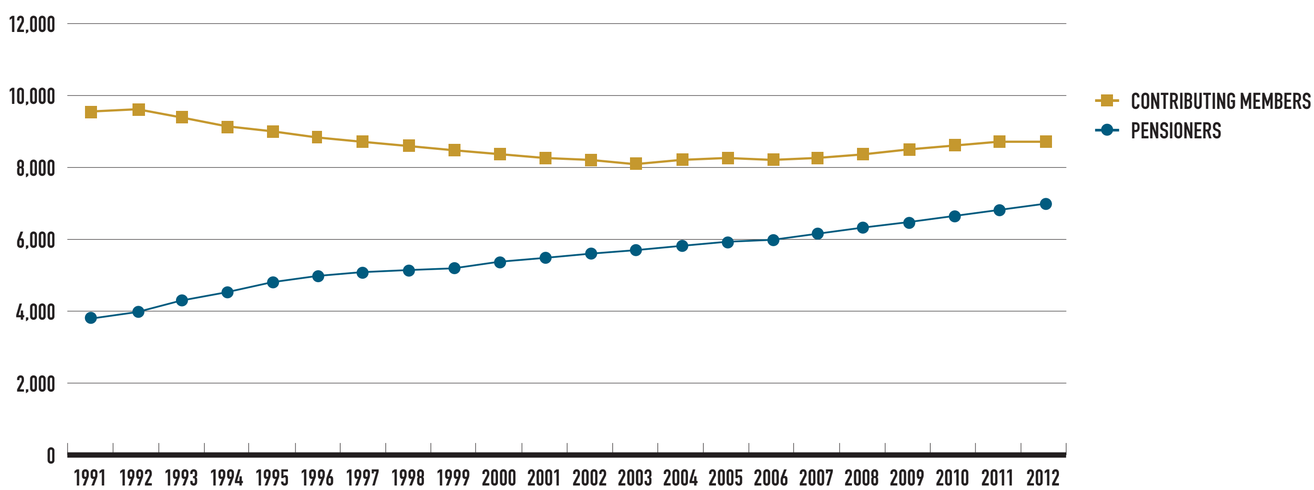
Membership demographics have remained fairly constant over the last decade, although one emerging trend is that members are retiring later than expected—notable for its positive impact on the financial position of the Plan.

MEMBERSHIP ACTIVITY DURING THE YEAR

	2012	2011	2010	2009	2008
Retirements	332	345	314	345	310
Deaths in service	20	16	18	15	26
Pensioner deaths	249	241	249	218	225
New disabilities	71	66	64	63	74
New members	799	778	723	826	810
Terminations	477	401	350	420	477

NUMBER OF CONTRIBUTING MEMBERS VS. PENSIONERS

The ratio of contributing Members to pensioners has remained fairly constant over the last decade.



MEMBER PROFILE
(as at December 31, 2012)

Active Members	Inactive Members	Pensioners	Total Members
8,736 +	837 +	6,978 =	16,551
52.8%	5.0%	42.2%	

ACTIVE MEMBERS AND PENSIONERS BY AGE GROUP

Active

3,139	2,453	2,694	450
Under 40	40-49	50-59	60+

Pensioners

1,167	2,391	1,830	1,283	307
Under 60	60-69	70-79	80-89	90+

There are six pensioners who are age 100 or older.

CONTRIBUTIONS

Employees are required to make regular contributions to the Pension Plan each pay period. Employers contribute to the Pension Plan as well—and also to cover the costs of the Disability Plan and Early Retirement Benefits Arrangement—by matching employee contributions either in cash or through a transfer from the City Account.

In 2012, the average contribution rate to the *Program* was 9% of pensionable earnings for both employees and employers.

Member Contribution Rate in 2012

Earnings up to the 2012 CPP earnings ceiling[1] of $50,100	8.55%
Earnings over the 2012 CPP earnings ceiling[2] up to $154,819	10.6%

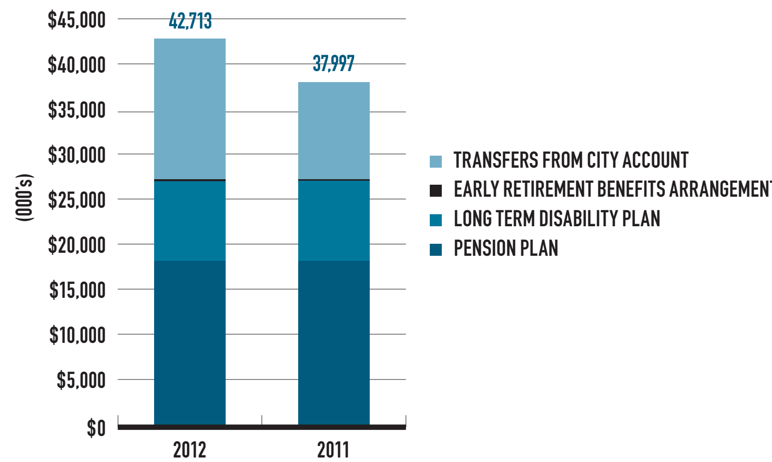
1. The Yearly Maximum Pensionable Earnings (YMPE) is the maximum pensionable earnings under the Canada Pension Plan, which was $50,100 for 2012.
2. Contributions are only required on salary up to the maximum salary for which a benefit can be accrued under the *Income Tax Act*, which was $154,819 for 2012.

The average contribution rate increased to 9.5% of pensionable earnings for both employees and employers effective January 1, 2013. Effective January 1, 2014, the average contribution rate is scheduled to increase to 10% of pensionable earnings for both employees and employers.

EMPLOYEE CONTRIBUTIONS*

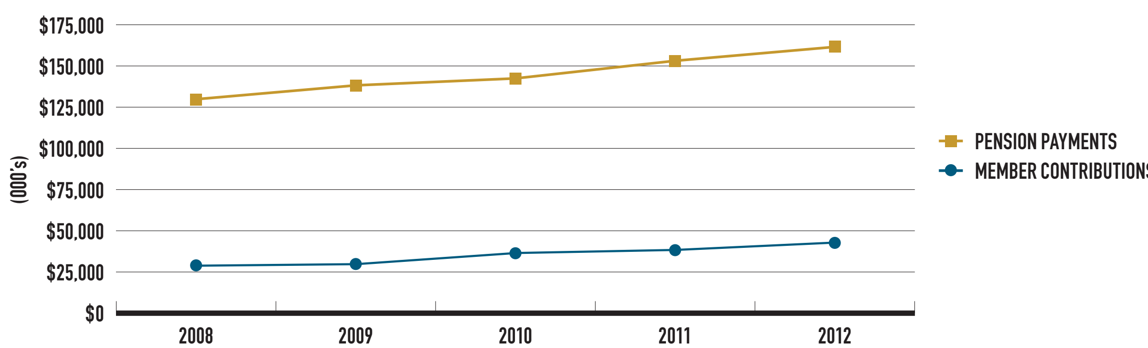
* Employee contributions also include such items as voluntary Employee Additional Contributions and past service contributions for which there are no required Employer contributions.

