The WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

2004 DIRECTORY [1]

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

MEMBER TRUSTEES

John Irvine (Chair)
CUPE, Local 500

Nick Diakiw
Pensioners and Deferred Members
(Pension Fund Board only)

John Moehring
United Fire Fighters of Winnipeg

Bob Ripley
CUPE, Local 500

Dennis Ruggles [2]
Amalgamated Transit Union

Bryan Verity
Winnipeg Association of
Public Service Officers

Bob Romphf
Other unionized and non-unionized employees

EMPLOYER TRUSTEES
(appointed by City of Winnipeg)

Jo-Anne Ferrier
City Treasurer

Bob Gannon
Chief Financial Officer
(Pension Fund Board only)

Cliff Jeffers
Acting Chief of Human Resources
and Corporate Services/Director
of Information Technology

Barry MacBride
Director, Water and Waste

David Shepherdson
Manager, Labour Relations and
Compensation

Ursula Stelman
Director, Community Services

Vacant Position

INVESTMENT COMMITTEE

Appointed by Member Trustees

Richard Bracken (Chair)

Nick Diakiw

Jon Holeman

Appointed by Employer Trustees

John McCallum (Vice-Chair)

Bob Gannon

Scott Penman

AUDIT COMMITTEE

Bob Gannon (Chair)

Bryan Verity (Vice-Chair)

Jo-Anne Ferrier

Bob Ripley

BENEFITS COMMITTEE

John Moehring (Chair)

Barry MacBride

Bob Ripley

Dennis Ruggles

David Shepherdson

Vacant Position

GOVERNANCE COMMITTEE

Bryan Verity (Chair)

Barry MacBride (Vice-Chair)

John Irvine

John Moehring

David Shepherdson

Vacant Position

MANAGEMENT

Glenda Willis
Executive Director

Rick Abbott
Director of Investments

Kirk Merlevede
Manager, Fixed Income Investments

Bill Battershill
Manager, Information Systems

Ken Friesen
Manager, Disability Benefits

Cathy Masek
Manager, Pension and Group
Insurance Benefits

Rob Sutherland
Manager, Finance and Administration

ADVISORS

Actuary

Western Compensation & Benefits
Consultants

Auditor

Deloitte & Touche, LLP

Legal Counsel

Koskie Minsky

Taylor McCaffrey

Medical Consultant

Dr. Lori Koz

OUR ADDRESS

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Winnipeg, Manitoba
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[1] As at December 31, 2004. Former Trustees Robert Pruden and Rick Borland resigned from the Board in May 2004 and September 2004, respectively.

[2] Replaced by Keith Scott of the Amalgamated Transit Union in January 2005.

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PROGRAM PROFILE

The Winnipeg Civic Employees' Benefits Program superseded the former Employee Benefits Program of the City of Winnipeg, effective January 1, 2003. The Program is comprised of:

- The Winnipeg Civic Employees' Pension Plan;

- The Winnipeg Civic Employees' Long Term Disability Plan; and

- The Winnipeg Civic Employees' Early Retirement Benefits Arrangement.

Governance Structure

The Winnipeg Civic Employees' Benefits Program is governed by two Boards – The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund) in respect of the Winnipeg Civic Employees' Pension Plan and the Winnipeg Civic Employees' Early Retirement Benefits Arrangement, and The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Disability Fund) for the Winnipeg Civic Employees' Long Term Disability Plan.

The Program operates under a jointly-trusteed governance structure pursuant to the terms and conditions of the Pension Trust Agreement and the Disability Plan Trust Agreement, entered into by the City of Winnipeg and civic unions. The 14-member Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund) is appointed equally by the City of Winnipeg and the civic unions. The individuals who comprise The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Disability Fund) include the same individuals as those of The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund) with the exception of one of the seven Employer Trustees and the Member Trustee who represents pensioners and deferred members.

This jointly-trusteed governance structure embodies both joint governance and surplus- and risk-sharing between Participating Employers and Program Members.

The Board of Trustees

The Board of Trustees is responsible for the overall operation of the Program which includes ensuring that the Program is administered in accordance with the Trust Agreement, Program Text, and applicable legislation, adopting and reviewing the investment policy, monitoring investment performance, and adopting and reviewing the funding policy for the Program. The Board is also responsible for ensuring adequate financial records are maintained and for reporting annually on the results of operations of the Program to Participating Employers, Unions, and Program Members. To discharge its responsibility, the Board performs in an oversight capacity with regard 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.

Participating Employers

City of Winnipeg
Riverview Health Centre
Manitoba Hydro (former Winnipeg Hydro employees)
Winnipeg Enterprises
Winnipeg Convention Centre
Highlander Sportsplex

Audit Committee

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

Benefits Committee

The Benefits Committee adjudicates long term disability claims with the assistance of the Board's Medical Consultant and the Case Management Team. The Committee makes recommendations to the Board (Disability Fund) for approval of new claims and the continuance of disability benefits.

Governance Committee

The Governance Committee (established during 2004) is charged with making recommendations to the Board on governance policies, guidelines and procedures; assessing the effectiveness of the Board's governance policies; and with responsibility for the orientation of new Trustees.

Administration

The day-to-day administration of the Program is carried out under the direction of the Executive Director. The areas of responsibility include investments, pension and group insurance benefits, disability benefits, finance and administration, and information systems.

THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

Financial Position

as at December 31, 2004	($ thousands) Market Value	Actuarial Value
Net Assets Available For Benefits		
Main Account - General Component	$ 2,770,270	$ 2,761,327
Main Account - Future Contribution Reserve	240,728	240,728
Plan Members' Account - Enhancement Cost Reserve	60,770	60,770
Plan Members' Account - Unallocated Portion	–	–
City Account	123,821	123,821
	$ 3,195,589	$ 3,186,646
Program Obligations - as extrapolated	$ 2,760,832	$ 2,760,832
Funded Ratio - on extrapolated obligations	115.7%	115.4%

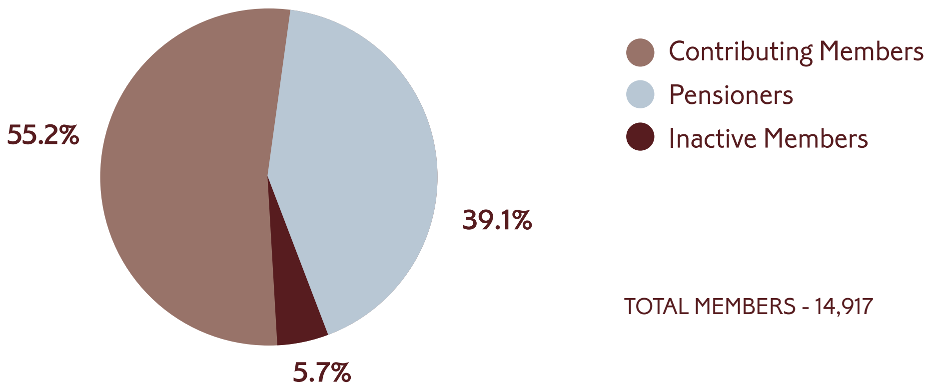
Program Highlights

($ thousands)	2004	2003
Investments at Market Value	$ 3,195,589	$ 2,994,141
Net Investment Income - Total Program (including changes in market value)	$ 291,826	$ 362,678
Investment Rate of Return	10.0%	13.8%
Employee Contributions	$ 25,193	$ 24,092
Employer Contributions*		
Pension Plan	$ 5,177	$ 2,509
Long Term Disability Plan	$ 7,904	$ 7,721
Benefits Paid		
Pension Plan	$ 105,988	$ 101,151
Long Term Disability Plan	$ 7,163	$ 6,980
Lump Sum Refunds and Transfers	$ 13,063	$ 11,547
Membership		
Contributing Members	8,231	8,106
Inactive Members	849	839
Pensioners	5,837	5,716
	14,917	14,661

* Employee required contributions to the Program are matched by a combination of Employer contributions and transfers from the City Account. The above-stated Employer contributions were supplemented by a transfer from the City Account of $11.712 million and $13.528 million in 2004 and 2003, respectively. Employee contributions also include such items as "Additional Voluntary Contributions" and past service contributions for which there are no required Employer contributions.

THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

MEMBERSHIP PROFILE As at December 31, 2004

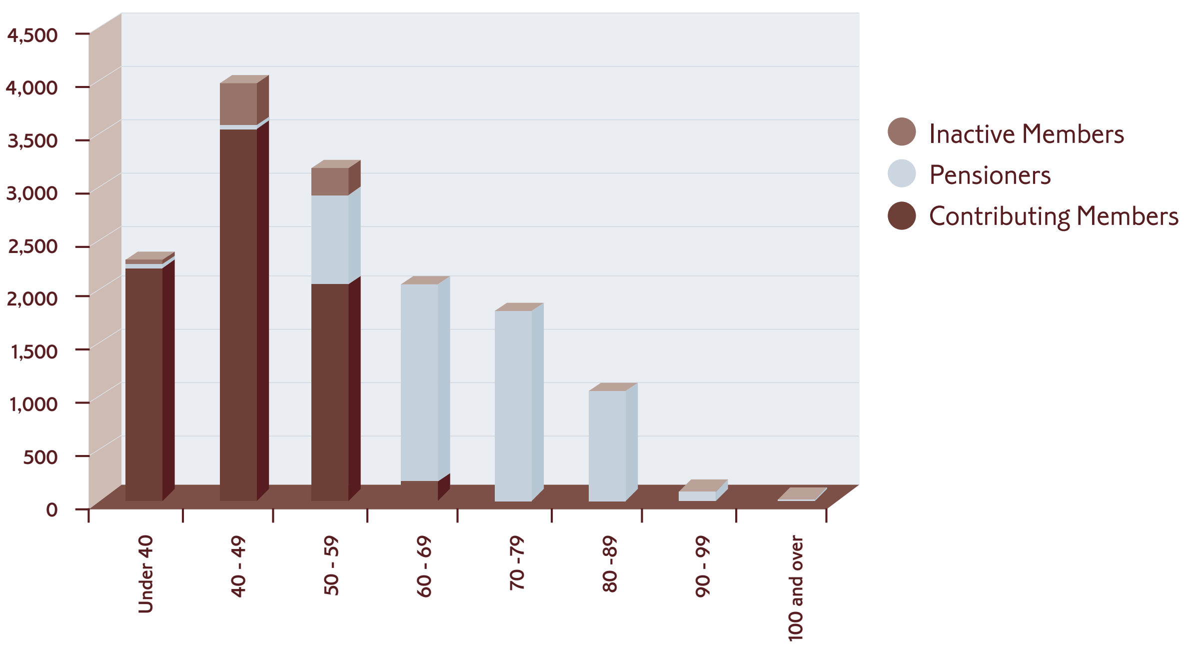


TOTAL MEMBERS - 14,917

THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

MEMBERSHIP PROFILE As at December 31, 2004

(BY AGE BANDS)

