WINNIPEG POLICE PENSION PLAN

2016

ANNUAL REPORT

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2016 ANNUAL REPORT

This annual report of the *Winnipeg Police Pension Plan* (the *Plan*), for the year ended December 31, 2016, contains audited financial statements of the *Plan* and highlights the activity of the *Winnipeg Police Pension Board* (the *Board*) as well as key operational activities in the year.

2016 AT A GLANCE

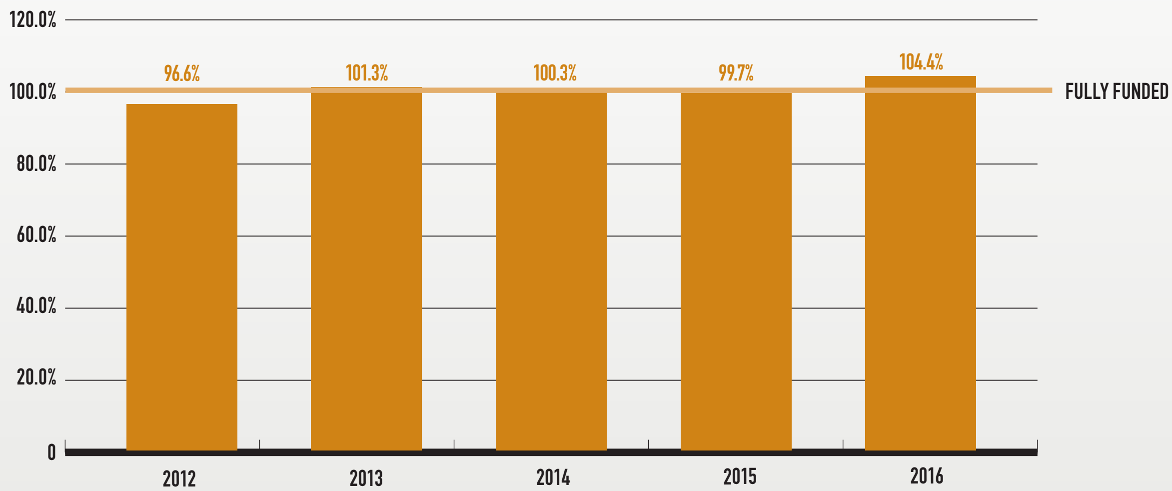
The *Plan* currently serves over 2,600 members (comprised of police officers, retired police officers, and other beneficiaries) with assets under management of over $1.4 billion.

FUNDED STATUS

Actuarial valuation results as at December 31, 2016 show that:

- The *Plan* had a surplus of "smoothed value" of assets versus going-concern liabilities of $55.6 million and a going-concern funded ratio of 104.4% (prior to resolution of the in-year surplus in the Main Account—General Component; refer to *Financial Status* section on page 4 for details).
- "Excess" investment returns (those that exceeded the assumed rate of investment return in 2013, 2014, 2015 and 2016) generated $41.0 million to be recognized in 2016 and a further $84.3 million to be recognized for actuarial valuation purposes in future years (through 2020), under the "asset smoothing" technique used by the *Plan*.

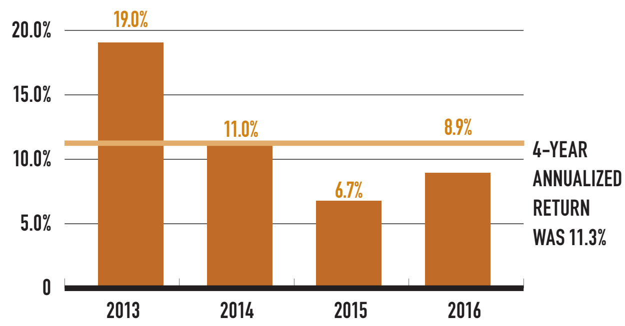
FUNDED RATIO BASED ON ACTUARIAL VALUE OF ASSETS