EMPLOYER CONTRIBUTIONS AND TRANSFERS*



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

MEMBER CONTRIBUTIONS & PENSION PAYMENTS



COST OF BENEFITS FOR SERVICE IN 2012

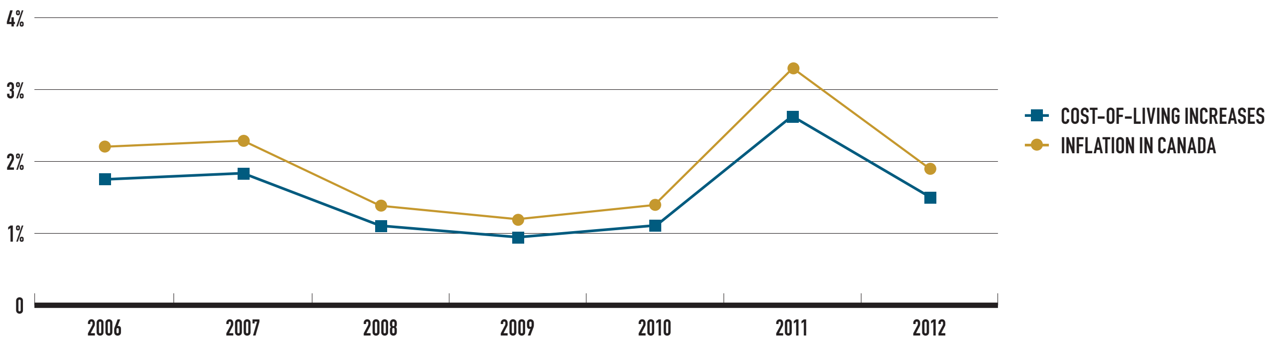
	EMPLOYEE CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS*	ALLOCATION FROM SURPLUS	TOTAL COST
As a percentage of contributory earnings				
September 1, 2011 benefits level	8.98%	8.98%	2.56%	20.52%

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

COST-OF-LIVING ADJUSTMENTS

The Pension Plan text allows for indexing of pensions. The level of Cost-of-Living Adjustments (COLA) granted is tied to the funded status of the *Program* and can change from year to year. In 2012, COLA was granted at a rate of 80% of the annual increase in Canada's Consumer Price Index (CPI) at March 31.

COST OF LIVING INCREASES



FINANCIAL MANAGEMENT AND REPORTING

FIVE YEAR FINANCIAL SUMMARY
THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

	2012 (000's)	2011 (000's)	2010 (000's)	2009 (000's)	2008 (000's)
FINANCIAL POSITION					
Investments at fair value:					
Bonds and debentures	$ 934,944	$ 1,078,947	$ 1,201,536	$ 1,247,735	$ 1,288,611
Real return bonds	22,132	22,221	20,325	19,425	18,003
Canadian equities	1,181,201	1,084,250	1,237,028	1,049,583	764,100
Foreign equities	1,244,725	1,085,645	1,058,070	978,479	848,069
Cash and short-term deposits	55,099	131,564	61,704	61,126	103,293
Private equities	62,680	61,071	56,888	39,638	43,241
Real estate	155,957	20,741	-	-	-
Other liabilities	(10,023)	(7,300)	(9,210)	(8,835)	(11,442)
Net assets available for benefits	3,646,715	3,477,139	3,626,341	3,387,151	3,053,875
Pension obligations	3,609,182	3,443,897	3,357,855	3,236,533	3,127,570
Surplus (deficit)	$ 37,533	$ 33,242	$ 268,486	$ 150,618	$ (73,695)
Surplus (deficit) comprised of:					
Main Account	$ (25,247)	$ (39,409)	$ 176,635	$ 45,491	$ (188,263)
Plan Members' Account	2,645	2,434	9,772	19,799	27,369
City Account	60,135	70,217	82,079	85,328	87,199
	$ 37,533	$ 33,242	$ 268,486	$ 150,618	$ (73,695)
CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS					
Contributions:					
Employees	$ 43,166	$ 38,444	$ 36,712	$ 30,235	$ 28,728
City of Winnipeg and Participating Employers	18,089	18,130	15,771	5,784	2,684
Reciprocal transfers	845	417	375	1,048	653
Net investment income (loss)	296,272	(35,850)	348,155	455,158	(570,349)
	358,372	21,141	401,013	492,225	(538,284)
Pension payments	162,149	152,907	144,169	137,758	130,450
Lump sum benefits	23,421	14,389	14,330	17,568	20,593
Administration	3,226	3,047	3,324	3,623	2,805
	188,796	170,343	161,823	158,949	153,848
Increase (decrease) in net assets available for benefits	$ 169,576	$ (149,202)	$ 239,190	$ 333,276	$ (692,132)
Annual rates of return	8.9%	-1.0%	10.6%	15.5%	-15.5%

FIVE YEAR FINANCIAL SUMMARY
THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

	2012 (000's)	2011 (000's)	2010 (000's)	2009 (000's)	2008 (000's)
CHANGES IN PENSION OBLIGATIONS					
Accrued pension benefits, beginning of year	$ 3,443,897	$ 3,357,855	$ 3,236,533	$ 3,127,570	$ 3,216,038
Increase in accrued pension benefits:					
Interest on accrued pension benefits	211,633	204,767	199,229	192,070	185,882
Benefits accrued	98,883	104,574	112,186	110,587	99,866
Change in actuarial assumptions	82,931	-	-	2,984	-
	393,447	309,341	311,415	305,641	285,748
Decrease in accrued pension benefits:					
Benefits paid	193,616	175,068	166,365	164,025	160,584
Experience gains and losses and other factors	30,411	41,723	19,821	28,780	16,428
Change in actuarial assumptions	-	2,705	-	-	193,071
Administration	4,135	3,803	3,907	3,873	4,133
	228,162	223,299	190,093	196,678	374,216
Net increase(decrease) in accrued pension benefits for the year	165,285	86,042	121,322	108,963	(88,468)
Accrued pension benefits, end of year	$ 3,609,182	$ 3,443,897	$ 3,357,855	$ 3,236,533	$ 3,127,570
CHANGES IN SURPLUS (DEFICIT)					
Surplus (deficit), beginning of year	$ 33,242	$ 268,486	$ 150,618	$ (73,695)	$ 529,969
Increase (decrease) in net assets available for benefits	169,576	(149,202)	239,190	333,276	(692,132)
Net increase(decrease) in accrued pension benefits for the year	(165,285)	(86,042)	(121,322)	(108,963)	88,468
Surplus (deficit), end of year	$ 37,533	$ 33,242	$ 268,486	$ 150,618	$ (73,695)
Surplus (deficit) comprised of:					
Main Account	$ (25,247)	$ (39,409)	$ 176,635	$ 45,491	$ (188,263)
Plan Members' Account	2,645	2,434	9,772	19,799	27,369
City Account	60,135	70,217	82,079	85,328	87,199
	$ 37,533	$ 33,242	$ 268,486	$ 150,618	$ (73,695)

	2012 (000's)	2011 (000's)	2010 (000's)	2009 (000's)	2008 (000's)
RECONCILIATION OF SURPLUS (DEFICIT) FOR FINANCIAL STATEMENT REPORTING PURPOSES TO ACTUARIAL VALUATION POSITION					
Surplus (deficit) for financial statement reporting purposes—Main Account	$ (25,247)	$ (39,409)	$ 176,635	$ 45,491	$ (188,263)
Fair value change not reflected in actuarial value of assets	78,063	174,461	(22,601)	141,970	492,345
Surplus (deficit) for actuarial valuation purposes—Main Account (2008–2011, as estimated)	52,816	135,052	154,034*	187,461*	304,082*
Add: special purpose reserves and accounts					
Plan Members' Account (2008–2010, *Plan Members' Account—Enhancement Cost Reserve*)	2,645	2,434	9,772	19,799	27,369
City Account	60,135	70,217	82,079	85,328	87,199
Surplus (deficit) for actuarial valuation purposes—including special purpose reserves and accounts (2008–2011, as estimated)	$ 115,596	$ 207,703	$ 245,885	$ 292,588	$ 418,650

* Main Account—General Component and Main Account—Future Contribution Reserve were combined September 1, 2011. Comparative figures for 2008 to 2010 include the former Main Account—Future Contribution Reserve in the following amounts: 2010—$148,908,000, 2009—$239,531,000, 2008—$243,451,000.