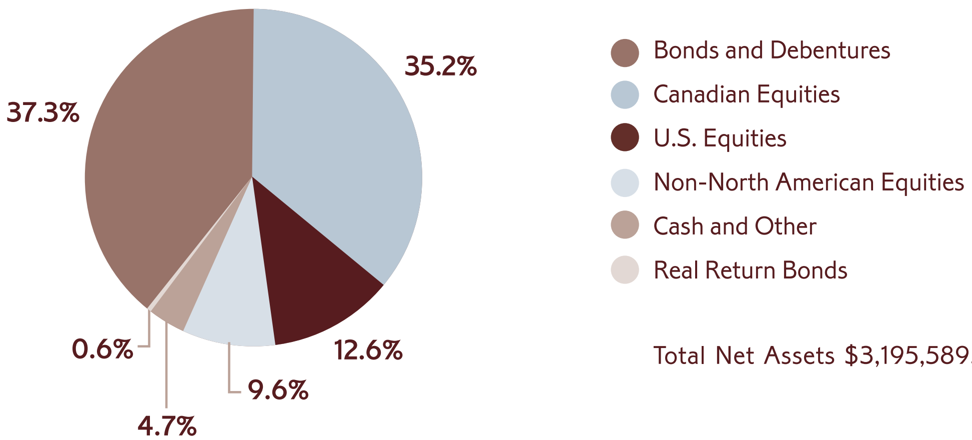


THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

COST-OF-LIVING INCREASES

THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

ASSET MIX As at December 31, 2004

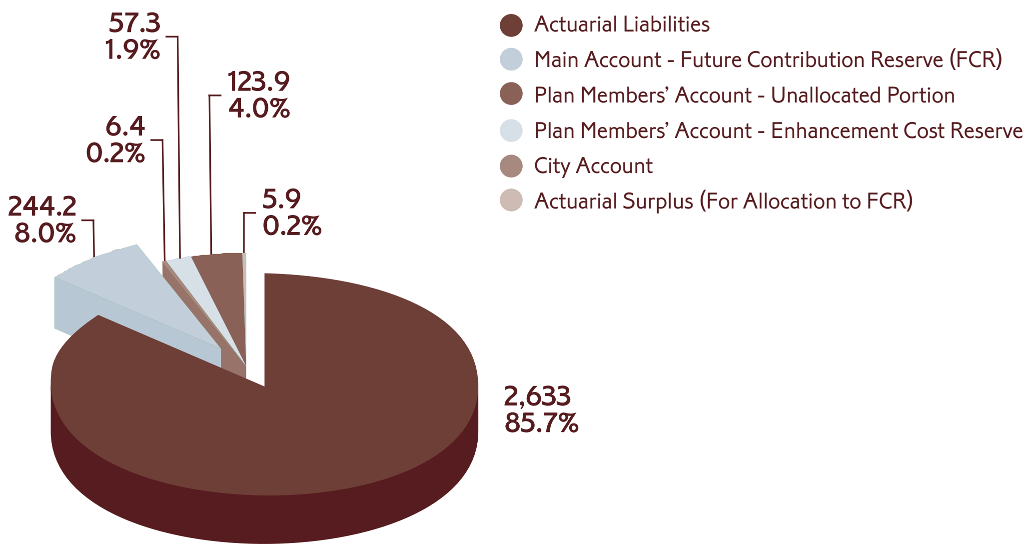


Total Net Assets $3,195,589,000

THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

ACTUARIAL LIABILITIES AND RESERVES

Per Actuarial Valuation as at December 31, 2003

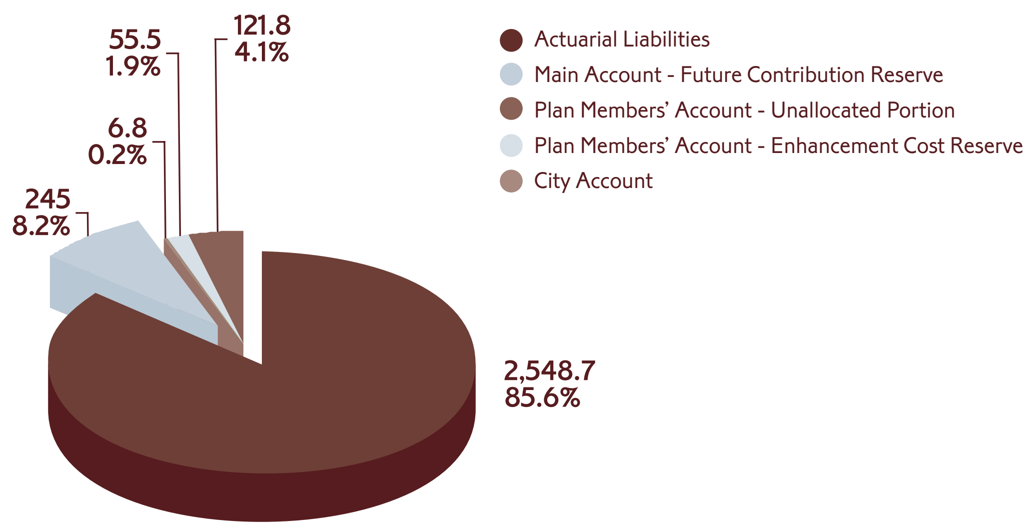


(In $ millions)

THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

ACTUARIAL LIABILITIES AND RESERVES

Per Actuarial Valuation as at January 1, 2003



(In $ millions)

STATEMENT OF ACTUARIAL POSITION

(thousands)		December 31, 2003
1. Actuarial Value of Assets		
Main Account	$	2,883,143
Plan Members' Account		63,688
City Account		123,855
		3,070,686
2. Actuarial Liabilities		
Pension Plan		2,577,234
Long Term Disability Plan		53,315
Early Retirement Benefits Arrangement		2,460
		2,633,009
3. Excess of actuarial value of Program assets over actuarial liabilities		437,677
4. Amounts Previously Allocated		
Future Contribution Reserve		244,212
Plan Members' Account		63,688
City Account		123,855
		431,755
5. Actuarial Surplus (3.- 4.)		5,922
6. Funded Ratio (1. / 2.)		
Including Plan Members' and City Accounts		116.6%
Excluding Plan Members' and City Accounts		109.5%

COST OF BENEFITS FOR SERVICE IN 2004

	Employee Contributions	Employer Contributions*	Allocation from Reserves	Total Cost
As % of Contributory Earnings				
1999 Benefits Level	6.69%	6.69%	8.79%	22.17%
Benefit Enhancements	–	–	2.37%	2.37%
	6.69%	6.69%	11.16%	24.54%

* Includes amounts transferred from City Account

MESSAGE FROM THE CHAIR

In some respects, 2004 represented another historical year for The Winnipeg Civic Employees' Benefits Program. This was the first year in the history of civic pension plans that a representative of Plan Members has had the privilege of serving as Chairperson of the Board. I would like to formally thank all of the Program Trustees for their support and trust over the past year.

We are indeed fortunate regarding the staff of the Program. As reported to you last year, Glenda Willis was hired as our new Executive Director and Glenda's guidance and assistance over the past year has been invaluable to me as Chair. As well, senior staff of the Program and their support staff have contributed to another successful year for the Program. On behalf of the Board of Trustees, we thank you for your loyalty, diligence and hard work over the past year.

As in 2003, the last few months of 2004 saw a great improvement in the equity and bond markets which allowed our Fund to finish the year in a very positive manner which you will see as you review this Annual Report. On behalf of the Board of Trustees, I wish to personally thank our Director of Investments, Rick Abbott, and our Manager of Fixed Income, Kirk Merlevede, as well as the Chair of the Investment Committee, Richard Bracken, and Committee Members for their expert guidance and advice over the past year.

Even though the Plan has performed relatively well over the past two years, it remains a struggle to achieve above average returns in the ever changing world markets of today. As a result of this uncertainty, the Board of Trustees hired Mercer Investment Consulting to perform an asset liability study. This undertaking required a number of meetings of the Board with the consultants, and culminated, in September 2004, in a report dealing with alternative investments. Alternative investments include private equity, hedge funds and real estate which are non-traditional investment vehicles for pension funds. However, in the recent past, more and more pension funds are turning to those types of investments to boost rates of return. Your Board of Trustees is now reviewing this report in detail with the Program actuary, Don Smith of Western Compensation and Benefits.

In 2004, the Board of Trustees lost one of our long-serving members, Rick Borland, when he retired from the City of Winnipeg. Rick was an invaluable member of the Board having served as Chair for a number of years. I know all Plan Members join the Trustees and myself in wishing Rick an enjoyable and well-deserved retirement.

In summary, it has been another very active year for the Board of Trustees who continue to work diligently and in the best interests of all Plan Members. As of January 1, 2005, Mr. Barry MacBride, Director of Water and Waste, will assume the role of Chair of the Board of Trustees with John Moehring of the United Fire Fighters of Winnipeg assisting him as Vice-Chair.

I trust all Plan Members will find this Annual Report for 2004 to be both helpful and informative.

John Irvine
Chair of the Board of Trustees

MESSAGE FROM THE EXECUTIVE DIRECTOR

As administrators, our role and our commitment is to serve The Winnipeg Civic Employees' Benefits Program, the Board of Trustees and, ultimately, Program Members.

Strategic planning continues to be an important component of the Program's activities. As a result of a mid-year strategic planning session of the Board of Trustees, a comprehensive task list was developed, largely in response to the change in the Program's governance structure to joint trusteeship (in January 2003), but, as well, in recognition of the increasing complexity of pension plan governance. These tasks, which span both the Board governance and administrative spheres, have short-, medium-, and longer-term horizons. We are pleased that progress has been made to date but much remains to be done. This work continues.

From an investment perspective, the rate of return of the Winnipeg Civic Employees' Pension Plan for 2004 of 10.0% significantly exceeded the nominal actuarial assumption of 6.25%. It is recognized, though, that the 5% per year real rate of return objective will prove to be challenging in light of today's investment markets and low interest rates. A number of changes on the investment front were made during the year (e.g., revised investment mandates, hiring of new investment managers) with the expectation that these changes will position the portfolio well going forward. Further refinements to the Board's Statement of Investment Policies and Procedures may be forthcoming as a result of the ongoing work of the Board to address the key issues arising from the asset-liability study of the Program completed in 2004.

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

To the Board of Trustees, let me express my sincere appreciation for your guidance and support. And, to our Program staff, who take pride in their work and who serve the Program well, a sincere thank you.

Looking ahead to 2005, it will be important that we carry out a comprehensive assessment of the organizational structure of The Winnipeg Civic Employees' Benefits Program to determine whether we, as an administration, are well prepared and positioned to meet the needs of the Board, its Committees, and Program Members, taking into account among other things, our vision and goals for the future and an increased focus on communication, especially communication to our Members.

I invite you to read our 2004 Annual Report. In addition to the Winnipeg Civic Employees' Pension Plan and the Winnipeg Civic Employees' Long Term Disability Plan, this report includes the City of Winnipeg Employees' Group Life Insurance Plan, the "Civic" component of which is administered by the Board of Trustees. We welcome your feedback.

Sincerely,

Glenda Willis
Executive Director

THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

History

Employees of the City of Winnipeg have enjoyed a long and proud history of participation in employee pension and benefit plans in one form or another, with the current Program's origins dating back to 1921. Following the unification of the former municipalities into the current City of Winnipeg in 1972, the Employee Benefits Program was created. Then, in 1989, all of the prior pension plans that had existed separately for the former municipalities and the Metropolitan Corporation of Greater Winnipeg were amalgamated into the Employee Benefits Program.

The most recent major fundamental change took effect on January 1, 2003 upon commencement of the restructured Winnipeg Civic Employees' Benefits Program under joint trusteeship.

This fundamental change took a number of years to accomplish, with the underpinnings of change dating back to December 1999 when City Council and the unions representing City of Winnipeg employees, with the exception of police officers (who have a separate pension plan), approved the restructuring of the former Employee Benefits Program. The restructuring required legislative amendment to The City of Winnipeg Act in 2001, Manitoba Court of Queen's Bench approval, and approval of regulatory authorities, which approvals were received in 2002.

Program Members received significant benefit improvements in 2000 pursuant to an Interim Arrangement, and these benefit improvements have been extended, under joint trusteeship, to apply to service after December 31, 2002.

This new era of joint trusteeship encompasses both joint governance and surplus- and risk-sharing between Participating Employers and Program Members, pursuant to the Pension Trust Agreement and the Disability Plan Trust Agreement entered into by the City and the civic unions.

Joint Governance

With joint governance, both the City of Winnipeg and the Program Members, through their representatives, have an equal voice in decision-making. The joint Board of Trustees became responsible for the management of the Program on January 1, 2003, in accordance with the Pension Trust Agreement and the Disability Plan Trust Agreement. The City of Winnipeg and the Program Members have equal representation on the joint Board.

Surplus- and Risk-Sharing

The Pension Trust Agreement provides for a sharing, by Participating Employers and Program Members, of both future actuarial surpluses and funding deficiencies. While the Program holds reserves which are available to buffer against future funding deficiencies, an increase in contributions and/or a reduction in benefits (particularly those that have been increased since 1999) could be required if the assets of the Program are not sufficient to meet the Program's liabilities on an ongoing basis.

The Participating Employers' share of any actuarial surpluses will be available to finance reductions of employer contributions. The Program Members' share of actuarial surpluses will be available to finance improvements above the 1999 level of benefits or to reduce Members' contributions.

MANAGING ASSETS PRUDENTLY

Governance Review

The Board of Trustees continued the process of reviewing existing Board policies, the administrative structure, and third-party service arrangements to ensure that they best meet the needs of the Program under the jointly-trusteed governance structure. With the establishment of the Governance Committee in June 2004, an extensive task list of governance-related activities was prioritized, and progress has since been made toward developing governance policies, including the development of Terms of Reference for Board Committees. These efforts are expected to be ongoing over the next several years.

Asset-Liability Study

As one component of the Board's role in the ongoing financial risk and investment management of the Program, the Board engaged an independent consulting firm to conduct an Asset-Liability Study. This study was completed in 2004, the results of which address how key risk measures (as identified by the Board) are expected to evolve over time under the Program's current asset mix policy and the extent to which other alternative asset mixes offer improved expected outcomes relative to the current asset mix policy. It is important to note that the alternative asset mixes considered in the study were reasonably in line with the investment direction taken by the Board to date.

The Board has commenced a formal review process to address the key issues arising from the study relative to i) the shorter-term investment policy issues and ii) the longer-term benefits policy and funding issues. This review process will continue in 2005 with the expectation of completion as it relates to policy asset mix. The benefits policy and funding issues will be addressed by the Board as part of the ongoing governance of the Program.

Investment-Related Activities

Two "value" style Canadian equity managers, Burgundy Asset Management Ltd. and Foyston, Gordon & Payne, Inc. were engaged to complement the existing Canadian equity manager group ("growth" bias) and de-emphasize an index-like management style.

The Board's investment mandate with AllianceBernstein Institutional Investment Management was revised (from "large-cap growth" U.S. equities) to their "style blend" active, core U.S. equity product as a means of introducing a "value" style to the portfolio's U.S. equity complement of managers.