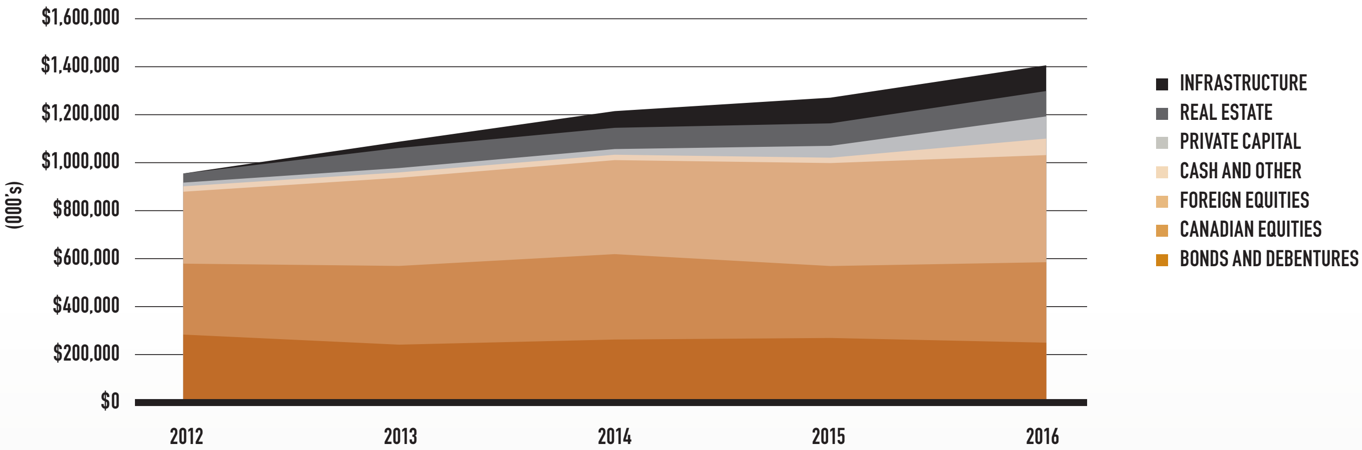
INVESTMENTS

The rate of return achieved by the *Plan's* investment portfolio was 8.9% in 2016, out-performing its benchmark portfolio by 0.6% (benchmark return of 8.3% as measured by RBC Investor Services, an independent measurement service). The *Plan's* performance ranked in the 1st quartile of large pension plans in Canada, ahead of the median Canadian pension fund return of 6.0% (as measured by RBC Investor Services).

ANNUAL INVESTMENT RETURN



ASSET MIX



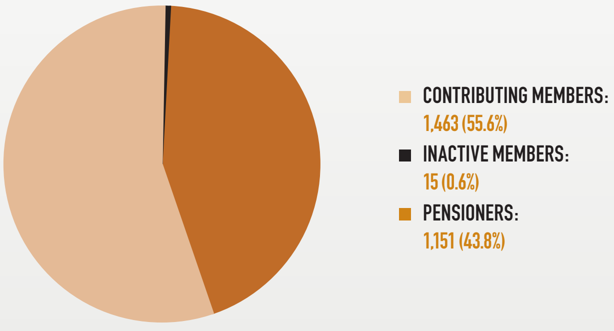
MEMBERSHIP

Total *Plan* membership remained roughly the same as in 2015. There were 38 retirements in 2016, and 37 new members joined the *Plan*. The ratio of contributing members to pensioners remained fairly constant.