EARLY RETIREMENT BENEFITS ARRANGEMENT

As the *Program* allows for retirement at or after age 55 without a minimum service requirement, there are some situations where *Program* benefits earned prior to September 1, 2011 exceed the maximum early retirement benefits permitted for registered pension plans under the *Income Tax Act*. Accordingly, *The Winnipeg Civic Employees' Benefits Program* includes an Early Retirement Benefits Arrangement to pay any early retirement pension benefits that cannot be paid by the *Winnipeg Civic Employees' Pension Plan*, as a registered pension plan. No contributions are made to fund these benefits in advance of their payment, so as not to incur a tax liability, but rather a portion of the employer contributions to the *Program* are used to pay these benefits as they fall due.

Although the Early Retirement Benefits Arrangement has been in existence for quite some time, 1999 was the first year that benefits were paid under the Arrangement. The amount paid out in 2012 was $72,795 (2011—$62,946). Payments under *The Winnipeg Civic Employees' Early Retirement Benefits Arrangement* will continue to be reported in future years, but financial statements will not be published until the amounts are somewhat significant.

ACTUARIAL OPINION

Mercer has conducted an actuarial valuation of *The Winnipeg Civic Employees' Benefits Program* as at December 31, 2012, relying on data and other information provided to us by the Board of Trustees of the *Program*. The results of the valuation and a summary of the data and assumptions used are contained in our presentation to the Board of Trustees dated June 13, 2013. A formal valuation report will also be prepared.

The principal results of the valuation are as follows:

ACTUARIAL POSITION

The *Program* is fully funded on a going-concern basis in respect of benefits earned for service up to December 31, 2012 and has an excess of smoothed value of assets over the actuarial liabilities of $115,596,000 as at that date, on the basis of the assumptions and methods described in our report. Of this excess, $2,645,000 has been previously allocated to the Plan Members' Account and $60,135,000 to the City Account.

Since the remaining excess of $52,816,000 is less than 5% of the actuarial liabilities at December 31, 2012, there is no actuarial surplus or funding deficiency at that date in accordance with the terms of the Pension Trust Agreement.

The *Program* has a solvency shortfall of $1,308,341,000 as at December 31, 2012, based on a smoothed value of assets. The Board of Trustees has elected to have *The Winnipeg Civic Employees' Pension Plan* exempted from the solvency provisions and the transfer deficiency provisions of the *Pension Benefits Act* (Manitoba) and Regulations, pursuant to the *Solvency Exemption for Public Sector Pension Plans Regulation*. As a result, no special payments or other remedies are required for solvency purposes.

COST OF BENEFITS FOR SERVICE IN 2013

The normal actuarial cost of the benefits expected to be earned under the *Program* for service in 2013 is 21.30% of contributory earnings. This cost is expected to be financed by employee contributions averaging 9.45% of contributory earnings, and employer contributions and transfers from the City Account of 9.45% of contributory earnings. The remaining 2.40% of contributory earnings will be drawn from the funding excess.

In our opinion, for the purposes of the valuations,

- the actuarial valuation and our report thereon present fairly the actuarial position of *The Winnipeg Civic Employees' Benefits Program* as at December 31, 2012 on the basis of the actuarial assumptions and valuation methods adopted,
- the membership data on which the valuation is based are sufficient and reliable,
- the assumptions are appropriate, and
- the methods employed in the valuation are appropriate.

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

Naveen Kapahi
FELLOW OF THE CANADIAN INSTITUTE OF ACTUARIES

Jared M. Mickall
FELLOW OF THE CANADIAN INSTITUTE OF ACTUARIES

INDEPENDENT AUDITOR'S REPORT

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

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

We have audited the accompanying financial statements of The Winnipeg Civic Employees' Pension Plan, which comprise the statement of financial position as at December 31, 2012, and the statements of changes in net assets available for benefits, changes in pension obligations and changes in surplus (deficit) for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Winnipeg Civic Employees' Pension Plan as at December 31, 2012, and the changes in its net assets available for benefits, changes in its pension obligations and changes in surplus (deficit) for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Accountants

JUNE 20, 2013

WINNIPEG, MANITOBA

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31	2012 (000's)	2011 (000's)
ASSETS		
Investments, at fair value		
Bonds and debentures	$ 953,632	$ 1,096,959
Canadian equities	1,181,201	1,084,250
Foreign equities	1,244,725	1,085,645
Cash and short-term deposits	55,099	131,564
Private equities	62,680	61,071
Real estate	155,957	20,741
	3,653,294	3,480,230
Accrued interest	3,444	4,209
Participants' contributions receivable	31	7
Employers' contributions receivable	5	7
Accounts receivable	1,074	811
Total assets	3,657,848	3,485,264
LIABILITIES		
Accounts payable	11,045	7,839
Due to other plans	88	286
Total liabilities	11,133	8,125
NET ASSETS AVAILABLE FOR BENEFITS	3,646,715	3,477,139
PENSION OBLIGATIONS	3,609,182	3,443,897
SURPLUS	$ 37,533	$ 33,242
SURPLUS (DEFICIT) COMPRISED OF:		
Main Account	$ (25,247)	$ (39,409)
Plan Members' Account	2,645	2,434
City Account	60,135	70,217
	$ 37,533	$ 33,242

See accompanying notes to the financial statements.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEARS ENDED DECEMBER 31	2012 (000's)	2011 (000's)
INCREASE IN ASSETS		
Contributions		
Employees	$ 43,166	$ 38,444
City of Winnipeg and Participating Employers	18,089	18,130
Reciprocal transfers from other plans	845	417
	62,100	56,991
Investment income (note 5)	112,140	118,679
Current period change in fair value of investments	192,368	(147,610)
Total increase in assets	366,608	28,060
DECREASE IN ASSETS		
Pension payments	162,149	152,907
Lump sum benefits (note 7)	23,421	14,389
Administrative expenses (note 8)	3,226	3,047
Investment management and custodial fees	8,236	6,919
Total decrease in assets	197,032	177,262
Increase (decrease) in net assets	169,576	(149,202)
Net assets available for benefits at beginning of year	3,477,139	3,626,341
Net assets available for benefits at end of year	$ 3,646,715	$ 3,477,139

See accompanying notes to the financial statements.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

FOR THE YEARS ENDED DECEMBER 31	2012 (000's)	2011 (000's)
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	$ 3,443,897	$ 3,357,855
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	211,633	204,767
Benefits accrued	98,883	104,574
Changes in actuarial assumptions	82,931	-
Total increase in accrued pension benefits	393,447	309,341
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	193,616	175,068
Experience gains and losses and other factors	30,411	41,723
Changes in actuarial assumptions	-	2,705
Administration expenses	4,135	3,803
Total decrease in accrued pension benefits	228,162	223,299
NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR	165,285	86,042
ACCRUED PENSION BENEFITS, END OF YEAR	$ 3,609,182	$ 3,443,897

See accompanying notes to the financial statements.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN SURPLUS (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31	2012 (000's)	2011 (000's)
SURPLUS, BEGINNING OF YEAR	$ 33,242	$ 268,486
Increase (decrease) in net assets available for benefits for the year	169,576	(149,202)
Net increase in accrued pension benefits for the year	(165,285)	(86,042)
SURPLUS, END OF YEAR	$ 37,533	$ 33,242