The Board entered into a private equity investment through the Richardson Financial Group (with a commitment representing approximately 0.5% of the Fund).

These changes are expected to position the portfolio well going forward.

Funded Status at December 31, 2003

The most recent actuarial valuation of The Winnipeg Civic Employees' Benefits Program as at December 31, 2003, disclosed that the Program was fully funded and had an excess of actuarial value of assets over actuarial liabilities of $437,677,000 – a funded ratio of 116.6% on the basis of actuarial values. If the market value of assets had been used instead of the actuarial value, the excess would still have been $361,132,000 – a funded ratio of 113.7% on a market value basis. These results continue to portray a picture of absolute and relative health for the Program with respect to benefits accrued for all service up to December 31, 2003.

Under the Pension Trust Agreement, the entire excess on an actuarial basis is allocated to special-purpose Reserves and Accounts that are primarily intended to finance the portion of future service costs which are expected to exceed future employee and employer contributions:

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

These Reserves and Accounts, especially the Future Contribution Reserve and the Enhancement Cost Reserve, will play an integral role in financing the cost of future service benefits under the Program. Under the Pension Trust Agreement, contributions are limited to 8% of pensionable earnings from each of the employees and employers, even though the cost of providing the benefits (approximately 24.5% of pay) far exceeds the maximum combined contributions at 16% of pay. The sustainability of present benefit levels will, therefore, largely depend on the ability of these Reserves to finance this shortfall into the future. The Reserves will have to be continuously "topped up" if they are to be maintained at their target levels.

The actuarial valuation as at December 31, 2003, disclosed that the Program generated an actuarial surplus of $5,922,000 on 2003 operations. In accordance with the terms of the Pension Trust Agreement, the entire amount was allocated to the Future Contribution Reserve. The actuarial valuation also disclosed that the Future Contribution Reserve, after allocation of the 2003 actuarial surplus, is 93.6% of its target level of $267,346,000 and the Enhancement Cost Reserve is 75.7% of its target level of $75,616,000.

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

Key Actuarial Assumptions

One of the key assumptions that underlie the determination of actuarial liabilities, thereby affecting the actuarial surplus, is the valuation interest rate. The valuation interest rate assumed was 6.25% per year, and was developed with reference to expected long-term economic and investment conditions. The valuation interest rate assumed was carefully and prudently developed, giving recognition to the long-term asset mix expected to be utilized by the Program, and after assuming an equity premium that is modest by historical standards.

Other key economic assumptions include future inflation at 2.25% per year (resulting in an assumed real rate of investment return of 4% per year) and future general increases in pay of 3.75% per year.

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

Extrapolated Funded Status - at December 31, 2004

At the time the year-end financial statements were being prepared, the results of the actuarial valuation of the Program as at December 31, 2004, were not available. Accordingly, the assumptions used in the most recent actuarial valuation as at December 31, 2003, were used to extrapolate the obligations of the Program at year-end. The extrapolation is prepared for financial reporting purposes only, with any apparent emerging surplus or deficiency subject to confirmation or revision in the subsequent actuarial valuation report.

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

The notes to the financial statements disclose that the actuarial value of assets of the Main Account - General Component is greater than the extrapolated obligations of the Program by approximately $495,000 as at December 31, 2004. As the extrapolated values of the assets and obligations are essentially "in balance," with only a slight apparent surplus, the experience gains or losses that ultimately emerge for 2004 will determine whether the formal December 31, 2004 actuarial valuation will disclose a surplus or funding deficiency in the Main Account – General Component. It is not expected that the results of this forthcoming valuation will result in changes to the contribution rates or benefit levels under the Program.

After taking into account all special-purpose Reserves and Accounts, the extrapolated funded status of the Program remains at 115.4% on an actuarial basis and 115.7% on a market value basis. These funded positions compare to, and are in line with, those from the previous actuarial valuation one year earlier of 116.6% and 113.7%, respectively.

During prior years, the application of a five-year asset smoothing method had the effect of deferring a portion of the impact of market losses in 2001 and 2002 to future years, when it was hoped that such losses would ultimately be reversed. The reversal of all remaining unrecognized investment losses in fact occurred in 2004, as the actual rate of return in 2004 of 10.0% was higher than the 6.25% assumed rate of return.

As at December 31, 2004, the assets as measured on an actuarial basis are now less than their related market value by $8,943,000 – an improvement in position of $85,488,000 from the previous year. Accordingly, should the Program earn exactly the assumed 6.25% on the actuarial asset base over the next four years, the $8,943,000 smoothing difference would be expected to emerge as surplus over this four-year period, potentially enhancing the financial position of the Program.

If the Program is able to achieve investment returns sufficient to meet its investment assumptions moving forward, there should be no negative impact on benefit levels or funding in the near term. However, should future returns fall short of assumptions, this situation could result in reductions to benefit levels and increases in employee and employer contribution rates.

Long-Term Investment Goals and Performance

The Program has achieved excellent investment performance over the last ten years, returning an average of 10.7% per year which ranked in the first quartile of larger pension plans in Canada. The long-term goal of the Program is to achieve a rate of return that exceeds inflation by 5.0% per year. With the ten-year annualized inflation rate being 2.0%, the Program exceeded this goal by a sizeable margin of 3.7% per year over the last ten years. It should be noted, however, that this ten-year measurement period includes returns for 1995 through 1997 – years in which absolute returns were very high by historical standards.

Although a long-term investment return which exceeds inflation by 4% per year, together with matching contributions from the employees and employers, is expected to adequately finance the benefits derived from past service for the existing Program Members, ongoing future actuarial surplus generation will be required to top up the Future Contribution Reserve and Enhancement Cost Reserve and to finance the shortfall of matching contributions versus the benefit cost for new employees as they replace current employees retiring from the workforce. Actuarial surplus generation will also be needed to enable Participating Employers to continue contributing below matching levels over the longer term.

Accordingly, notwithstanding the assumed 4% per year real return used for the actuarial valuation at December 31, 2003, it is desirable to strive for a real rate of return of at least 5% per year over the long-term, and this 5% objective is reflected in the Program's Statement of Investment Policies and Procedures.

Although the Program has for many years been able to achieve long-term real returns in excess of 5%, it is the achievement of sufficient excess returns in the future which will have the most significant bearing on the ultimate sustainability of current benefits (including Cost-of-Living Adjustments) and contribution levels.

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

EARLY RETIREMENT BENEFITS ARRANGEMENT

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

Although the Early Retirement Benefits Arrangement has been in existence for quite some time, 1999 was the first year that benefits were paid under the Arrangement. The amount paid out in 2004 was $6,893 (2003 - $3,474). 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.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

FIVE YEAR FINANCIAL SUMMARY

(thousands)	2004	2003	2002	2001	2000
Investments at Market					
Bonds and Debentures	$ 1,192,727	$ 1,199,931	$ 1,188,617	$ 1,105,407	$ 1,161,378
Real Return Bonds	17,990	16,058	14,861	13,462	26,842
Canadian Equities	1,124,058	1,076,871	931,137	1,061,805	1,145,250
Foreign Equities	710,919	616,982	556,037	686,018	697,473
Cash and Short-term Deposits	158,081	92,192	35,825	129,583	106,336
Venture Capital	101	102	191	219	225
Other Liabilities	(8,287)	(7,995)	(7,088)	(8,299)	(6,053)
	$ 3,195,589	$ 2,994,141	$ 2,719,580	$ 2,988,195	$ 3,131,451
Assets Available for					
Main Account					
- General Component	2,770,270	2,562,386	2,612,668	2,858,486	2,984,364
- Future Contribution Reserve	240,728	244,212	–	–	–
Plan Members' Account					
- Unallocated Portion	–	6,413	15,132	16,117	16,433
- Enhancement Cost Reserve	60,770	57,275	–	–	–
City Account	123,821	123,855	91,780	113,592	130,654
	$ 3,195,589	$ 2,994,141	$ 2,719,580	$ 2,988,195	$ 3,131,451

MAIN ACCOUNT - GENERAL COMPONENT*

	2004	2003	2002	2001	2000
Contributions					
Employees	$ 25,193	$ 24,092	$ 23,163	$ 22,478	$ 21,960
City of Winnipeg and Participating Employers	5,177	2,509	–	–	–
Reciprocal Transfers	735	503	534	790	470
Transfer from					
Future Contribution Reserve	32,548	31,824	–	–	–
Enhancement Cost Reserve	8,786	6,677	–	–	–
City Account	11,712	13,528	15,336	14,690	16,193
Net Investment Income (Loss)	251,138	308,032	(172,521)	(56,726)	238,172
	335,289	387,165	(133,488)	(18,768)	276,795
Pension Payments	105,988	101,151	96,460	92,287	87,521
Lump Sum Benefits	13,063	11,547	12,702	11,929	16,749
Administration	2,432	2,523	3,168	2,894	2,401
Transfer to					
Future Contribution Reserve	5,922	244,984	–	–	–
City Account	–	30,010	–	–	168,132
Plan Members' Account - Unallocated Portion	–	47,232	–	–	15,136
	127,405	437,447	112,330	107,110	289,939
Increase (Decrease) in Net Assets	$ 207,884	$ (50,282)	$ (245,818)	$ (125,878)	$ (13,144)

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

MAIN ACCOUNT - FUTURE CONTRIBUTION RESERVE

(thousands)	2004	2003	2002	2001	2000
Transfer of Surplus from Main Account - General Component	$ 5,922	$ 244,984	$ –	$ –	$ –
Net Investment Income	23,142	31,052	–	–	–
	29,064	276,036	–	–	–
Transfer to Main Account - General Component	32,548	31,824	–	–	–
Increase (Decrease) in Assets Available for Pension Benefits	$ (3,484)	$ 244,212	$ –	$ –	$ –

PLAN MEMBERS' ACCOUNT - UNALLOCATED PORTION

	2004	2003	2002	2001	2000
Transfer of Surplus from Main Account - General Component	$ –	$ 47,232	$ –	$ –	$ 15,136
Net Investment Income (Loss)	634	934	(985)	(316)	1,297
	634	48,166	(985)	(316)	16,433
Transfer to Enhancement Cost Reserve	7,047	56,885	–	–	–
Increase (Decrease) in Net Assets	$ (6,413)	$ (8,719)	$ (985)	$ (316)	$ 16,433

PLAN MEMBERS' ACCOUNT - ENHANCEMENT COST RESERVE

	2004	2003	2002	2001	2000
Transfer of Surplus from Plan Members' Account - Unallocated Portion	$ 7,047	$ 56,885	$ –	$ –	$ –
Net Investment Income	5,234	7,067	–	–	–
	12,281	63,952	–	–	–
Transfer to Main Account - General Component	8,786	6,677	–	–	–
Increase in Net Assets	$ 3,495	$ 57,275	$ –	$ –	$ –

CITY ACCOUNT

	2004	2003	2002	2001	2000
Transfer of Surplus from Main Account - General Component	$ –	$ 30,010	$ –	$ –	$ 168,132
Net Investment Income (Loss)	11,678	15,593	(6,476)	(2,372)	13,710
	11,678	45,603	(6,476)	(2,372)	181,842
Transfer to Main Account - General Component	11,712	13,528	15,336	14,690	16,193
Refund of '98 & '99 Employer Contributions	–	–	–	–	34,995
	11,712	13,528	15,336	14,690	51,188
Increase (Decrease) in Net Assets	$ (34)	$ 32,075	$ (21,812)	$ (17,062)	$ 130,654
Annual Rates of Return	10.0%	13.8%	-5.9%	-1.7%	8.6%

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

BUILDING STRONG RELATIONSHIPS

Program staff strive to provide quality service to Program Members.
Our services to Members, either prior to or after retirement, include the following:

- participating in orientation sessions for new employees;
- calculating termination or retirement pension benefits;
- calculating retirement pension estimates;
- meeting individually with Members who are retiring (or considering retirement) or the surviving beneficiaries of Program Members;
- responding to Members' personal and general enquiries;
- producing a bi-weekly pension payroll;
- producing individual annual statements of benefits;
- participating in pre-retirement seminars.

Total Program membership increased 1.6% to 14,917 at December 31, 2004. The number of Contributing Members increased by 1.5% to 8,231 in 2004, reversing a long-term trend of decreases from the high of 9,617 Contributing Members in 1990. The number of pensioners continues to grow, increasing 2.1% to 5,837 during 2004.