MEMBERSHIP PROFILE

AS AT DECEMBER 31, 2016

TOTAL MEMBERS: 2,629



FINANCIAL POSITION

AS AT DECEMBER 31, 2016 (IN $ THOUSANDS)	FAIR VALUE	ACTUARIAL VALUE
Net assets available for benefits		
Main Account—General Component	$ 1,391,235	$ 1,306,934
Main Account—Contribution Stabilization Reserve	–	–
Plan Members' Account	12,361	12,361
City Account	–	–
	$ 1,403,596	$ 1,319,295
Plan Obligations	$ 1,263,728	$ 1,263,728
Funded Ratio	111.1%	104.4%

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

COST OF BENEFITS FOR SERVICE IN 2017

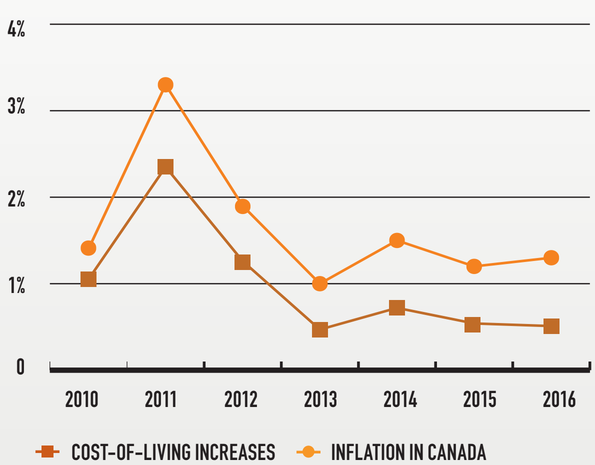
	AS % OF CONTRIBUTORY EARNINGS
Normal actuarial cost of benefits in 2017 (Expected)	**26.78%**
Employee required contributions	8.00%
City of Winnipeg required contributions	17.88%
Balance from future surplus or COLA reduction	0.90%
	26.78%

COST-OF-LIVING ADJUSTMENTS

The *Winnipeg Police Pension Plan* provides for annual cost-of-living adjustments (COLA) to both pensions in payment and deferred pensions.

The level of COLA granted is tied to the funded status of the *Plan*. In 2016, COLA was granted at a rate of 39.5% of the annual increase in Canada's Consumer Price Index at March 31.

COST-OF-LIVING INCREASES



FINANCIAL STATUS

GOING-CONCERN BASIS

The most recent actuarial valuation of the *Winnipeg Police Pension Plan*, as at December 31, 2016, disclosed that, measured on a going-concern basis (which assumes the *Plan* will continue to exist into the future), the *Plan* was in a surplus position with respect to benefits accrued for all service up to December 31, 2016. At that date, the *Plan* had an excess of assets versus actuarial liabilities of $55,567,000—a funded ratio of 104.4%—based on the value of assets which smooths investment gains and losses over five years. If the *fair* value of assets had been used instead of the *smoothed* value, there would have been an excess of $139,868,000—which would have resulted in a funded ratio of 111.1% on a *fair* value basis. The application of an actuarial "asset smoothing" technique has been used by the *Plan* for many years.

The *Plan's* actuarial position, as at December 31, 2016, benefitted from significant investment experience gains. The *Plan's* investment portfolio achieved a rate of investment return of 8.9%. The "excess" investment returns (those that exceeded the net rate of return assumed for actuarial purposes in 2016), together with unrecognized investment market gains from 2013, 2014 and 2015, generated "excess" investment returns of $41,033,000 to be recognized in 2016, and a further $84,301,000 to be recognized for actuarial valuation purposes in future years (through 2020) under the "asset smoothing" technique used by the *Plan*.

The actuarial valuation revealed an in-year actuarial surplus of $43,206,000 in the Main Account—General Component related to calendar year 2016 operations. The 2016 actuarial surplus was allocated, in accordance with the terms of the *Plan*, by transferring $206,000 to the City Account, by transferring $21,500,000 from the Main Account—General Component to the Main Account—Contribution Stabilization Reserve, and by increasing the rate of future cost-of-living adjustments from 39.5% to 46.7% of the annual percentage increase in Canada's Consumer Price Index (which resulted in a corresponding increase in obligations for pension benefits of $21,500,000, effective January 1, 2017).

CURRENT SERVICE COST

The current service cost of the benefits expected to be earned under the *Plan* for service in 2017 is 26.78% of contributory earnings. Currently, the employee share of annual contributions equals 8% of contributory earnings. The City of Winnipeg's required contributions in 2017 are 17.88% of contributory earnings. The balance of 0.90% of contributory earnings is expected to be financed from available reserves, if any, future actuarial surplus or future reductions in cost-of-living adjustments.