See accompanying notes to the financial statements.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

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

	2012			
FOR THE YEAR ENDED DECEMBER 31	MAIN ACCOUNT (000's)	PLAN MEMBERS' ACCOUNT (000's)	CITY ACCOUNT (000's)	TOTAL (000's)
INCREASE IN ASSETS				
Contributions				
Employees	$ 43,166	$ -	$ -	$ 43,166
City of Winnipeg and Participating Employers	18,089	-	-	18,089
Reciprocal transfers from other plans	845	-	-	845
	62,100	-	-	62,100
Transfers from/to other accounts and reserves				
City Account	15,503	-	(15,503)	-
	77,603	-	(15,503)	62,100
Investment income (note 5)	110,008	80	2,052	112,140
Current period change in fair value of investments	188,711	137	3,520	192,368
Total increase (decrease) in assets	376,322	217	(9,931)	366,608
DECREASE IN ASSETS				
Pension payments	162,149	-	-	162,149
Lump sum benefits (note 7)	23,421	-	-	23,421
Administrative expenses (note 8)	3,226	-	-	3,226
Investment management and custodial fees	8,079	6	151	8,236
Total decrease in assets	196,875	6	151	197,032
Increase (decrease) in net assets	179,447	211	(10,082)	169,576
Net assets available for benefits at beginning of year				
Main Account	3,404,488	-	-	3,404,488
Plan Members' Account	-	2,434	-	2,434
City Account	-	-	70,217	70,217
	3,404,488	2,434	70,217	3,477,139
Net assets available for benefits at end of year	$ 3,583,935	$ 2,645	$ 60,135	$ 3,646,715

See accompanying notes to the financial statements.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

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

	2011			
FOR THE YEAR ENDED DECEMBER 31	MAIN ACCOUNT (000's)	PLAN MEMBERS' ACCOUNT (000's)	CITY ACCOUNT (000's)	TOTAL (000's)
INCREASE IN ASSETS				
Contributions				
Employees	$ 38,444	$ -	$ -	$ 38,444
City of Winnipeg and Participating Employers	18,130	-	-	18,130
Reciprocal transfers from other plans	417	-	-	417
	56,991	-	-	56,991
Transfers from/to other accounts and reserves (note 1)				
City Account	11,054	-	(11,054)	-
Enhancement Cost Reserve	7,262	(7,262)	-	-
	75,307	(7,262)	(11,054)	56,991
Investment income (note 5)	115,981	149	2,549	118,679
Current period change in fair value of investments	(144,188)	(215)	(3,207)	(147,610)
Total increase (decrease) in assets	47,100	(7,328)	(11,712)	28,060
DECREASE IN ASSETS				
Pension payments	152,907	-	-	152,907
Lump sum benefits (note 7)	14,389	-	-	14,389
Administrative expenses (note 8)	3,047	-	-	3,047
Investment management and custodial fees	6,759	10	150	6,919
Total decrease in assets	177,102	10	150	177,262
(Decrease) in net assets	(130,002)	(7,338)	(11,862)	(149,202)
Net assets available for benefits at beginning of year				
Main Account—General Component	3,385,582	-	-	3,385,582
Main Account—Future Contribution Reserve	148,908	-	-	148,908
Plan Members' Account—Enhancement Cost Reserve	-	9,772	-	9,772
City Account	-	-	82,079	82,079
	3,534,490	9,772	82,079	3,626,341
Net assets available for benefits at end of year	$ 3,404,488	$ 2,434	$ 70,217	$ 3,477,139

See accompanying notes to the financial statements.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

SCHEDULE 3: SCHEDULE OF CHANGES IN SURPLUS (DEFICIT) BY ACCOUNT

2012 FOR THE YEAR ENDED DECEMBER 31	MAIN ACCOUNT (000's)	PLAN MEMBERS' ACCOUNT (000's)	CITY ACCOUNT (000's)	TOTAL (000's)
SURPLUS (DEFICIT), BEGINNING OF YEAR	$ (39,409)	$ 2,434	$ 70,217	$ 33,242
Increase (decrease) in net assets available for benefits for the year	179,447	211	(10,082)	169,576
Net increase in accrued pension benefits for the year	(165,285)	-	-	(171,424)
SURPLUS (DEFICIT), END OF YEAR	$ (25,247)	$ 2,645	$ 60,135	$ 37,533

2011 FOR THE YEAR ENDED DECEMBER 31	MAIN ACCOUNT (000's)	PLAN MEMBERS' ACCOUNT (000's)	CITY ACCOUNT (000's)	TOTAL (000's)
SURPLUS, BEGINNING OF YEAR	$ 176,635	$ 9,772	$ 82,079	$ 268,486
(Decrease) in net assets available for benefits for the year	(130,002)	(7,338)	(11,862)	(149,202)
Net increase in accrued pension benefits for the year	(86,042)	-	-	(86,042)
SURPLUS (DEFICIT), END OF YEAR	$ (39,409)	$ 2,434	$ 70,217	$ 33,242

See accompanying notes to the financial statements.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

1. DESCRIPTION OF PLAN

a) General

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

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

b) Administration

The Plan is administered by *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund)*. The Board of Trustees is comprised of seven employer-appointed Trustees and seven member-appointed Trustees, of whom one member Trustee is a retired member.

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

c) Financial structure

The Winnipeg Civic Employees' Pension Plan is comprised of three accounts, namely the Main Account, the Plan Members' Account and the City Account. The account structure is in accordance with the requirements of a Pension Trust Agreement entered into by the City and ten Signatory Unions. The Pension Trust Agreement was amended in 2011, coincident with certain Plan changes affecting contributions and benefits, to combine certain components of the Main Account and the Plan Members' Account.

Effective September 1, 2011, the two components of the Main Account, being the Main Account—General Component and the Main Account—Future Contribution Reserve, were combined to form a single Main Account. In addition, the two components of the Plan Members' Account, being the Plan Members' Account—Unallocated Portion and the Plan Members' Account—Enhancement Cost Reserve, were combined on September 1, 2011 to form a single Plan Members' Account.

The financial statement presentation for the year ended December 31, 2011 reflects, for comparison purposes only, the financial structure changes that became effective with the revised Pension Trust Agreement on September 1, 2011, wherein certain components within the special purpose reserves and accounts were combined.

i) Main Account

With effect from September 1, 2011, all benefits of the Pension Plan are paid from the combined Main Account. Prior to September 1, 2011, all benefits of the Pension Plan were paid from the former Main Account—General Component.

During 2012, members contributed 8.55% of their Canada Pension Plan earnings plus 10.6% of any pensionable earnings in excess of Canada Pension Plan earnings to the *Program*. During 2011, the City and the Signatory Unions agreed to increase contribution rates by a total of 4% of pensionable earnings, to be phased in gradually from 2011 to 2014. Contribution rates will continue to increase an average of 0.5% of pensionable earnings for both employees and participating employers on each of January 1, 2013 and January 1, 2014. Upon full implementation of the scheduled increases, the average contribution rate will be 10% of pensionable earnings for both employees and participating employers.

All *Program* member contributions and employer contributions, other than those directed to The Winnipeg Civic Employees' Long Term Disability Plan or The Winnipeg Civic Employees' Early Retirement Benefits Arrangement, are credited to the Main Account. The City and participating employers are required to match the members' contributions to the *Program*, but may contribute at less than matching levels for any year provided that an amount equal to the difference is transferred from the City Account to the Main Account.