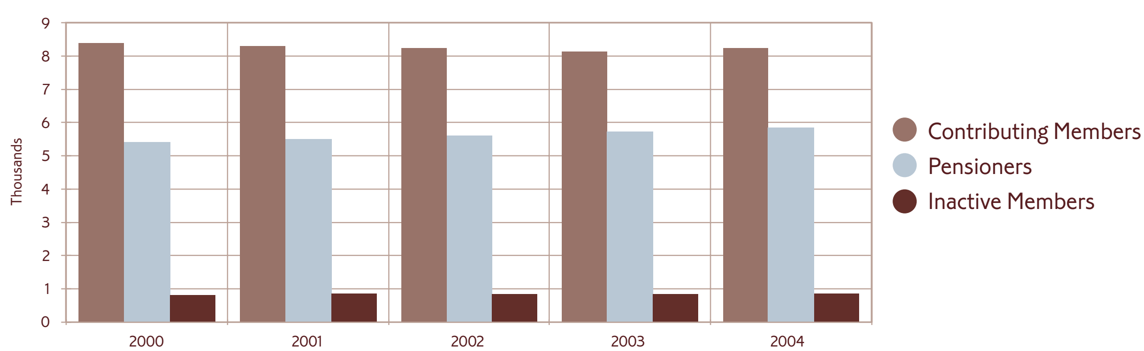
THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

SUMMARY OF MEMBERSHIP

	2004	2003	2002	2001	2000
Contributing Members	8,231	8,106	8,252	8,282	8,387
Inactive Members	849	839	836	849	795
Pensioners	5,837	5,716	5,606	5,482	5,404
Total Membership	14,917	14,661	14,694	14,613	14,586
Activity During the Year					
Retirements	260	231	256	217	272
Deaths in Service	18	16	19	11	18
Pensioner Deaths	194	206	191	203	180
New Disabilities	75	78	64	103	80
New Members	653	374	547	556	585
Terminations	285	315	359	444	419

THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

MEMBERSHIP



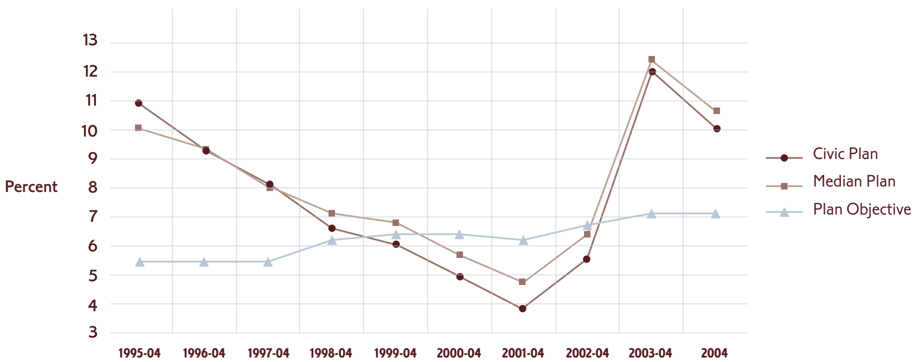
REPORT FROM THE DIRECTOR OF INVESTMENTS

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

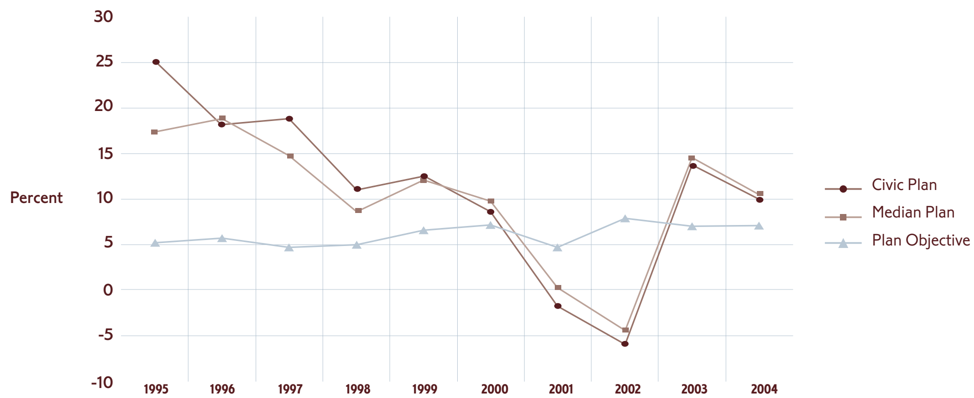
In 2004, the investment portfolio returned 10.0%. Stock markets globally rose in 2004 as consumer confidence and capital investment improved. After extraordinary returns in the financial markets in 1993 and negative returns in 1994, the years 1995 through 2000 experienced abnormally high real returns, followed by negative returns for 2001 and 2002. The Program's four-year and ten-year annualized rates of return of 3.7% and 10.7%, respectively, place the Program at the 82nd percentile and 23rd percentile ranking, respectively, of Canadian pension fund returns as measured by Benchmark, an independent measurement service. The first quartile ten-year record can be attributed to excellent bond management over the last decade and a significant exposure to the U.S. equity market. More recent performance, however, has been adversely affected by having the Program's equity portfolios biased in style by "growth" securities as opposed to "value" securities. For the last four years, "value" securities have outperformed "growth" securities significantly in a very challenging stock market environment.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

ANNUALIZED RATES OF RETURN



ANNUAL RATES OF RETURN



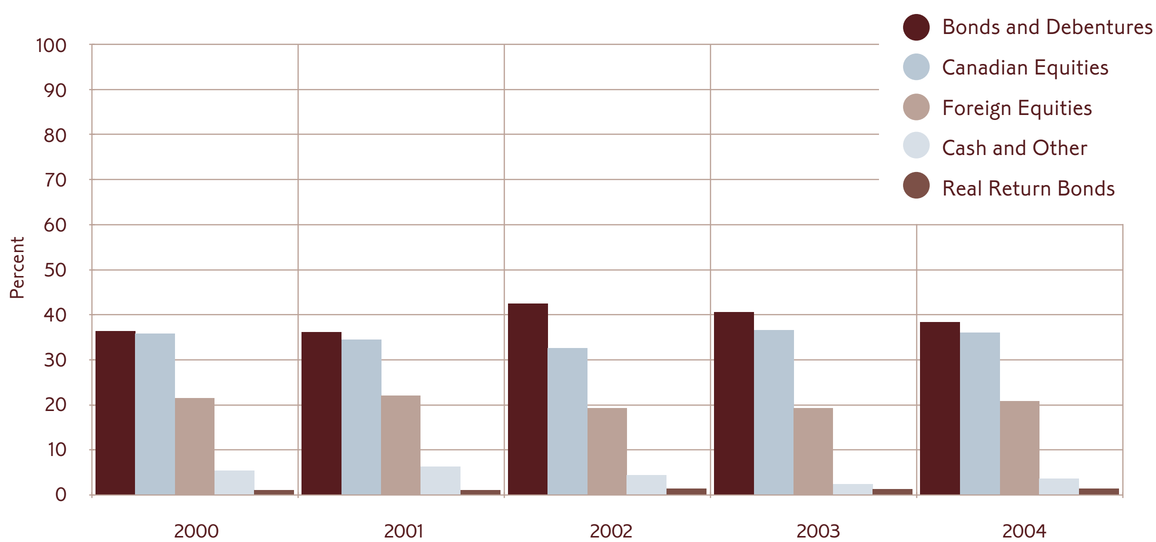
Asset Mix

As a result of appreciation in the equity markets, there was an increase in allocation to equity investments – from 56.4% of the portfolio at the beginning of the year to 57.3% at year-end. Throughout the year, income generated by the bond portfolio was directed to benefit payments and money market investments. Benefit payments exceeded contributions and interest income by $95 million in 2004. Additional funds were raised by liquidating $120 million from the Program's Canadian Equity position. An additional allocation of $56 million was directed to the Program's Non-North American Equity position, thus increasing this asset allocation by approximately 2.1% to 9.6% of the portfolio.

ASSET MIX

	2004	2003	2002	2001	2000
Bonds and Debentures	37.2 %	40.0 %	43.6 %	36.9 %	37.0 %
Real Return Bonds	0.6	0.5	0.5	0.5	0.9
Canadian Equities	35.1	35.9	34.2	35.4	36.5
Foreign Equities	22.2	20.5	20.4	22.9	22.2
Cash and Other	4.9	3.1	1.3	4.3	3.4
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

ASSET MIX



Equity Investments

The Program's Canadian Equity Managers outperformed the S&P/TSX Composite Index and outperformed the median pension fund in 2004 with a rate of return of 16.6%. The S&P/TSX Composite Index had a return of 14.5% in 2004 compared to a return of 26.7% in 2003.

The Program's Foreign Equity Managers, collectively, achieved a rate of return of 5.9% in Canadian dollar terms in 2004. This return was below the median due to below-median performance in U.S. equities and Non-North American equities. The U.S. Equity Managers collectively achieved a return of 3.2%, in Canadian dollars, in 2004, which was marginally below the return of the S&P 500 of 3.3%. Over the last ten years, the U.S. stock market has marginally outperformed the Canadian stock market. The Program's Non-North American Equity Managers collectively returned 10.1% in 2004. The Europe Australia Far East Index rose 12.0% which was reflective of improving foreign markets and relative strength in foreign currencies.

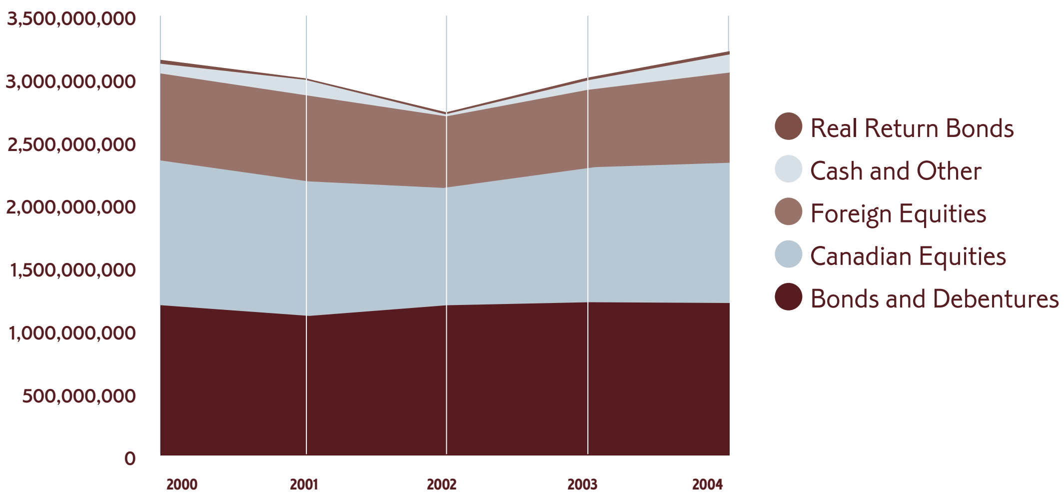
Fixed Income Investments

The Program's bond portfolio achieved a rate of return of 7.6% in 2004. For the four- and ten-year periods ended December 31, 2004, the bond portfolio returned 7.9% and 11.2% annually, respectively, ranking in the top 3% of all bond fund returns in Canada for the ten-year period.

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

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

INVESTMENTS



Asset Mix Strategy for 2005

The Investment Committee anticipates marginally increasing the equity weighting in the portfolio to approximately 59% of the total portfolio. The Non-North American Equity portion will increase by approximately 3%, thus improving the diversification of our fund and lessening risk. Correspondingly, the Canadian equity position will be maintained at a 35% weighting. By year-end 2005, it is anticipated that the portfolio will be weighted 59% equities, 39% fixed income, 1% short-term investments and 1% private equity.

Rick Abbott
Director of Investments

TOTAL RETURNS

	One Year	Four Years	Ten Years
Total Fund	10.0 %	3.7 %	10.7 %
Bonds and Debentures	7.6	7.9	11.2
Canadian Equities	16.6	4.6	11.8
Foreign Equities	5.9	-4.5	8.3
BENCHMARKS			
Scotia Capital Markets Universe Bond Index	7.2	7.7	9.0
S&P / TSX Composite Index	14.5	2.7	10.1
S&P 500	3.3	-5.7	10.4
Europe, Australia, Far East Stock Market Index	12.0	-3.1	4.0
Consumer Price Index	2.1	2.2	2.0

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

ACTUARIAL OPINION

Western Compensation & Benefits Consultants has performed an actuarial valuation of The Winnipeg Civic Employees' Benefits Program as at December 31, 2003 relying on data and other information provided to us by the Board of Trustees of the Program. The results of the valuation are contained in our report dated June 14, 2004.

The principal results are as follows:

ACTUARIAL POSITION

The Program is fully funded in respect of benefits earned for service up to December 31, 2003 and has an excess of actuarial value of assets over actuarial liabilities of $437,677,000 as at that date.

The Program has an actuarial surplus of $5,922,000 for 2003, after taking into account $431,755,000 of the above excess that was previously allocated to the Future Contribution Reserve, the Plan Members' Account and the City Account. In accordance with the Pension Trust Agreement, this actuarial surplus should be transferred from the General Component of the Main Account to the Future Contribution Reserve.

COST OF BENEFITS FOR SERVICE IN 2004

The normal actuarial cost of benefits expected to be earned under the Program for service in 2004 is 24.54% of contributory earnings.

This cost is expected to be financed by employee contributions averaging 6.69% of contributory earnings, employer contributions and transfers from the City Account of 6.69% of contributory earnings, transfers from the Future Contribution Reserve of 8.79% of contributory earnings and transfers from the Enhancement Cost Reserve within the Plan Members' Account of 2.37% of contributory earnings.