SOLVENCY BASIS

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

The *Plan* is required to submit an actuarial valuation report to the Regulators (Manitoba Pension Commission and Canada Revenue Agency) at least every three years (annually if the *Plan's* solvency ratio is less than 90%). The funding requirements related to the *Plan's* solvency position under the *Pension Benefits Regulation* are now based on the December 31, 2016 actuarial valuation.

The solvency valuation of the *Plan*, as at December 31, 2016, disclosed that the *Plan* had a solvency ratio of 97.1% (excludes amount secured by Letter of Credit). This valuation disclosed solvency liabilities measured on a *Plan* termination basis of $1,431,314,000 and a solvency deficiency of $9,553,000, after taking into account the amount secured by the existing Letter of Credit.

The *Pension Benefits Regulation* provides that an irrevocable letter of credit may be used to secure some or all of the special payments that would otherwise be required from the City of Winnipeg. In 2016, the City of Winnipeg provided a renewed irrevocable letter of credit from a chartered bank to the *Winnipeg Police Pension Board* (in trust for the *Plan*) in the amount of $28,962,000, together with applicable interest as required under the *Regulation*. The Letter of Credit took effect from October 27, 2016 and as of December 31, 2016, it secured special payments that would otherwise be required from the City of Winnipeg in the amount of $32,426,000. The Letter of Credit is due to expire on October 26, 2017.

The City of Winnipeg has informed the *Winnipeg Police Pension Board* that it will be arranging for renewal of the existing irrevocable Letter of Credit to be held by the *Winnipeg Police Pension Board* in lieu of making special payments, together with applicable interest as required under the *Regulation*. The renewed Letter of Credit is expected to take effect in October 2017, and must be renewed annually thereafter until such time as the *Plan* no longer has a solvency deficiency or the City of Winnipeg has made all payments required under the *Regulation*.

INVESTMENTS

Additional allocations were made to real estate, real estate debt, infrastructure debt, and private corporate debt in 2016. Strong Canadian equity markets lead to an increase in the *Plan's* exposure to Canadian equities, while the *Plan's* fixed income exposure was lower.

The *Plan* utilizes external investment managers to manage all asset classes and portfolios.

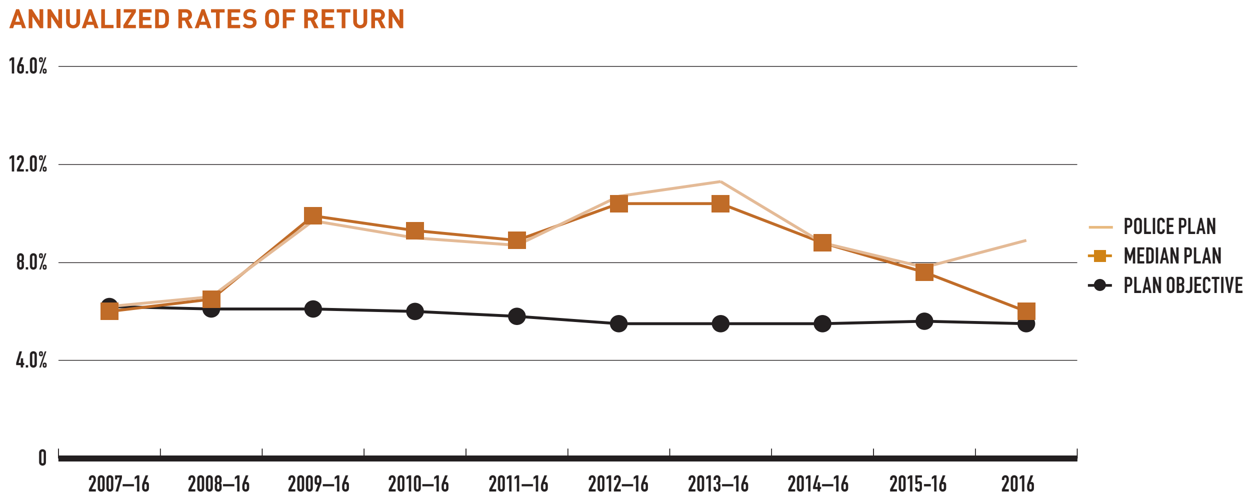
There were five new additions to the *Plan's* investment manager lineup during 2016. New capital was allocated to four managers, including Brookfield Infrastructure Debt and IAM Private Debt Group in the infrastructure debt category, and Northleaf Capital Partners and Golub Capital in the *Plan's* Private Capital (debt) allocation. A fifth manager was added as the result of a manager replacement that occurred during 2016. Franklin Templeton was terminated as the *Plan's* Global Small Cap manager and replaced by Hillsdale Investment Management Inc.