Until August 31, 2011, the Main Account—Future Contribution Reserve financed, through transfers to the Main Account—General Component, the portion of the current service cost of the *Program's* 1999 benefits level that exceeded the *Program* members' and employers' matching contributions. During the period between January 1, 2011 and August 31, 2011, $15,034,000 was transferred from the Main Account—Future Contribution Reserve to the Main Account—General Component.

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

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

ii) Plan Members' Account

The Plan Members' Account is credited with the share of all actuarial surpluses that are allocated to the *Program* members. The Pension Trust Agreement provides that the Plan Members' Account may be used to fund improvements in benefits or to reduce member contributions.

Until August 31, 2011, the former Plan Members' Account—Enhancement Cost Reserve financed, through transfers to the Main Account—General Component, the current service cost of all benefit enhancements above the *Program's* 1999 benefits level.

During the period between January 1, 2011 and August 31, 2011, there was no activity in the Plan Members' Account—Unallocated Portion.

iii) City Account

The City Account is credited with the share of all actuarial surpluses that are allocated to the participating employers. The City Account finances, through transfers to the Main Account (Main Account—General Component until August 31, 2011), any reduction in the participating employers' contributions from the amounts needed to match the *Program* members' required contributions.

d) Retirement pensions

The Plan allows for retirement at or after age 55 or following completion of 30 years of service (if hired before September 1, 2011) or when the sum of a member's age plus service equals 80. If hired after September 1, 2011, the minimum retirement age is age 50. The pension formula prior to age 65 is equal to 2% of the best 5-year average earnings for each year of credited service. The pension formula after age 65 is equal to 1.5% of the 5-year average Canada Pension Plan earnings plus 2% of the best 5-year average non-Canada Pension Plan earnings for each year of credited service. Early retirement reductions apply to pensions derived from service on and after September 1, 2011 if certain service thresholds are not met. Reductions apply to members' pensions to provide for post-retirement survivor benefits, with higher reductions to members' pensions derived from service on and after September 1, 2011. Pensions are subject to the maximum benefit limits prescribed for registered pension plans under the *Income Tax Act*.

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

e) Disability benefits

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

f) Survivor's benefits

The Plan provides survivor pensions or lump sum benefits on death prior to retirement. On death after retirement, eligible surviving spouses normally receive 66⅔% of the member's pension.

g) Termination benefits

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

h) Funding deficiencies

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

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

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

b) Investments and investment income

Investments are stated at fair value. Fair value represents the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

Publicly traded equity investments are valued using published bid 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. Real estate investments are valued based on the most recent valuations or appraisals of the underlying properties.

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

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

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

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

c) Foreign currency translation

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

d) Use of estimates

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

e) Future accounting change

In accordance with the Accounting Standards for Pension Plans, the Plan is required to adopt International Financial Reporting Standard ("IFRS") 13, Fair Value Measurement, for fiscal years beginning on or after January 1, 2013 for the measurement of its investment assets. IFRS 13 replaces the fair value measurement guidance currently dispersed across different IFRSs and accounting standards with a single definition of fair value and a comprehensive framework for measuring fair value. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. It defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instruments and non-financial instruments for which other IFRSs and accounting standards require or permit fair value measurements and disclosures about fair value measurements. In general, the disclosure requirements in IFRS 13 are more extensive than those required by the current standards. The plan anticipates that the application of the new standard may affect certain amounts reported in the financial statements and may result in more extensive disclosures in the financial statements.

3. OBLIGATIONS FOR PENSION BENEFITS

An actuarial valuation of *The Winnipeg Civic Employees' Benefits Program* was performed as of December 31, 2012 by Mercer (Canada) Limited. This valuation was used to determine the actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2012. For the comparative 2011 figures, the actuarial present value of accrued benefits at December 31, 2011 is based on the extrapolation of the results of the December 31, 2010 actuarial valuation performed by Mercer (Canada) Limited. 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 6.0% (2011 Extrapolation—6.25%) per year, inflation of 2.0% (2011 Extrapolation—2.0%) per year and general increases in pay of 3.50% (2011 Extrapolation—3.50%) per year. The change in the valuation interest rate from 6.25% to 6.0% increased the obligations for pension benefits by $116,183,000. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The demographic assumption with respect to retirement rates was revised, decreasing obligations for pension benefits by $90,185,000. The demographic assumptions for annual rates of mortality were revised to utilize generational mortality tables, increasing obligations for pension benefits by $36,828,000. The assumptions used were approved by the Board of Trustees for purposes of preparing the financial statements. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2012 disclosed an excess of smoothed value of *Program* assets over going concern obligations of $115,596,000, of which $52,816,000 remains accounted for within the Main Account. In accordance with the Pension Trust Agreement, the excess is retained within the Main Account unless it exceeds 5% of pension obligations. The actuarial valuation as at December 31, 2011 disclosed an excess of smoothed value of *Program* assets over going concern obligations of $216,044,000, of which $143,393,000 was accounted for within the Main Account

The actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2012 includes the obligations of The Winnipeg Civic Employees' Long Term Disability Plan and The Winnipeg Civic Employees' Early Retirement Benefits Arrangement in the amounts of $43,603,000 (2011 Extrapolation—$52,325,000) and $4,288,000 (2011 Extrapolation—$5,447,000) respectively. These obligations are included because the Pension Trust Agreement requires that all *Program* obligations be taken into account in determining the periodic actuarial surplus or funding deficiency.

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

The effect of using a smoothed value of assets for the Main Account in determining the actuarial surplus or deficiency is as follows:

	2012 (000's)	2011 (000's)
Surplus (deficit) for financial statement reporting purposes		
Main Account	$ (25,247)	$ (39,409)
Fair value changes not reflected in actuarial value of assets	78,063	174,461
Surplus, for actuarial valuation purposes—Main Account (2011, as estimated)	52,816	135,052
Add: special purpose reserves and accounts		
Plan Members' Account	2,645	2,434
City Account	60,135	70,217
Surplus (deficit), for actuarial valuation purposes, including special purpose reserves and accounts (2011, as estimated)	$ 115,596	$ 207,703

4. MANAGEMENT OF FINANCIAL RISK

In the normal course of business, the Plan's investment activities expose it to a variety of financial risks. The Plan seeks to minimize potential adverse effects of these risks on the Plan's performance by hiring professional, experienced portfolio managers, by regular monitoring of the Plan's position and market events, by diversifying the investment portfolio within the constraints of the investment policy and objectives, and occasionally through the use of derivatives to hedge certain risk exposures. Significant risks that are relevant to the Plan are discussed below.

a) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan, and is concentrated in the Plan's investment in bonds and debentures and short-term deposits. At December 31, 2012, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $1,012,175,000 (2011—$1,232,732,000).

The Plan's concentration of credit risk as at December 31, 2012, related to bonds and debentures, is categorized amongst the following types of issuers:

TYPE OF ISSUER	2012 FAIR VALUE (000'S)	2011 FAIR VALUE (000'S)
Government of Canada and Government of Canada guaranteed	$ 181,583	$ 256,418
Provincial and Provincial guaranteed	487,358	501,915
Canadian cities and municipalities	4,031	5,057
Corporations and other institutions	280,660	333,569
	$ 953,632	$ 1,096,959

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $54,468,000 at December 31, 2012 (2011—$131,330,000).