In our opinion, the actuarial valuation and our report thereon presents fairly the actuarial position of The Winnipeg Civic Employees' Benefits Program as at December 31, 2003 on the basis of the actuarial assumptions and valuation methods adopted. Our report has been prepared, and our opinion given, in accordance with accepted actuarial practice.

Donald M. Smith
Fellow of the Canadian Institute of Actuaries

Natalie F. Thompson
Fellow of the Canadian Institute of Actuaries

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

AUDITORS' REPORT

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

We have audited the statement of net assets available for benefits of The Winnipeg Civic Employees' Pension Plan as at December 31, 2004 and the statements of changes in net assets available for benefits of the main account – general component, main account – future contribution reserve, plan members' account – unallocated portion, plan members' account – enhancement cost reserve and City account for the year then ended. These financial statements are the responsibility of the board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of The Winnipeg Civic Employees' Pension Plan as at December 31, 2004 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
March 29, 2005

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2004 (000's)	2003 (000's)
ASSETS		
Investments, at market		
Bonds and debentures	$ 1,206,476	$ 1,210,734
Canadian equities	1,124,058	1,076,871
Foreign equities	710,919	616,982
Cash and short-term deposits	158,081	92,192
Venture capital	101	102
	3,199,635	2,996,881
Accrued interest	4,241	5,255
Accounts receivable	100	47
Due from other plans	–	7
Total Assets	3,203,976	3,002,190
LIABILITIES		
Accounts payable	8,253	8,049
Due to other plans	134	–
Total Liabilities	8,387	8,049
NET ASSETS AVAILABLE FOR BENEFITS	$ 3,195,589	$ 2,994,141
NET ASSETS AVAILABLE FOR BENEFITS COMPRISED OF:		
Main Account - General Component	$ 2,770,270	$ 2,562,386
Main Account - Future Contribution Reserve	240,728	244,212
Plan Members' Account - Unallocated Portion	–	6,413
Plan Members' Account - Enhancement Cost Reserve	60,770	57,275
City Account	123,821	123,855
	$ 3,195,589	$ 2,994,141

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN
MAIN ACCOUNT - GENERAL COMPONENT

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the years ended December 31

	2004 (000's)	2003 (000's)
INCREASE IN ASSETS		
Contributions		
Employees	$ 25,193	$ 24,092
City of Winnipeg and participating employers	5,177	2,509
Reciprocal transfers from other plans	735	503
	31,105	27,104
Transfers from other accounts and reserves (Note 1)		
City Account	11,712	13,528
Future Contribution Reserve	32,548	31,824
Enhancement Cost Reserve	8,786	6,677
	84,151	79,133
Investment income (Note 5)	99,984	95,607
Current period change in market value of investments	155,544	215,743
Total increase in assets	339,679	390,483
DECREASE IN ASSETS		
Pension payments	105,988	101,151
Lump sum benefits	13,063	11,547
Administrative expenses (Note 6)	2,432	2,523
Investment management and custodial fees	4,390	3,318
Transfer of surplus to Future Contribution Reserve (Note 3)	5,922	244,984
Transfer of surplus to City Account	–	30,010
Transfer of surplus to Plan Members' Account	–	47,232
Total decrease in assets	131,795	440,765
Increase (Decrease) in net assets	207,884	(50,282)
Net assets available for benefits at beginning of year	2,562,386	2,612,668
Net assets available for benefits at end of year	$ 2,770,270	$ 2,562,386

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN
MAIN ACCOUNT - FUTURE CONTRIBUTION RESERVE

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the years ended December 31

	2004 (000's)	2003 (000's)
INCREASE IN ASSETS		
Transfer of surplus from Main Account - General Component (Note 3)	$ 5,922	$ 244,984
Investment income (Note 5)	9,214	9,638
Current period change in market value of investments	14,333	21,748
Total increase in assets	29,469	276,370
DECREASE IN ASSETS		
Investment management and custodial fees	405	334
Transfer to Main Account - General Component (Note 1)	32,548	31,824
Total decrease in assets	32,953	32,158
(Decrease) increase in net assets	(3,484)	244,212
Net assets available for benefits at beginning of year	244,212	–
Net assets available for benefits at end of year	$ 240,728	$ 244,212

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN
PLAN MEMBERS' ACCOUNT - UNALLOCATED PORTION

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the years ended December 31

	2004 (000's)	2003 (000's)
INCREASE IN ASSETS		
Transfer of surplus from Main Account - General Component	$ –	$ 47,232
Investment income (Note 5)	252	290
Current period change in market value of investments	393	654
Total increase in assets	645	48,176
DECREASE IN ASSETS		
Investment management and custodial fees	11	10
Transfers to Plan Members' Account - Enhancement Cost Reserve	7,047	56,885
Total decrease in assets	7,058	56,895
(Decrease) in net assets	(6,413)	(8,719)
Net assets available for benefits at beginning of year	6,413	15,132
Net assets available for benefits at end of year	$ –	$ 6,413

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN
PLAN MEMBERS' ACCOUNT - ENHANCEMENT COST RESERVE

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the years ended December 31

	2004 (000's)	2003 (000's)
INCREASE IN ASSETS		
Transfers from Plan Members' Account - Unallocated Portion (Note 1)	$ 7,047	$ 56,885
Investment income (Note 5)	2,084	2,193
Current period change in market value of investments	3,241	4,950
Total increase in assets	12,372	64,028
DECREASE IN ASSETS		
Investment management and custodial fees	91	76
Transfer to Main Account - General Component (Note 1)	8,786	6,677
Total decrease in assets	8,877	6,753
Increase in net assets	3,495	57,275
Net assets available for benefits at beginning of year	57,275	–
Net assets available for benefits at end of year	$ 60,770	$ 57,275

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN
CITY ACCOUNT

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the years ended December 31

	2004 (000's)	2003 (000's)
INCREASE IN ASSETS		
Transfer of surplus from Main Account - General Component	$ –	$ 30,010
Investment income (Note 5)	4,649	4,840
Current period change in market value of investments	7,233	10,921
Total increase in assets	11,882	45,771
DECREASE IN ASSETS		
Investment management and custodial fees	204	168
Transfer to Main Account - General Component (Note 1)	11,712	13,528
Total decrease in assets	11,916	13,696
(Decrease) increase in net assets	(34)	32,075
Net assets available for benefits at beginning of year	123,855	91,780
Net assets available for benefits at end of year	$ 123,821	$ 123,855

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2004

1. Description of Plan

A) GENERAL

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

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

B) FINANCIAL STRUCTURE

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

i) Main Account – General Component

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

Members contribute 6 1/2% of their Canada Pension Plan earnings plus 7 1/2% of any pensionable earnings in excess of Canada Pension Plan earnings to the Program.

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

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

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

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

ii) Main Account – Future Contribution Reserve

The Future Contribution Reserve is credited with a portion of actuarial surpluses.

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

iii) Plan Members' Account – Unallocated Portion

The Plan Members' Account - Unallocated Portion is credited with the share of all actuarial surpluses that are allocated to the Program Members. The account will finance the past service cost of any benefit enhancements above the Program's 1999 benefits level, as well as any reduction in the Program Members' contribution rates below current rates.

iv) Plan Members' Account – Enhancement Cost Reserve

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

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

v) City Account

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

C) RETIREMENT PENSIONS

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

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

D) DISABILITY BENEFITS

The Plan provides long term disability benefits for employees who were totally or partially disabled prior to December 31, 1991. All long term disability benefits for employees who became totally or partially disabled subsequent to December 31, 1991 are provided by The Winnipeg Civic Employees' Long Term Disability Plan. If an employee is totally disabled, the disability benefits payable from the Plan, together with the disability benefits from the Canada Pension Plan, will equal at least 66 2/3% of the current earnings rate for the position occupied by the employee prior to becoming disabled.

E) SURVIVOR'S BENEFITS

The Plan provides survivor pensions or lump sum benefits on death prior to retirement. On death after retirement, eligible surviving spouses normally receive 66 2/3% of the Member's pension.

F) TERMINATION BENEFITS

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

G) VARIATION IN BENEFITS

The Pension Trust Agreement provides that Plan benefits may be increased using funds available in the Plan Members' Account - Unallocated Portion or may be reduced in the event of a funding deficiency.

H) ADMINISTRATION

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

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

2. Summary of Significant Accounting Policies

A) BASIS OF PRESENTATION

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

B) INVESTMENTS

Investments are stated at market value. Equity investments are valued using published closing market prices. Fixed income investments are valued using published mid-market quotations. The market value of the venture capital investments has been determined by the venture capital funds.

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 market value of investments and investment management and custodial fees are allocated between the Accounts and Reserves based on the average balance of each Account and Reserve during the year.

C) FOREIGN CURRENCY TRANSLATION

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

D) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

3. Obligations for Pension Benefits

An actuarial valuation of The Winnipeg Civic Employees' Benefits Program was made as of December 31, 2003 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Board of Trustees for purposes of preparing this note to the financial statements. The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term economic and investment market conditions. Significant long-term actuarial assumptions used in the valuation included a valuation interest rate of 6.25% per year, inflation of 2.25% per year and general increases in pay of 3.75% per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2003 disclosed an actuarial surplus of $5,922,000 which was allocated in 2004 in accordance with the Pension Trust Agreement.

The results of the December 31, 2003 actuarial valuation were extrapolated to December 31, 2004 to determine the actuarial present value of accrued benefits disclosed below. The actuarial present value of the Program's accrued benefits as at December 31, 2004, and the principal components of changes in actuarial present values during the year, were as follows:

	2004 (000's)	2003 (000's)
Actuarial present value of accrued benefits, beginning of year	$ 2,667,613	$ 2,548,679
Experience gains and losses and other factors	(17,408)	–
Changes in actuarial assumptions	(17,196)	–
Interest accrued on benefits	163,450	151,931
Benefits accrued	93,767	89,947
Benefits paid	(126,221)	(119,681)
Administrative expenses paid	(3,173)	(3,263)
Actuarial present value of accrued benefits, end of year	$ 2,760,832	$ 2,667,613

The actuarial present value of accrued benefits disclosed above includes the obligations of The Winnipeg Civic Employees' Long Term Disability Plan and The Winnipeg Civic Employees' Early Retirement Benefits Arrangement in the amounts of $60,259,000 and $2,839,000 respectively. These obligations are included because the Pension Trust Agreement requires that all Program obligations be taken into account in determining the periodic actuarial surplus or funding deficiency.

The assets available to finance the Program's accrued benefits are those allocated to the Main Account - General Component. To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets of the Main Account - General Component was determined from market values. The actuarial value placed on the assets smoothes out fluctuations in market values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years. The value of the assets of the Main Account – General Component on an actuarial basis were:

	2004 (000's)	2003 (000's)
Market value of net assets available for benefits	$ 2,770,270	$ 2,562,386
Market value changes not reflected in actuarial value of assets	(8,943)	76,545
Actuarial value of net assets available for benefits	$ 2,761,327	$ 2,638,931

A full actuarial valuation of the Program is being carried out as of December 31, 2004. Any actuarial surplus or funding deficiency disclosed in that valuation will be dealt with in accordance with the Pension Trust Agreement. It is not expected that this will result in changes to the contribution rates or benefit levels under the Program.

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

A) INTEREST RATE RISK

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

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

The Plan has approximately 43% of its assets invested in fixed income securities as at December 31, 2004. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related market values of investments in bonds and debentures held by the Plan at December 31, 2004 are as follows:

TERM TO MATURITY	Market Value (000's)
Less than one year	$ 85,530
Two to five years	442,667
Greater than five years	678,279
	$ 1,206,476

B) CREDIT RISK

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan. At December 31, 2004, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $1,368,798,000. The Plan's concentration of credit risk as at December 31, 2004, related to bonds and debentures, is categorized amongst the following types of issuers:

TYPE OF ISSUER	2004 Market Value (000's)	2003 Market Value (000's)
Government of Canada and Government of Canada guaranteed	$ 766,334	$ 777,159
Provincial and Provincial guaranteed	291,135	279,534
Canadian cities, municipalities, and other institutions	22,255	40,444
Corporations	126,752	113,597
	$ 1,206,476	$ 1,210,734

The Plan's investments include debentures and short-term deposits with the City of Winnipeg which have an aggregate market value of $178,319,000 at December 31, 2004.

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

C) FOREIGN CURRENCY RISK

Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. There were no open forward contracts outstanding at December 31, 2004 (2003 - $6,114,000).