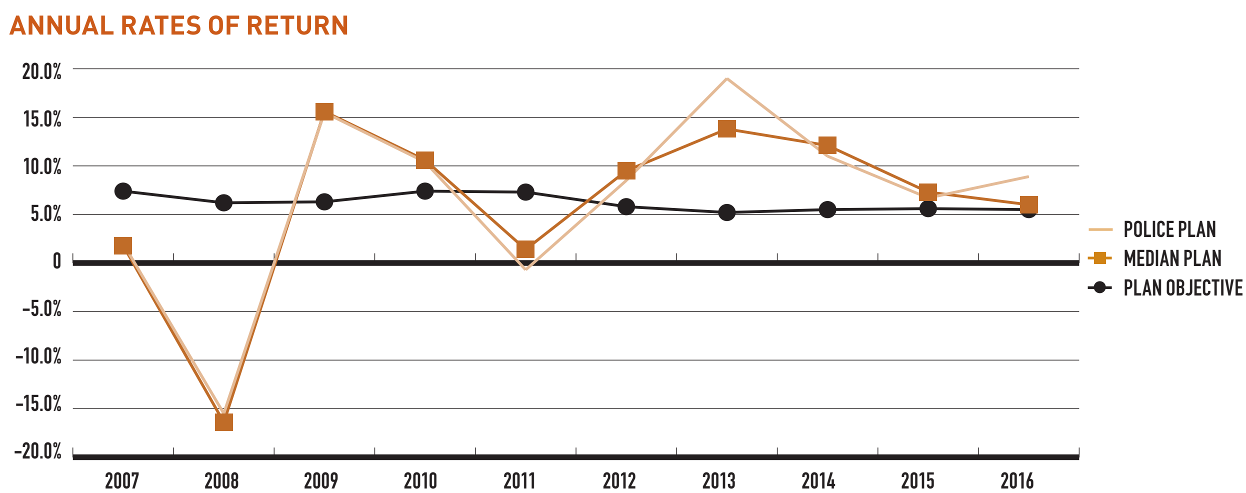
Additional capital was also directed to existing investments in the Brookfield Real Estate Debt Fund IV, Neuberger Berman Private Debt Funds I & II, and the Bentall Kennedy Real Estate Fund. The *Plan* continues to search for managers to fulfill its allocation targets in the alternative asset classes.

PORTFOLIO PERFORMANCE SUMMARY

The *Plan's* investment portfolio delivered a rate of return of 8.9% in 2016, representing the fifth consecutive year of positive returns. This performance exceeded both the median Canadian pension fund return of 6.0% (ranking in the 18th percentile among large pension funds in Canada), and its benchmark return of 8.3% (as measured by RBC Investor Services, an independent measurement service). The *Plan* also beat its objective of the Consumer Price Index (CPI) + 4.0% (equal to 5.5%).

The *Plan's* four-year annualized rate of return was 11.3%, while on a ten-year basis, the investment portfolio's return was equal to the *Plan's* CPI+4% objective of 6.2%. This resulted in rankings at the 21st and 41st percentile of Canadian pension funds, for the respective time frames.