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

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

	2012		2011	
CREDIT RATING	PERCENT OF TOTAL BONDS	PERCENT OF NET ASSETS	PERCENT OF TOTAL BONDS	PERCENT OF NET ASSETS
AAA	29.3	7.7	37.4	11.8
AA	60.1	15.8	51.9	16.5
A	8.1	2.1	8.5	2.7
BBB	2.0	0.5	1.8	0.5
BB	0.4	0.1	0.4	0.1
	100.0	26.2	100.0	31.6

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

b) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund the pensioner payroll costs and to fund investment commitments. The Plan primarily invests in securities that are traded in active markets and can be readily disposed. The Plan may invest in private equity, which is not traded in an organized market and may be illiquid, but only up to a maximum of 5% of the Plan's assets, as stipulated in the Plan's Statement of Investment Policies and Procedures. The Plan may also invest in real estate, which is not traded in an organized market and may be illiquid, but only up to a maximum of 16% of the Plan's assets, as stipulated in the Plan's Statement of Investment Policies and Procedures.

c) Interest rate risk

Interest rate risk is the risk that the fair value of the Plan's interest bearing investments will fluctuate due to changes in market interest rates. The Plan's exposure to interest rate risk is concentrated in its investment in bonds and debentures and short-term investments.

The Plan's actuarial liabilities are also exposed to fluctuations in long term interest rates as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term real rate of return which may result in higher contribution rates or lower benefit levels.

The Plan has approximately 28% (2011—35%) of its assets invested in fixed income securities as at December 31, 2012. 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, 2012 are as follows:

TERM TO MATURITY	2012 FAIR VALUE (000's)	2011 FAIR VALUE (000's)
Less than one year	$ 139,597	$ 153,643
One to five years	413,679	419,527
Greater than five years	400,356	523,789
	$ 953,632	$ 1,096,959

As at December 31, 2012, had prevailing interest rates raised or lowered by 0.5% (2011—0.5%) assuming a parallel shift in the yield curve, with all other variables held constant, the fair value of investments in bonds and debentures would have decreased or increased, respectively, by approximately $20,312,000 (2011—$24,572,000), approximately 0.6% of total net assets (2011—0.7%). The Plan's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the Plan's net foreign currency exposure after giving effect to the net related hedge as at December 31, 2012. The table also illustrates the potential impact to the Plan's net assets, all other variables held constant, as a result of a 10% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

	2012				2011	
	GROSS EXPOSURE (000's)	NET FOREIGN CURRENCY HEDGE (000's)	NET EXPOSURE (000's)	IMPACT ON NET ASSETS (000's)	NET EXPOSURE (000's)	IMPACT ON NET ASSETS (000's)
United States	$ 749,125	$ -	$ 749,125	$ 74,913	$ 655,126	$ 65,513
Euro countries	170,436	65	170,371	17,037	138,064	13,806
United Kingdom	110,596	-	110,596	11,060	105,171	10,517
Switzerland	46,638	34	46,604	4,660	36,367	3,637
Japan	42,575	-	42,575	4,257	57,045	5,704
Sweden	34,977	-	34,977	3,498	25,442	2,544
Hong Kong	30,360	-	30,360	3,036	20,376	2,038
Australia	20,072	-	20,072	2,007	21,675	2,167
Other	83,086	88	82,998	8,300	71,467	7,147
	$ 1,287,865	$ 187	$ 1,287,678	$ 128,768	$ 1,130,733	$ 113,073

e) Other price risk

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. All securities present a risk of loss of capital. The Plan's policy is to invest in a diversified portfolio of investments. As well, the Plan's Managers moderate this risk through careful selection of securities and other financial instruments within the parameters of the investment policy and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For this Plan, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2012, had the prices on the respective stock exchanges for these securities increased or decreased by 15%, with all other variables held constant, net assets would have increased or decreased by approximately $363,889,000 (2011—$325,484,000), approximately 10.0% of total net assets (2011—9.4%). In practice, the actual results may differ and the difference could be material.

The Plan also has exposure to valuation risk through its holdings of private equity and real estate investments, for which quoted market prices are not available. As at December 31, 2012, the estimated fair value of private equity investments is $62,680,000 (2011—$61,071,000), approximately 1.7% of total net assets (2011—1.8%), and the related change in fair value of investments recognized for the year ended December 31, 2012 is $10,715,000 (2011—$3,857,000). As at December 31, 2012, the estimated fair value of real estate investments is $155,957,000 (2011—$20,741,000), approximately 4.3% of total net assets (2011—0.6%), and the related change in fair value of investments recognized for the year ended December 31, 2012 is $10,139,000 (2011—$951,000).

f) Fair value hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1—valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2—valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and, Level 3—valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following tables present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2012 and December 31, 2011, classified using the fair value hierarchy described above:

	LEVEL 1 (000's)	LEVEL 2 (000's)	LEVEL 3 (000's)	2012 TOTAL INVESTMENT ASSETS AT FAIR VALUE (000's)
Bonds and debentures	$ 13,203	$ 940,429	$ -	$ 953,632
Canadian equities	1,170,098	11,103	-	1,181,201
Foreign equities	1,239,758	4,967	-	1,244,725
Cash and short term deposits	55,099	-	-	55,099
Private equities	-	-	62,680	62,680
Real estate	-	-	155,957	155,957
	$ 2,478,158	$ 956,499	$ 218,637	$ 3,653,294

	LEVEL 1 (000's)	LEVEL 2 (000's)	LEVEL 3 (000's)	2011 TOTAL INVESTMENT ASSETS AT FAIR VALUE (000's)
Bonds and debentures	$ -	$ 1,096,959	$ -	$ 1,096,959
Canadian equities	1,080,721	3,529	-	1,084,250
Foreign equities	1,075,375	10,270	-	1,085,645
Cash and short term deposits	131,564	-	-	131,564
Private equities	-	-	61,071	61,071
Real estate	-	-	20,741	20,741
	$ 2,287,660	$ 1,110,758	$ 81,812	$ 3,480,230

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

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

CANADIAN EQUITIES	2012 (000's)	2011 (000's)
Fair value, beginning of year	$ -	$ 31
(Losses) gains recognized in increase (decrease) in net assets	-	1
Sales	-	(32)
	$ -	$ -

PRIVATE EQUITIES	2012 (000'S)	2011 (000'S)
Fair value, beginning of year	$ 61,071	$ 56,888
Gains recognized in increase in net assets	10,715	3,857
Purchases	4,875	8,682
Sales	(13,981)	(8,356)
	$ 62,680	$ 61,071

REAL ESTATE	2012 (000'S)	2011 (000'S)
Fair value, beginning of year	$ 20,741	$ -
Gains recognized in increase in net assets	10,139	951
Purchases	125,077	19,790
Sales	-	-
	$ 155,957	$ 20,741

Section 3.29 of the *Pension Benefits Act Regulations* requires disclosure of each investment asset that has a fair value greater than one percent of the of the fair value of the investment assets of the Fund. As at December 31, 2012, the Fund held the following investments that met this classification:

	2012 (000'S)
Bonds and debentures	
Ontario Hyrdo Prin Generic, maturing August 6, 2021	$ 58,900
Ontario Hydro Res, maturing February 6, 2020	48,618
Canadian equities	
TD Emerald Index Fund	394,677
Bank of Nova Scotia	44,693
Toronto-Dominion Bank	42,626
Royal Bank of Canada	39,287
Foreign equities	
State Street S&P 500 Index Fund	325,008
Templeton Global Smaller Companies Fund	61,052
Cash and short term deposits	
City of Winnipeg short term deposit	54,468
Private equities	
5332657 Manitoba Ltd. common shares	57,833
Real Estate	
Greystone Real Estate Fund Inc.	155,957

5. INVESTMENT INCOME

	2012 (000's)	2011 (000's)
Bonds and debentures	$ 59,414	$ 62,988
Canadian equities	28,057	29,286
Foreign equities	22,622	24,047
Cash and short-term deposits	2,047	2,358
	$ 112,140	$ 118,679

Allocated to:

Main Account	$ 110,008	$ 115,981
Plan Members' Account	80	149
City Account	2,052	2,549
	$ 112,140	$ 118,679

6. INVESTMENT TRANSACTION COSTS

During 2012, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $1,023,000 (2011—$1,270,000). Investment transaction costs are included in the current period change in fair value of investments.