As at December 31, 2004, the Plan's net foreign currency exposure was as follows:

	2004 Net Exposure (000's)	2003 Net Exposure (000's)
United States	$ 402,654	$ 390,346
Euro	96,522	69,754
United Kingdom	67,606	48,494
Japan	53,714	36,736
Switzerland	19,683	10,686
Australia	8,792	5,335
Other	61,948	49,517
	$ 710,919	$ 610,868

D) MARKET RISK

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

5. Investment Income

	2004 (000's)	2003 (000's)
Bonds and debentures	$ 81,943	$ 81,827
Canadian equities	18,777	19,471
Foreign equities	12,974	9,358
Cash and short term-deposits	2,489	1,912
	$ 116,183	$ 112,568
Allocated to:		
Main Account - General Component	$ 99,984	$ 95,607
Main Account - Future Contribution Reserve	9,214	9,638
Plan Members' Account - Unallocated Portion	252	290
Plan Members' Account - Enhancement Cost Reserve	2,084	2,193
City Account	4,649	4,840
	$ 116,183	$ 112,568

6. Administrative Expenses

	2004 (000's)	2003 (000's)
Salaries and benefits	$ 1,910	$ 1,960
Actuarial fees	445	497
Other professional services	846	818
Office and administration	530	505
Capital expenditures	43	44
Less: recoveries from other funds	(1,342)	(1,301)
	$ 2,432	$ 2,523

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.

long term disability plan

The
WINNIPEG
CIVIC EMPLOYEES'
LONG TERM DISABILITY PLAN

THE WINNIPEG CIVIC EMPLOYEES'

LONG TERM DISABILITY PLAN

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

All contributing members of The Winnipeg Civic Employees' Benefits Program are automatically members of the Long Term Disability Plan. Employee contributions to the Plan are not required. A portion of the Participating Employers' contributions to the Program are used to pay the benefits and expenses of the Long Term Disability Plan as they fall due.

Case Management

The Board of Trustees of The Winnipeg Civic Employees' Benefits Program promotes a systematic process that provides a consistent and equitable multi-disciplinary approach – referred to as Case Management - when dealing with disabled Program Members. Integral to this process is the belief that the disabled employee must maintain control of his or her situation and, in so doing, become an active participant in all facets of the Case Management process.

Unique to the Program, is the on-site guidance of a physician, vocational rehabilitation consultant and disability benefits manager (the Case Management Team). These professionals regularly liaise with the disabled employee's community treating practitioners and workplace, to facilitate rehabilitation and a work reintegration process.

The Case Management Team, along with the employee, the employing department, and, in most cases, the employee's union representative, ensures that a safe and goal-oriented rehabilitation plan is developed to meet the individual's unique needs. This process promotes open communication by all parties and allows for ongoing reassessment throughout the workplace reintegration trial.

External resources such as occupational therapists, physiotherapists and psychologists are utilized as required, in a timely and cost-effective manner. The roles of these external service providers are directly linked to a predetermined workplace reintegration plan.

Orthopaedic and psychological related illnesses continue to be the basis for the majority of claims being processed by the Plan. The complexities of the psychological illnesses in particular, provide ongoing challenges to the Plan, as well as significant financial impact.

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

Long Term Disability Plan Review

As part of its ongoing due diligence relative to the Long Term Disability Plan, the Board will undertake a comprehensive review of the Plan. The broad objectives of this review are to identify the strengths and weaknesses of the Plan and to benchmark the Plan's performance relative to disability plans of a similar nature within Canada. The review will incorporate an assessment of the broad categories of i) benefit provisions, ii) disability experience and costs, and iii) the Case Management approach. At year-end 2004, the Board was in the process of receiving proposals from consulting firms in response to its proposal call.

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

ACTIVITY SUMMARY

For The Years Ended December 31

	2004	2003	2002	2001	2000
Employees Receiving Disability Benefits	441	435	435	440	409
Employees Returning to Pre-Disability Duties	25	28	28	28	31
Employees Working in Alternate Duties	95	93	104	101	98
Employees Working in Other Placements	29	27	26	34	29
Cost Savings of Employees Returning to Alternate Work*	$ 1,049,740	$ 1,196,056	$ 1,121,073	$ 858,812	$ 782,820
Disability Benefits Paid	$ 7,163,000	$6,980,000	$ 6,717,000	$ 6,812,000	$ 4,822,000

* Amounts do not reflect savings of employees returning to pre-disability duties.

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

AUDITORS' REPORT

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

We have audited the statement of contributions and expenses of The Winnipeg Civic Employees' Long Term Disability Plan for the year ended December 31, 2004. The financial statement is the responsibility of the board's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, 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, 2004 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
March 29, 2005

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

STATEMENT OF CONTRIBUTIONS AND EXPENSES

For the years ended December 31

	2004 (000's)	2003 (000's)
CONTRIBUTIONS		
City of Winnipeg and participating employers	$ 7,904	$ 7,721
Total Contributions	7,904	7,721
EXPENSES		
Administration	741	741
Disability payments	7,163	6,980
Total Expenses	7,904	7,721
	$ –	$ –

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2004

1. Description of Plan

A) GENERAL

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

B) CONTRIBUTIONS

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

C) ELIGIBILITY

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

D) DISABILITY BENEFITS

The Plan provides long term disability benefits, following a six month waiting period, for employees who are totally or partially disabled. If an employee is totally disabled, the disability benefits payable from the Plan, together with the disability benefits from the Canada Pension Plan, will equal at least 66 2/3% of the current earnings rate for the position regularly occupied by the employee prior to becoming disabled.

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

E) ADMINISTRATION

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

2. Obligations for Long Term Disability Benefits

An actuarial valuation of The Winnipeg Civic Employees' Benefits Program was made as of December 31, 2003 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Board of Trustees for purposes of preparing this note to the financial statements. The valuation disclosed obligations related to The Winnipeg Civic Employees' Long Term Disability Plan in the amount of $53,315,000. Upon extrapolation to December 31, 2004, this obligation is estimated at $60,259,000.

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

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

group life insurance

The City of Winnipeg
EMPLOYEES'
GROUP LIFE INSURANCE PLAN

EMPLOYEES' GROUP LIFE INSURANCE PLAN

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

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

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

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

Total Plan membership for the Civic Employees has increased 1% over the past four years. The number of active members has declined 2% over this period, going from 8,212 at the end of 2000 to 8,023 at the end of 2004. The number of pensioners has grown 8% over this period, increasing from 3,877 at the end of 2000 to 4,187 at the end of 2004.

Total Plan membership for Police Employees has grown by 13% over the past four years. The number of active members has increased 3% over this period, going from 1,205 at the end of 2000 to 1,246 at the end of 2004. The number of police pensioners has grown substantially, going from 442 at the end of 2000 to 607 at the end of 2004, a 37% increase over the period.

The Civic Employees' Group Life Insurance Plan's actuarial valuation as at December 31, 2001 disclosed an actuarial surplus of $28,856,000 and a contingency reserve in the amount of $4,495,000. The surplus is being utilized to finance reductions to contribution rates of 50% for basic life insurance and 25% for optional life insurance for the Civic Employees' Group Life Insurance Plan.

The Police Employees' Group Life Insurance Plan's actuarial valuation as at December 31, 2002 disclosed an actuarial surplus of $5,101,000 and a contingency reserve in the amount of $925,000. The surplus is being utilized to finance reductions to contribution rates of 51% for basic life insurance and 25% for optional life insurance for the Police Employees' Group Life Insurance Plan.

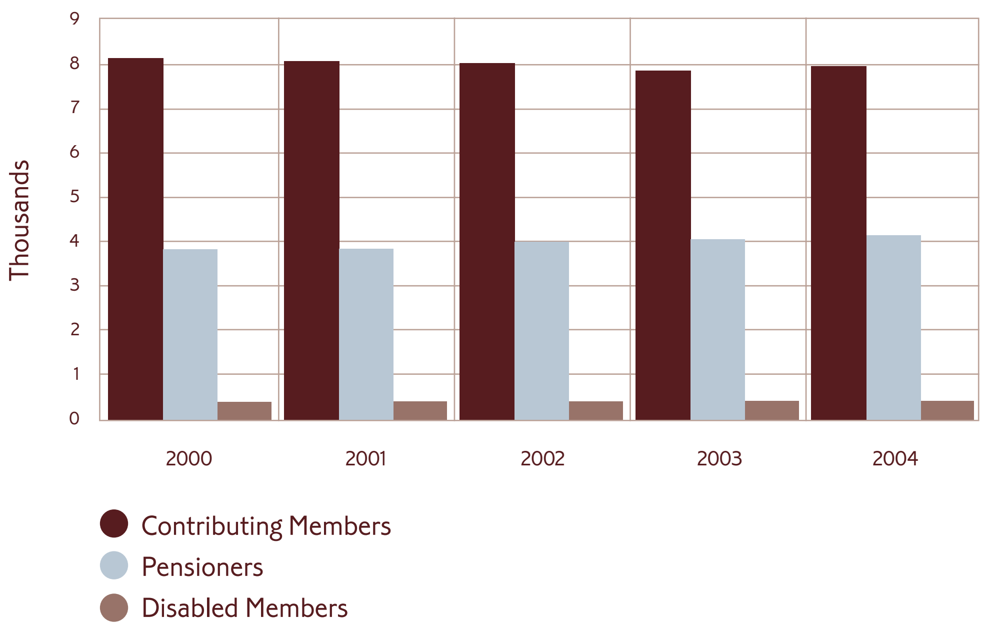
CITY OF WINNIPEG CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

SUMMARY OF PLAN MEMBERSHIP

	2004	2003	2002	2001	2000
MEMBERS					
Active Members	8,023	7,919	8,086	8,142	8,212
Disabled Members	435	435	431	433	418
Pensioners	4,187	4,104	4,044	3,893	3,877
TOTAL	12,645	12,458	12,561	12,468	12,507
DEATHS					
Active	18	16	18	11	18
Pensioners	145	144	128	148	132
LIFE INSURANCE IN FORCE (thousands)					
Basic	$738,691	$702,260	$680,240	$652,387	$647,616
Optional	183,655	179,594	175,340	166,290	167,627
Pensioners	104,292	99,291	96,586	92,418	89,335

CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

MEMBERSHIP PROFILE



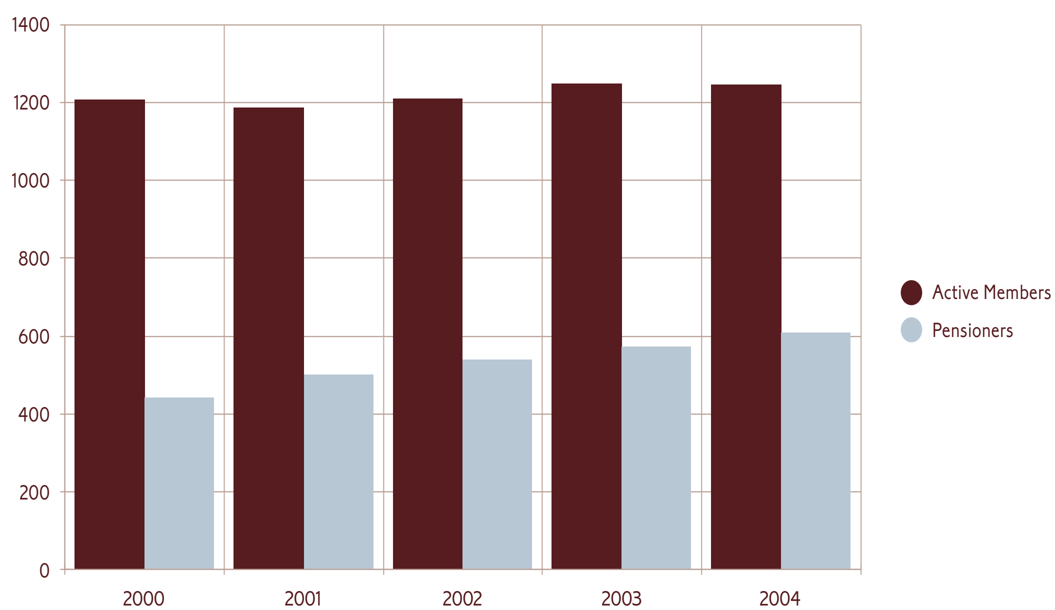
CITY OF WINNIPEG POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

SUMMARY OF PLAN MEMBERSHIP

	2004	2003	2002	2001	2000
MEMBERS					
Active Members	1,246	1,247	1,208	1,186	1,205
Pensioners	607	572	539	498	442
TOTAL	1,853	1,819	1,747	1,684	1,647
DEATHS					
Active	1	–	1	1	2
Pensioners	6	3	2	4	4
LIFE INSURANCE IN FORCE (thousands)					
Basic	$169,738	$157,181	$152,694	$141,820	$142,700
Optional	40,630	37,061	35,022	31,372	29,930
Pensioners	33,270	30,530	28,461	25,707	22,408

POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

MEMBERSHIP PROFILE



CITY OF WINNIPEG EMPLOYEES' GROUP LIFE INSURANCE PLAN

FIVE YEAR FINANCIAL SUMMARY

(thousands)	2004	2003	2002	2001	2000
Investments at Market					
Bonds and Debentures	$ 37,652	$ 34,238	$ 32,160	$ 31,410	$ 32,381
Real Return Bonds	760	679	628	569	585
Canadian Equities	43,525	37,668	29,820	33,691	35,089
Foreign Equities	21,512	19,610	17,655	21,505	20,306
Short-term Deposits	2,017	4,175	5,544	5,874	6,432
Other Liabilities	(383)	(411)	(486)	(132)	(455)
	$ 105,083	$ 95,959	$ 85,321	$ 92,917	$ 94,338
Net Assets					
Civic Employees	87,381	80,039	71,558	78,303	79,772
Police Employees	17,702	15,920	13,763	14,614	14,566
	$ 105,083	$ 95,959	$ 85,321	$ 92,917	$ 94,338

INCREASE IN CIVIC EMPLOYEES' NET ASSETS

	2004	2003	2002	2001	2000
Contributions					
City of Winnipeg*	$ 874	$ 838	$ 801	$ 783	$ 1,519
Employees	1,260	1,207	1,151	1,188	1,927
Pensioners	130	131	122	118	220
Investment Income (Loss)	8,984	10,230	(5,110)	(788)	6,539
	11,248	12,406	(3,036)	1,301	10,205
Decrease in Assets					
Actuarial Fees	–	54	60	20	40
Administration	101	90	83	67	68
Benefit Payments	3,489	3,500	3,282	2,439	3,135
Investment Management Fees	134	107	113	112	114
Risk Premium & Taxes	182	174	171	132	132
	3,906	3,925	3,709	2,770	3,489
Increase (Decrease) in Net Assets	$ 7,342	$ 8,481	$ (6,745)	$ (1,469)	$ 6,716
Annual Rates of Return	11.4%	14.5%	-6.6%	-1.0%	8.9%

INCREASE IN POLICE EMPLOYEES' NET ASSETS

	2004	2003	2002	2001	2000
Contributions					
City of Winnipeg	$ 174	$ 155	$ 154	$ 229	$ 264
Employees	220	189	193	269	304
Pensioners	28	26	24	38	40
Investment Income (Loss)	1,797	1,982	(948)	(145)	1,188
	2,219	2,352	(577)	391	1,796
DECREASE IN ASSETS					
Actuarial Fees	–	52	28	5	10
Administration	20	16	15	12	11
Benefit Payments	366	85	188	289	451
Investment Management Fees	27	21	21	20	21
Risk Premium & Taxes	24	21	22	17	7
	437	195	274	343	500
Increase (Decrease) in Net Assets	$ 1,782	$ 2,157	$ (851)	$ 48	$ 1,296
Annual Rates of Return	11.4%	14.5%	-6.6%	-1.0%	8.9%

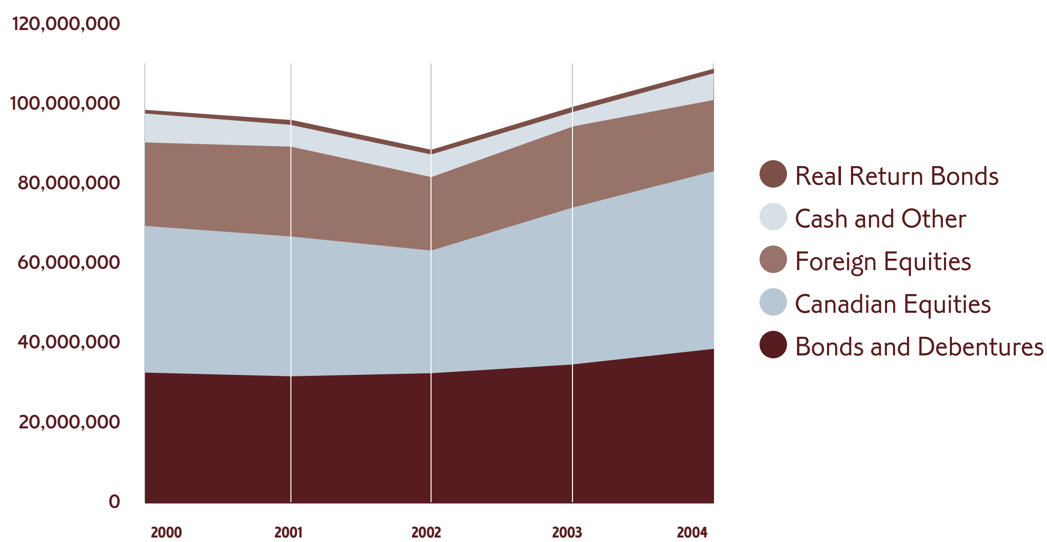
* Includes participating employers

REPORT FROM THE DIRECTOR OF INVESTMENTS

The responsibility for determining the asset mix of the Employees' Group Life Insurance Plan, within the parameters of the Plan's Statement of Investment Policies and Procedures, rests with the Investment Committee of The Board of Trustees of THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM. So too does the responsibility for recommending the selection or termination of various investment managers, and for monitoring the performance of these investment managers. The Plan utilizes external investment managers to manage the equity portfolios. The short-term investments and the bond portfolio, including real return bonds, are managed internally by Kirk Merlevede, Manager of Fixed Income Investments.

In 2004, the investment portfolio returned 11.4%. Stock markets globally rose in 2004 as consumer confidence and capital investment improved. After extraordinary returns in the financial markets in 1993 and negative returns in 1994, the years 1995 through 2000 experienced abnormally high real returns, followed by negative returns for 2001 and 2002. The Plan's four-year and ten-year annualized rates of return of 4.2% and 10.3%, respectively, place the Plan at the 64th percentile and 39th percentile ranking, respectively, of Canadian pension fund returns as measured by Benchmark, an independent measurement service. Recent performance has been adversely affected by having the Plan's equity portfolios biased in style by "growth" securities as opposed to "value" securities. For the last four years, "value" securities have outperformed "growth" securities significantly in a very challenging stock market environment.

EMPLOYEES' GROUP LIFE INSURANCE PLAN
INVESTMENTS

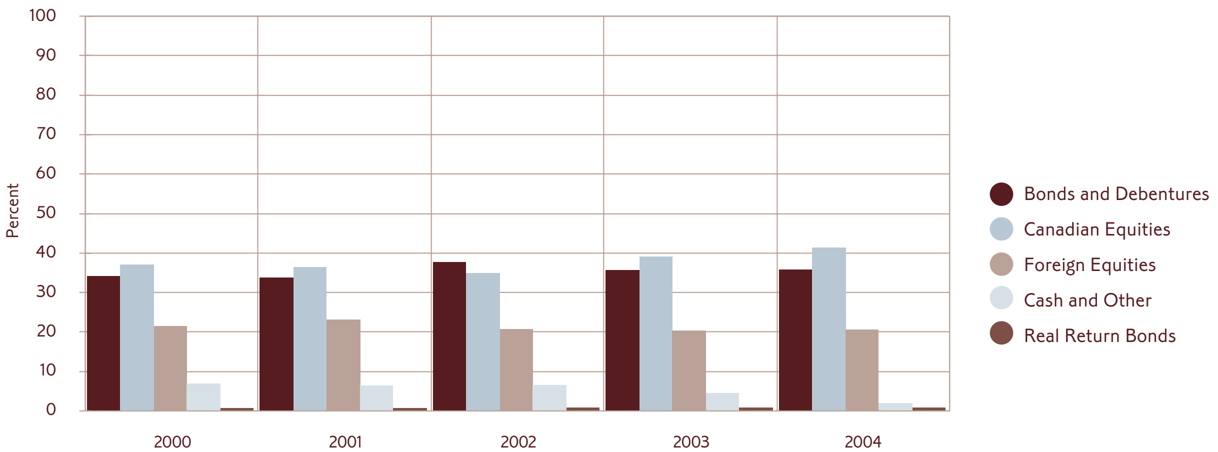


Asset Mix
As a result of appreciation in the equity markets, there was an increase in allocation to equity investments - from 60% of the portfolio at the beginning of the year to 62% at year-end. Money market investments decreased from 4.3% of assets at the beginning of the year to 1.9% at year-end as the outlook for the markets improved. An additional allocation of $500,000 was directed to the Plan's Non-North American equity position, thus increasing this asset allocation by approximately 0.8% to 8.9% of the portfolio.

Equity Investments
The Plan's Canadian Equity Managers outperformed the S&P/TSX Composite Index and the median pension fund in 2004 with a rate of return of 17.1%. The S&P/TSX Composite Index had a return of 14.5% in 2004 compared to a return of 26.7% in 2003.

The Plan's Foreign Equity Managers, collectively, achieved a rate of return of 7.1% in Canadian dollar terms in 2004. This return was marginally below the median due to below-median performance in U.S. equities. The U.S. market achieved a return of 3.3% in Canadian dollars, in 2004. Over the last ten years, the U.S. stock market has marginally outperformed the Canadian stock market. The Plan's Non-North American manager achieved a return of 14.6% in 2004. The Europe Australia Far East Index rose 12.0% which was reflective of improving foreign markets and relative strength in foreign currencies.

EMPLOYEES' GROUP LIFE INSURANCE PLAN
ASSET MIX



Fixed Income Investments

The Plan's bond portfolio achieved a rate of return of 8.4% in 2004. For the four- and ten-year periods ended December 31, 2004, the bond portfolio returned 7.8% and 10.4% annually, respectively, ranking first quartile for ten years.

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

Asset Mix Strategy for 2005

The Investment Committee anticipates maintaining the equity weighting in the portfolio at approximately 60% of the total portfolio. It intends, however, to increase the weighting of the Non-North American Equity portion by approximately 3%, thus improving the diversification of our fund and lessening risk. Correspondingly, the Canadian equity position will be reduced by 5%. By year-end 2005, it is anticipated that the portfolio will be weighted 60% equities, 39% fixed income, 1% short-term investments.

Rick Abbott
Director of Investments

TOTAL RETURNS

	One Year	Four Years	Ten Years
Total Fund	11.4%	4.2%	10.3%
Bonds and Debentures	8.4	7.8	10.4
Canadian Equities	17.1	6.0	12.4
Foreign Equities	7.1	-4.4	8.6
BENCHMARKS			
Scotia Capital Markets Universe Bond Index	7.2	7.7	9.0
S&P / TSX Composite Index	14.5	2.7	10.1
S&P 500	3.3	-5.7	10.4
Europe, Australia, Far East Stock Market Index	12.0	-3.1	4.0
Consumer Price Index	2.1	2.2	2.0

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

ACTUARIAL OPINION

Western Compensation & Benefits Consultants has performed an actuarial valuation of the Civic Employees' Group Life Insurance Plan as at December 31, 2001, relying on data and other information provided to us by the Employee Benefits Board. The results of the valuation are contained in our report dated October 30, 2002.

The principal results are as follows:

BASIC LIFE INSURANCE

The Civic Employees' Group Life Insurance Plan is fully funded and has an actuarial surplus of $28,856,000 after taking into account the actuarial liability associated with post-retirement basic life insurance benefits and a contingency reserve of 10% of the liability.

On the basis of the actuarial surplus and the estimated annual cost of the basic life insurance benefits, we recommend that the current 50% reduction in contribution rates, payable both by the Plan members (including pensioners) and by the participating employers for basic life insurance, be maintained over the period up to the next actuarial valuation.

The premium rates payable to Great-West Life can be reduced by approximately 7.6% for basic pre-retirement insurance coverage and by an average of about 4.5% for post-retirement insurance coverage.

OPTIONAL ADDITIONAL LIFE INSURANCE

We recommend that the current 25% reduction in contribution rates payable by the members for optional additional insurance be maintained over the period up to the next actuarial valuation.

The premium rates payable to Great-West Life for optional additional insurance can be reduced by approximately 25%.

We hereby certify that, in our opinion, the actuarial valuation and our report thereon presents fairly the actuarial position of the Civic Employees' Group Life Insurance Plan as at December 31, 2001 on the basis of the actuarial assumptions and valuation methods adopted. Our report has been prepared, and our opinion given, in accordance with accepted actuarial practice.

Donald M. Smith
Fellow of the Canadian Institute of Actuaries

Natalie F. Thompson
Fellow of the Canadian Institute of Actuaries

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

ACTUARIAL OPINION

Western Compensation & Benefits Consultants has performed an actuarial valuation of the Police Employees' Group Life Insurance Plan as at December 31, 2002, relying on data and other information provided to us by the Plan Administrator. The results of the valuation are contained in our report dated January 20, 2004.

The principal results are as follows:

BASIC LIFE INSURANCE

The Police Employees' Group Life Insurance Plan is fully funded and has an actuarial surplus of $5,101,000 after taking into account the actuarial liability associated with post-retirement basic life insurance benefits in respect of Plan membership up to December 31, 2002 and a contingency reserve of 10% of the liability.

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

OPTIONAL ADDITIONAL LIFE INSURANCE

We recommend that the current 25% reduction in contribution rates payable by members for optional additional life insurance be maintained over the period up to the next actuarial valuation.

We hereby certify that, in our opinion, the actuarial valuation and our report thereon presents fairly the actuarial position of the Police Employees' Group Life Insurance Plan as at December 31, 2002 on the basis of the actuarial assumptions and valuation methods adopted. Our report has been prepared, and our opinion given, in accordance with accepted actuarial practice.