INVESTMENT COMMITTEE

The *Winnipeg Police Pension Board* delegates the following responsibilities to the Investment Committee of *The Winnipeg Civic Employees' Benefits Program*:

- Determining and maintaining the *Plan's* asset mix, within the parameters of the *Plan's Statement of Investment Policies and Procedures*, as approved by the *Board*
- Recommending the selection or termination of various investment managers
- Monitoring the performance of these investment managers

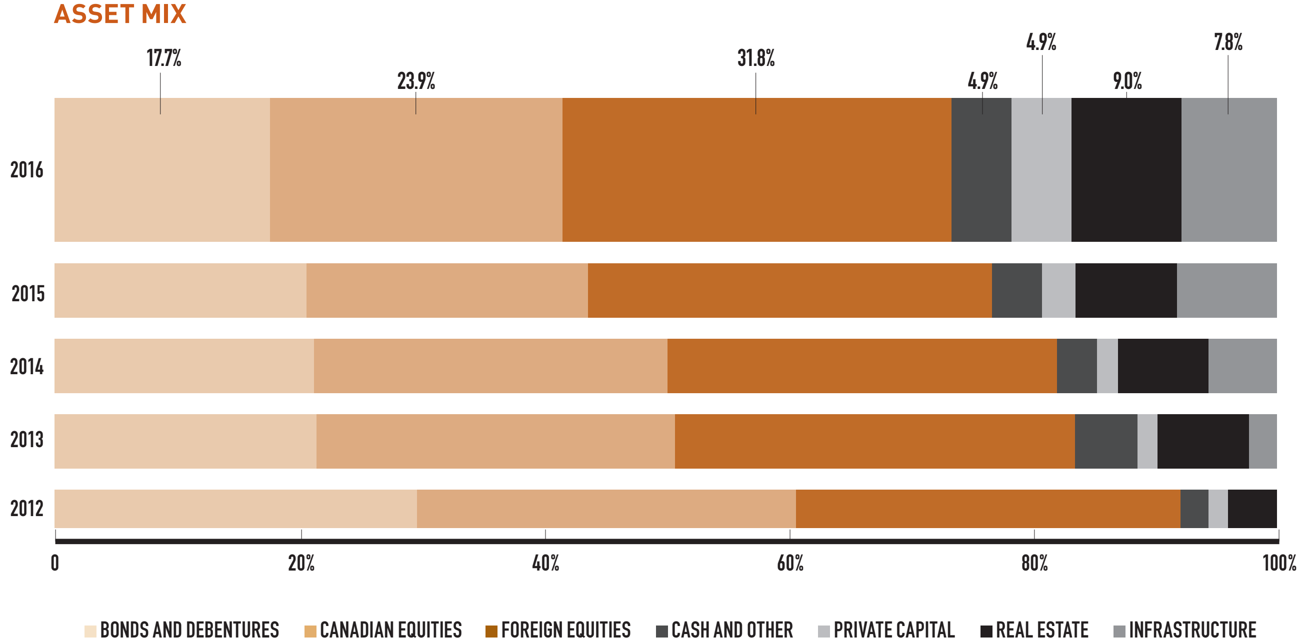
ASSET MIX

The *Plan* continued its move towards its *long term policy asset mix* by transitioning assets from equities and bonds into real estate, real estate debt, infrastructure debt, and private corporate debt during 2016. As a result, the *Plan's* allocation to Canadian fixed income decreased from 20.7% to 17.7%. However, due to strong performance of the *Plan's* Canadian equity allocation, it actually increased from 23.0% to 23.9% of *Plan* assets. Real estate, global infrastructure, and private capital now represent 9.0%, 7.8%, and 4.9% of the *Plan's* investment portfolio, respectively. Cash increased during the year to 4.9% (from 4.1%).