7. LUMP SUM BENEFITS

	2012 (000's)	2011 (000's)
Termination benefits	$ 15,138	$ 8,759
Death benefits	3,049	3,212
Payments on relationship breakdown	3,877	1,924
Other	1,357	494
	$ 23,421	$ 14,389

8. ADMINISTRATIVE EXPENSES

	2012 (000's)	2011 (000's)
Salaries and benefits	$ 1,770	$ 1,416
Actuarial fees	462	663
Other professional services	308	310
Office and administration	646	642
Capital expenditures	49	41
Less: recoveries from other plans	(9)	(25)
	$ 3,226	$ 3,047

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

9. COMMITMENTS

The Plan's wholly-owned subsidiary, 5332657 Manitoba Ltd., has entered into an investment management agreement wherein it has authorized an investment manager to make private equity investment commitments on its behalf, with aggregate commitments not to exceed $80,000,000. Commitments will be funded over the next several years. As at December 31, 2012, $61,927,000 had been funded.

DISABILITY PLAN REVIEW

Our goal is to consistently deliver excellent service by providing benefits and facilitating opportunities for successful return to work whenever possible.

CASE MANAGEMENT

Key to successful service delivery is the *Program's* collaborative case management process. Claim management and rehabilitation functions have been consolidated into a single case management team that works directly with members, unions, and all Participating Employers. This integrated approach supports delivery of improved service to members and helps to build stronger relationships with all stakeholders.

The professional case management team is comprised of a disability benefits manager, three case management consultants, two physician medical consultants, and administrative staff who are dedicated to member service.

Services are also procured from external resources such as specialists, occupational therapists, physiotherapists, and psychologists, as required, to facilitate workplace reintegration.

CLAIM FOCUS

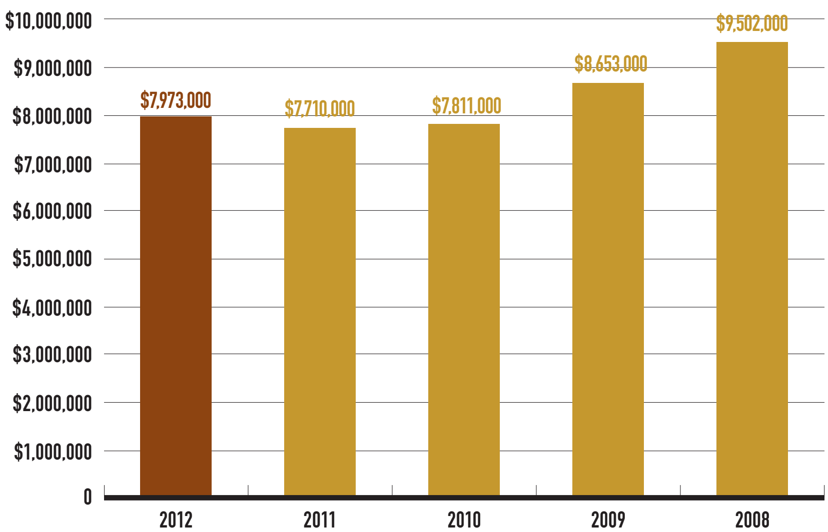
The *Program* endeavors to manage long term disability claims in a manner that is service-oriented, responsible, cost-effective, and fair to all *Program* members. A focus on claim adjudication and active case management has resulted in decreasing claim volumes, and an increased number of members successfully returned either to the member's own occupation or to alternate duties when accommodation is required.

The *Program* is diligent in having members apply for other income they may be entitled to, such as Canada Pension Plan Disability benefits. This is a service to the member in that it assists the disability claimants to maximize their income, and it also serves to reduce expenses for the *Program* overall.

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN ACTIVITY SUMMARY

FOR THE YEARS ENDED DECEMBER 31	2012	2011	2010	2009	2008
Employees receiving disability benefits	382	380	400	424	456
Employees returning to pre-disability duties	35	36	44	36	46
Employees working in alternate duties	88	80	105	113	117

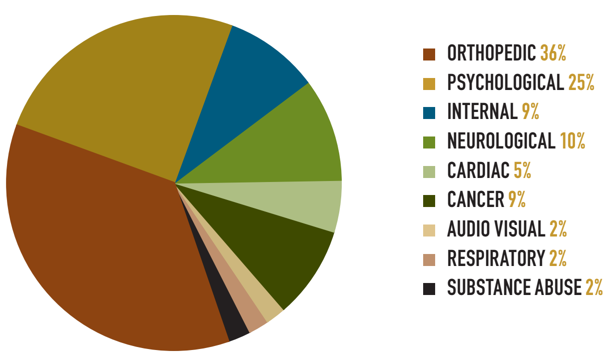
DISABILITY BENEFITS PAID



Orthopaedic and psychological related illnesses continue to make up the majority of claims being processed. The trend of decreased volume of open claims for these and the majority of all other conditions continues.

DIAGNOSIS AS A PERCENTAGE OF CLAIMS

AS AT DECEMBER 31, 2012



INDEPENDENT AUDITOR'S REPORT

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

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

We have audited the accompanying statement of contributions and expenses of The Winnipeg Civic Employees' Long Term Disability Plan for the year ended December 31, 2012, and a summary of significant accounting policies and other explanatory information (together "the financial statement").

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of this financial statement in accordance with those requirements of The Winnipeg Civic Employees' Benefits Program—Disability Plan Trust Agreement relevant to preparing such financial statement, and for such internal controls as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statement presents fairly, in all material respects, the contributions and expenses of The Winnipeg Civic Employees' Long Term Disability Plan for the year ended December 31, 2012 in accordance with those requirements of The Winnipeg Civic Employees' Benefits Program—Disability Plan Trust Agreement relevant to preparing such a financial statement.

Deloitte LLP

Chartered Accountants
JUNE 13, 2013
WINNIPEG, MANITOBA

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

STATEMENT OF CONTRIBUTIONS AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31	2012 (000's)	2011 (000's)
CONTRIBUTIONS		
City of Winnipeg and Participating Employers	$ 9,048	$ 8,750
Total contributions	9,048	8,750
EXPENSES		
Administration	1,075	1,040
Disability payments	7,973	7,710
Total expenses	9,048	8,750
	$ -	$ -

See accompanying notes to the financial statement.

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

1. DESCRIPTION OF PLAN

a) General

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

b) Administration

The Plan is administered by *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Disability Fund)* in accordance with the terms of The Winnipeg Civic Employees' Benefits Program Disability Plan Trust Agreement. The Board of Trustees is comprised of six employer-appointed Trustees and six member-appointed Trustees.

c) Contributions

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

d) Disability benefits

The Plan provides long term disability benefits, following a 26-week waiting period, for employees who become totally or partially disabled after December 31, 1991. If an employee is totally disabled, the disability benefits payable from the Plan, together with the disability benefits from the Canada Pension Plan, will equal at least 66 ⅔% of the employee's average bi-weekly earnings prior to disability. Disability benefits are increased annually, based on either the percentage increase in the pay rate for the position regularly occupied (for disabilities occurring before September 1, 2011) or the cost-of-living adjustment rate for The Winnipeg Civic Employees' Pension Plan (for disabilities occurring on or after September 1, 2011).