Donald M. Smith
Fellow of the Canadian Institute of Actuaries

Natalie F. Thompson
Fellow of the Canadian Institute of Actuaries

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

AUDITORS' REPORT

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

We have audited the statement of net assets of the City of Winnipeg Employees' Group Life Insurance Plan as at December 31, 2004 and the statements of changes in net assets of the Civic Employees' and Police Employees' Group Life Insurance Plans for the year then ended. These financial statements are the responsibility of boards' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the City of Winnipeg Employees' Group Life Insurance Plan as at December 31, 2004 and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
March 29, 2005

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

STATEMENT OF NET ASSETS

As at December 31

	2004 (000's)	2003 (000's)
ASSETS		
Investments, at market		
Bonds and debentures	$ 38,096	$ 34,626
Canadian equities	43,525	37,668
Foreign equities	21,512	19,610
Short-term deposits	2,017	4,175
	105,150	96,079
Accrued interest	316	291
Accounts receivable	6	2
Total Assets	105,472	96,372
LIABILITIES		
Accounts payable	387	408
Due to The Winnipeg Civic Employees' Pension Plan	2	5
Total Liabilities	389	413
NET ASSETS	$ 105,083	$ 95,959
NET ASSETS COMPRISED OF:		
Civic Employees' (Note 3)	$ 87,381	$ 80,039
Police Employees' (Note 3)	17,702	15,920
	$ 105,083	$ 95,959

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	2004 (000's)	2003 (000's)
INCREASE IN ASSETS		
Contributions		
City of Winnipeg and participating employers	$ 874	$ 838
Employees - basic	876	841
Employees - optional	384	366
Pensioners	130	131
	2,264	2,176
Investment income	2,796	2,609
Current period change in market value of investments	6,188	7,621
Total increase in assets	11,248	12,406
DECREASE IN ASSETS		
Administration	101	90
Actuarial fees	–	54
Benefit payments	3,489	3,500
Investment management fees	134	107
Risk premium and taxes	182	174
Total decrease in assets	3,906	3,925
Increase in net assets	7,342	8,481
Net assets at beginning of year	80,039	71,558
Net assets at end of year	$ 87,381	$ 80,039

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	2004 (000's)	2003 (000's)
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	$ 174	$ 155
Employees - basic	174	155
Employees - optional	46	34
Pensioners	28	26
	422	370
Investment income	566	516
Current period change in market value of investments	1,231	1,466
Total increase in assets	2,219	2,352
DECREASE IN ASSETS		
Administration	20	16
Actuarial fees	–	52
Benefit payments	366	85
Investment management fees	27	21
Risk premium and taxes	24	21
Total decrease in assets	437	195
Increase in net assets	1,782	2,157
Net assets at beginning of year	15,920	13,763
Net assets at end of year	$ 17,702	$ 15,920

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2004

1. Description of Plan

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

A) CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

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

The Plan is administered by The Board of Trustees of THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM (Pension Fund). The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

B) POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

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

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

2. Summary of Significant Accounting Policies

A) BASIS OF PRESENTATION

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

B) INVESTMENTS

Investments are stated at market value. The fixed income investments are valued using published mid-market quotations. Equity investments are valued using published closing market prices. Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

C) FOREIGN CURRENCY TRANSLATION

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

D) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

3. Net Assets

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

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

An actuarial valuation of the Civic Employees' Group Life Insurance Plan was made as of December 31, 2001 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Board of Trustees for purposes of preparing this note to the financial statements. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long-term economic and investment market conditions. Significant long-term actuarial assumptions used in the valuation included a valuation interest rate of 6% per year and general increases in pay of 3.5% per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2001 disclosed an actuarial surplus of $28,856,000 and a contingency reserve in the amount of $4,495,000.

The results of the December 31, 2001 actuarial valuation were extrapolated to December 31, 2004 to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed below. The actuarial present value of post-retirement insurance benefits for the Civic Employees' Group Life Insurance Plan as at December 31, and the principal components of changes in actuarial present values during the year, were as follows:

	2004 (000's)	2003 (000's)
Actuarial present value of accrued benefits, beginning of year	$ 49,924	$ 47,670
Interest accrued on benefits	3,000	2,843
Benefits accrued	1,941	1,878
Benefits paid	(1,773)	(2,467)
Actuarial present value of accrued benefits, end of year	$ 53,092	$ 49,924

To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from market values. The actuarial value placed on the assets smoothes out fluctuations in market values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The value of the assets of the Civic Employees' Group Life Insurance Plan on an actuarial basis were:

	2004 (000's)	2003 (000's)
Market value of net assets available for benefits	$ 87,381	$ 80,039
Market value changes not reflected in actuarial value of assets	(1,685)	1,874
Actuarial value of net assets available for benefits	$ 85,696	$ 81,913

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

An actuarial valuation of the Police Employees' Group Life Insurance Plan was made as of December 31, 2002 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Winnipeg Police Pension Board for purposes of preparing this note to the financial statements. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions.

Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6% per year and general increases in pay of 3.5% per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2002 disclosed an actuarial surplus of $5,101,000 and a contingency reserve in the amount of $925,000.

The results of the December 31, 2002 actuarial valuation were extrapolated to December 31, 2004 to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed below. The actuarial present value of post-retirement insurance benefits for the Police Employees' Group Life Insurance Plan as at December 31, and the principal components of changes in actuarial present values during the year, were as follows:

	2004 (000's)	2003 (000's)
Actuarial present value of accrued benefits, beginning of year	$ 10,079	$ 8,846
Experience gains and losses and other factors	–	(29)
Changes in actuarial assumptions	–	436
Interest accrued on benefits	609	563
Benefits accrued	400	359
Benefits paid	(241)	(96)
Actuarial present value of accrued benefits, end of year	$ 10,847	$ 10,079

To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from market values. The actuarial value placed on the assets smoothes out fluctuations in market values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The value of the assets of the Police Employees' Group Life Insurance Plan on an actuarial basis were:

	2004 (000's)	2003 (000's)
Market value of net assets available for benefits	$ 17,702	$ 15,920
Market value changes not reflected in actuarial value of assets	(351)	355
Actuarial value of net assets available for benefits	$ 17,351	$ 16,275

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

A) INTEREST RATE RISK

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

The Plan's actuarial liabilities are exposed to the long term expectation of rates of return on investments as well as expectations of salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet the Plan's obligations.

The Plan has approximately 38% of its assets invested in fixed income securities as at December 31, 2004. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related market values of investments in bonds and debentures held by the Plan at December 31, 2004 are as follows:

TERM TO MATURITY	Market Value (000's)
Less than one year	$ 1,065
Two to five years	12,289
Greater than five years	24,742
	$ 38,096

B) CREDIT RISK

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan. At December 31, 2004, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $40,429,204. The Plan's concentration of credit risk as at December 31, 2004, related to bonds and debentures, is categorized amongst the following types of issuers:

TYPE OF ISSUER	2004 Market Value (000's)	2003 Market Value (000's)
Government of Canada and Government of Canada guaranteed	$ 29,242	$ 29,272
Provincial and Provincial guaranteed	3,863	1,973
Canadian cities, municipalities, and other institutions	515	–
Corporations	4,476	3,381
	$ 38,096	$ 34,626

The Plan's investments include short-term deposits with the City of Winnipeg which have a market value of $1,501,892 at December 31, 2004.

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

C) FOREIGN CURRENCY RISK

Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure. There were no open forward contracts outstanding at December 31, 2004 (2003 - $274,000). As at December 31, 2004, the Plan's net foreign currency exposure was as follows:

	2004 Net Exposure (000's)	2003 Net Exposure (000's)
United States	$ 12,119	$ 11,854
Euro	2,843	2,358
United Kingdom	2,351	1,750
Japan	1,053	780
Sweden	376	291
Korea	339	294
Australia	327	241
Other	2,104	1,768
	$ 21,512	$ 19,336

D) MARKET RISK

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

appendices

APPENDICES

INVESTMENT MANAGERS

As at December 31, 2004

Fixed Income

Kirk Merlevede, Manager of Fixed Income Investments

Canadian Equities

Burgundy Asset Management Ltd.
Foyston, Gordon and Payne Inc.
Guardian Capital L.P.
Phillips, Hager & North Investment Management Ltd.
TD Asset Management Inc.
UBS Global Asset Management
Richardson Financial Group (private equity)

US Equities

AllianceBernstein Institutional Investment Management
J.P. Morgan Investment Management Inc.
Provident Investment Counsel, Inc.
State Street Global Advisors, Ltd.

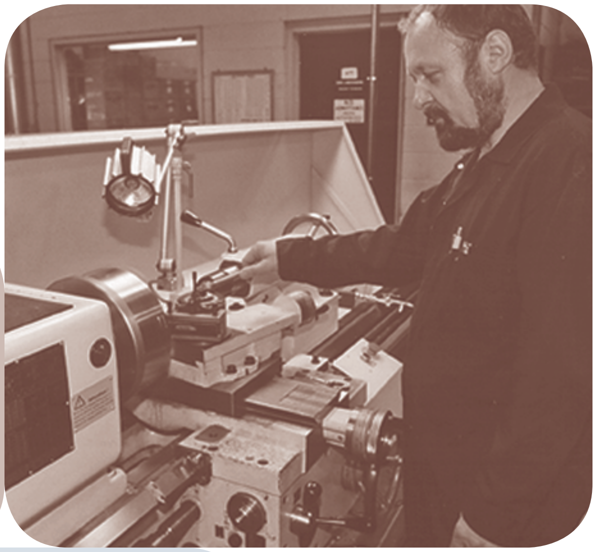
Non-North American Equities

Capital Guardian Trust Company
Franklin Templeton Investments Corp.

FIXED INCOME INVESTMENTS SUMMARY

As at December 31, 2004

Description	Maturity Date	($ thousands) Pension Plan Market Value	Group Life Market Value
Government of Canada bonds	2005-2023	$ 766,334	$ 29,242
Provincial bonds	2005-2024	291,135	3,863
Municipal bonds (excluding Winnipeg bonds)	2005-2008	2,007	515
City of Winnipeg bonds	2005	20,248	–
Corporate bonds	2005-2017	126,752	4,476
Accrued interest		4,241	316
Total bonds and debentures		$ 1,210,717	$ 38,412
Call funds - City of Winnipeg		$ 158,074	$ 1,505
Funds on deposit - Great-West Life		–	512
Cash		7	–
Total short-term investments		$ 158,081	$ 2,017



TOP 50 CORPORATE SHARE HOLDINGS

As at December 31, 2004

	($ thousands) Pension Plan Market Value	Group Life Market Value
Bank of Nova Scotia	51,909	1,932
Manulife Financial Corporation	49,368	2,276
EnCana Corporation	42,359	2,151
Toronto - Dominion Bank	42,354	1,676
Royal Bank of Canada	40,208	2,004
Suncor Energy, Inc.	29,750	1,724
Alcan Inc.	29,713	1,233
Bank of Montreal	28,389	1,146
Canadian Imperial Bank of Commerce	26,713	1,198
TELUS Corporation, NV	26,020	1,377
Canadian National Railway Company	19,869	1,192
Potash Corporation of Saskatchewan Inc.	18,855	1,200
Rogers Communications Inc., Class B	17,980	870
Power Financial Corporation	17,599	523
BCE Inc.	14,805	–
Loblaw Companies Limited	14,436	682
Magna International Inc., Class A, SV	13,912	540
Great-West Lifeco Inc.	13,287	899
The Thompson Corporation	11,912	598
Power Corporation of Canada, SV	11,558	640
Nortel Networks Corporation	11,465	616
Cameco Corp.	11,139	168
Sun Life Financial Services of Canada Inc.	10,637	–
Teck Cominco Limited, Class B, SV	10,443	316
Canadian Natural Resources Limited	10,353	–

	($ thousands) Pension Plan Market Value	Group Life Market Value
Research in Motion Limited	10,071	529
Husky Energy Inc.	9,992	98
Biovail Corporation	9,362	591
Jean Coutu Group PJC	9,137	404
Shoppers Drug Mart Corporation	8,631	101
Quebecor World Inc., SV	8,591	246
Petro-Canada	8,518	338
Finning International Inc.	8,440	82
Barrick Gold Corporation	7,959	105
Talisman Energy Inc.	7,464	–
Molson Inc., Class A, NV	7,146	–
Celestica Inc., SV	7,104	527
Inco Ltd.	6,170	113
Canfor Corporation	5,966	122
Masonite International Corporation	5,771	118
Citigroup Inc.	5,714	185
Vincor International Inc.	5,618	103
Canadian Tire Ltd., Class A, NV	5,616	–
Western Oil Sands Inc.	5,595	115
Open Text Corporation	5,484	83
General Electric Company	5,182	186
Torstar Corporation, Class B, NV	5,168	–
SNC - Lavalin Group Inc.	4,951	–
IGM Financial Inc.	4,921	–
Sherritt International Corporation, RV	4,916	101