ASSET MIX

	2016	2015	2014	2013	2012
Bonds and debentures	17.7%	20.7%	21.3%	21.5%	29.7%
Canadian equities	23.9%	23.0%	28.9%	29.3%	31.0%
Foreign equities	31.8%	33.0%	31.8%	32.7%	31.4%
Cash and other	4.9%	4.1%	3.3%	5.1%	2.3%
Private capital	4.9%	2.7%	1.7%	1.6%	1.6%
Real estate	9.0%	8.3%	7.4%	7.5%	4.0%
Infrastructure	7.8%	8.2%	5.6%	2.3%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

ASSET MIX



INVESTMENTS

EQUITY INVESTMENTS

In 2016, the *Plan's* Canadian equity managers performed very well, delivering a combined return of 25.0%, beating both the median pension fund return of 21.2% and the S&P/TSX Composite Index return of 21.1%. This performance ranked our Canadian equity assets in the 1st quartile of large Canadian pension funds.

The *Plan's* foreign equity managers, collectively, achieved a return of 4.2% in Canadian dollar terms for 2016, placing the group in the 3rd quartile of large Canadian pension funds, but ahead of the benchmark (50% S&P 500 [CAD], 50% MSCI Europe, Australasia, Far East [CAD] Index) return of 2.8%.

The *Plan's* US equity managers achieved a return of 8.0%, in Canadian dollars, outperforming the median large Canadian pension fund return of 7.5%, but trailing the S&P 500 (CAD) Index return of 8.1%.

The *Plan's* Non-North American equity managers achieved a collective return of 0.4%, ahead of the MSCI Europe, Australasia, Far East (CAD) Index return of -2.5%, but below the median large Canadian pension fund return of 1.8%.

FIXED INCOME INVESTMENTS

The *Plan's* bond portfolio achieved a return of 2.4% in 2016, underperforming both the median large Canadian pension fund return of 3.0%, and the benchmark (40% DEX Universe Bond Index, 60% DEX Long Bond Index) return of 2.6%. For the four- and ten-year periods ended December 31, 2016, the bond portfolio returned 4.0% and 4.9%, respectively.

ALTERNATIVE INVESTMENTS

The *Plan's* allocation to alternative asset classes experienced decent local market returns in 2016, but the returns for infrastructure and private capital were reduced after taking into account a weak US dollar. More specifically, real estate returned 6.2%, out-performing the IPD Canadian Property Index by 0.3%, while the *Plan's* infrastructure and private capital investments returned 5.4% and 1.9%, respectively.

BONDS AND SHORT-TERM INVESTMENTS SUMMARY

AS AT DECEMBER 31, 2016

(IN $ THOUSANDS)		PENSION PLAN MARKET VALUE
Government of Canada bonds	$	51,147
Provincial bonds		86,479
Municipal bonds		9,197
Corporate and other institutions' bonds		102,747
Total bonds and debentures	$	249,570
Call funds—City of Winnipeg	$	44,364
Cash		24,340
Total short-term investments	$	68,704

TOTAL RETURNS

	ONE YEAR	FOUR YEARS	TEN YEARS
Total Fund	**8.9%**	**11.3%**	**6.2%**
Bonds and debentures	2.4%	4.1%	4.9%
Canadian equities	25.0%	10.3%	5.8%
Foreign equities	4.2%	18.8%	6.2%
Private capital	1.9%	18.5%	N/A
Real estate	6.2%	7.3%	N/A
Infrastructure	5.4%	N/A	N/A
Benchmarks			
Plan Benchmark*	8.3%	10.1%	N/A
FTSE TMX Canada Universe Index	1.7%	3.1%	4.8%
S&P / TSX Composite Index	21.1%	8.5%	4.7%
S&P 500 (CAD$)	8.1%	23.2%	8.5%
Europe, Australasia, Far East Stock Market Index (CAD$)	-2.5%	12.0%	2.2%
Private Placements Benchmark	11.1%	26.2%	N/A
IPD Canadian Property Index	5.9%	7.8%	0.0%
Infrastructure Benchmark	6.5%	N/A	N/A
Consumer Price Index (CPI)	1.5%	1.5%	1.6%

*Plan Benchmark is comprised of indices considered appropriate for each applicable asset class, each weighted in proportion to the *Plan's* asset allocation.