If a member has at least two years of credited service, disability benefits are payable as long as the member is totally or partially disabled and under the personal care of a medical doctor until the maximum duration of benefits ends, at which time the member is eligible to commence receiving a retirement pension under the Pension Plan. The maximum duration of benefits ends between age 60 and age 65, depending on the member's length of service and date of commencement of disability.

If a member has less than two years of credited service, then benefits are payable for a maximum of two years.

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

2. OBLIGATIONS FOR LONG TERM DISABILITY BENEFITS

An actuarial valuation of *The Winnipeg Civic Employees' Benefits Program* was made as of December 31, 2012 by Mercer (Canada) Limited. The valuation disclosed obligations related to The Winnipeg Civic Employees' Long Term Disability Plan in the amount of $43,603,000. The assumptions used by the actuary were approved by the Board of Trustees for purposes of preparing the notes to the financial statment.

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

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

APPENDICES

APPENDIX A

TOP 50 CORPORATE SHARE HOLDINGS* AS AT DECEMBER 31, 2012

		PENSION PLAN MARKET VALUE (000's)
1	Toronto-Dominion Bank	$ 62,794
2	Bank of Nova Scotia	62,572
3	Royal Bank of Canada	61,981
4	Canadian Natural Resources Limited	39,283
5	Canadian National Railway Company	30,287
6	Apple Inc.	27,726
7	Suncor Energy Inc.	24,595
8	Cenovus Energy Inc.	23,830
9	Magna International Inc., Class A, SV	23,552
10	Canadian Imperial Bank of Commerce	23,469
11	SNC-Lavalin Group Inc.	21,346
12	Loblaw Companies Limited	20,873
13	Thomson Reuters Corporation	20,060
14	Potash Corporation of Saskatchewan Inc.	18,491
15	Power Corporation of Canada, SV	17,892
16	Intact Financial Corporation	16,731
17	Rogers Communications Inc., Class B, NV	16,376
18	Goldcorp Inc.	16,279
19	Imperial Oil Limited	15,923
20	Nexen Inc.	15,569
21	Tim Hortons Inc.	15,162
22	MEG Energy Corp.	15,004
23	Shaw Communications Inc., Class B, NV	14,978
24	TELUS Corporation	14,936

		PENSION PLAN MARKET VALUE (000's)
25	Exxon Mobil Corporation Common	14,218
26	Inditex	13,935
27	CGI Group Inc., Class A, SV	13,546
28	Baidu Inc.	13,246
29	Microsoft Corp.	12,955
30	Atlas Copco, Class A	12,810
31	Google Inc., Class A Common	12,473
32	Finning International Inc.	12,272
33	IGM Financial Inc.	12,064
34	Sun Life Financial Inc.	12,061
35	Manulife Financial Corporation	12,018
36	Alimentation Couche-Tard Inc., Class B, SV	11,825
37	Ritchie Bros. Auctioneers Inc.	11,602
38	Gildan Activewear Inc.	11,208
39	Samsung Electronics Co. Ltd.	10,997
40	Trican Well Service Ltd.	10,887
41	Franco-Nevada Corp.	10,527
42	Richemont	10,508
43	First Quantum Minerals Ltd.	10,386
44	Bank of Montreal	10,380
45	Tencent Holdings Ltd.	10,284
46	Constellation Software Inc.	10,024
47	Prudential Financial Inc.	9,919
48	BHP Billiton Plc	9,766
49	Chevron Corp.	9,618
50	Ensign Energy Services Inc.	9,503

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

APPENDIX B

INVESTMENT MANAGERS AS AT DECEMBER 31, 2012

Fixed Income
Nestor Theodorou, CIO, WCEBP

Canadian Equities
Burgundy Asset Management Ltd.
Foyston, Gordon and Payne Inc.
Guardian Capital L.P.
TD Asset Management Inc.

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

Non-North American Equities
Baillie Gifford Overseas Ltd.
Franklin Templeton Investments Corp.

Private Equities
Hamilton Lane Advisors LLC
Richardson Capital Limited

Real Estate
Greystone Managed Investments Inc.

2012 DIRECTORY

THE BOARD OF TRUSTEES OF THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM AS AT DECEMBER 31, 2012

BOARD OF TRUSTEES

Member Trustees (appointed by Signatory Unions)

Brian Ellis (Chair)
CUPE, LOCAL 500

Rick Borland
PENSIONERS AND DEFERRED MEMBERS (PENSION FUND BOARD ONLY)

James Girden
AMALGAMATED TRANSIT UNION

Rob Labossiere
UNITED FIRE FIGHTERS OF WINNIPEG

Bob Ripley
CUPE, LOCAL 500

Bob Romphf
OTHER UNIONIZED AND NON-UNIONIZED EMPLOYEES

Bryan Verity
WINNIPEG ASSOCIATION OF PUBLIC SERVICE OFFICERS

Employer Trustees (appointed by City of Winnipeg)

Phil Sheegl (Vice-Chair)
CHIEF ADMINISTRATIVE OFFICER

Linda Burch
DIRECTOR, CORPORATE SUPPORT SERVICES

Neil Duboff
DUBOFF EDWARDS HAIGHT & SCHACTER LAW CORP.

Deepak Joshi
CHIEF OPERATING OFFICER

Mike Ruta
CHIEF FINANCIAL OFFICER

Brad Sacher
DIRECTOR, PUBLIC WORKS (PENSION FUND BOARD ONLY)

Dave Wardrop
DIRECTOR, TRANSIT

COMMITTEES

Investment Committee

Appointed by Member Trustees

Gary Timlick
WAWANESA INSURANCE

Jon Holeman
RBC DOMINION SECURITIES

Bob Romphf
MEMBER TRUSTEE

Appointed by Employer Trustees

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

Phil Sheegl
EMPLOYER TRUSTEE

Sam Pellettieri, CFA

Audit Committee (Pension Fund)

Mike Ruta (Chair)

Rick Borland

Bryan Verity

Dave Wardrop

Brian Ellis (ex-officio)

Phil Sheegl (ex-officio)

Audit Committee (Disability Fund)

Mike Ruta (Chair)

Bob Ripley

Bryan Verity

Dave Wardrop

Linda Burch (ex-officio)

Rob Labossiere (ex-officio)

Benefits Committee

Bob Ripley (Chair)

Dave Wardrop (Vice-Chair)

James Girden

Mike Ruta

Linda Burch (ex-officio)

Rob Labossiere (ex-officio)

Governance Committee

Bryan Verity (Chair)

Neil Duboff

Brian Ellis

Deepak Joshi

Rob Labossiere

Phil Sheegl

MANAGEMENT

Glenda Willis
CHIEF EXECUTIVE OFFICER

Nestor Theodorou
CHIEF INVESTMENT OFFICER

Bill Battershill
MANAGER, INFORMATION SYSTEMS

Amanda Jeninga
MANAGER, COMMUNICATIONS

Eleanore Kraynyk
MANAGER, PENSION AND GROUP INSURANCE BENEFITS

Cathie Langdon
MANAGER, DISABILITY BENEFITS

Rob Sutherland
MANAGER, FINANCE AND ADMINISTRATION

EXTERNAL ADVISORS

Actuary
Mercer (Canada) Limited

Consulting Actuary
Western Compensation & Benefits Consultants

Auditor
Deloitte LLP

Custodian
RBC Investor Services

Investment Consultant
Aon Hewitt

Legal Counsel
Koskie Minsky
Taylor McCaffrey

Medical Consultants

Dr. R. Bruce Boyd
Dr. Lori Koz

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