ASSET MIX STRATEGY FOR 2017

The *Winnipeg Police Pension Board* undertook an Asset-Liability Study in 2016. These studies are undertaken from time to time to determine if any changes are warranted to the *long term policy asset mix*. The results of the Study, delivered to the *Board* in December 2016, are expected to flow through to the policy level in 2017. Based on the results, it is anticipated that the move to alternative assets will continue, with additional allocations to global infrastructure and private debt, and reduced allocations to Canadian equity and fixed income.

ACTUARIAL OPINION

AS AT DECEMBER 31, 2016

Eckler Ltd. has conducted an actuarial valuation of the *Winnipeg Police Pension Plan* as at December 31, 2016. We have relied on data and other information provided to us by staff of *The Winnipeg Civic Employees' Benefits Program*. The results of the valuation and a summary of the data and assumptions used are contained in our Report on the Actuarial Valuation of the *Winnipeg Police Pension Plan* as at December 31, 2016, dated June 12, 2017.

The principal results of the valuation are as follows:

ACTUARIAL POSITION

The *Plan* is fully funded on a going concern basis in respect of benefits earned for service up to December 31, 2016 and has an excess of the smoothed value of assets over actuarial liabilities of $55,567,000 as at that date, on the basis of the assumptions and methods described in our report. Of this excess, $12,361,000 has been previously allocated to the Plan Members' Account resulting in a net excess of $43,206,000. In accordance with the terms of the *Plan*, the remaining excess will be allocated by transferring $206,000 from the General Component of the Main Account to the City Account, $21,500,000 from the General Component of the Main Account to the Contribution Stabilization Reserve, and increasing the level of cost-of-living adjustments from 39.5% to 46.7% of the annual percentage change in the Consumer Price Index (CPI) to provide a $21,500,000 increase in the actuarial liabilities.

In accordance with the Regulations of the *Pension Benefits Act* (Manitoba), an irrevocable letter of credit was put in place in 2013 to meet the minimum solvency funding requirements outlined in the December 31, 2012 actuarial valuation. The letter of credit has been maintained and the amount secured for the period from December 30, 2016 to January 29, 2017 was $32,426,494.

The City of Winnipeg has informed the *Winnipeg Police Pension Board* that it will be arranging for renewal of the irrevocable letter of credit to be held by the *Winnipeg Police Pension Board* in the amount of $32,426,494 together with any applicable interest as required under the Regulation. The renewed letter of credit is expected to take effect in October 2017 with a value of $34,571,185, and must be renewed annually thereafter until such time as the *Plan* no longer has a solvency deficiency or the City of Winnipeg has made all payments required under the Regulation.

COST OF BENEFITS FOR SERVICE IN 2017

The current service cost of the benefits expected to be earned under the *Plan* for service in 2017 is 26.78% of contributory earnings. This cost is expected to be financed by employee contributions of 8.0% of contributory earnings, City contributions of 17.88% of contributory earnings, with the balance of 0.90% of contributory earnings financed from available reserves, future actuarial surplus or future reductions in cost-of-living adjustments.

In our opinion, with respect to the going concern valuation and solvency valuation:

- the membership data on which the valuation is based are sufficient and reliable for the purposes of the valuations,
- the assumptions are appropriate for the purposes of the valuations, and
- the methods employed in the valuations are appropriate for the purposes of the valuations.

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

Our report has been prepared in a manner consistent with the recommendations for the preparation of actuarial valuation reports issued by the Canadian Institute of Actuaries and in accordance with the funding and solvency standards set by the *Pension Benefits Act* (Manitoba).

Andrew Kulyk
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

Simon Deschênes
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

INDEPENDENT AUDITOR'S REPORT

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

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

We have audited the accompanying financial statements of the *Winnipeg Police Pension Plan*, which comprise the statement of financial position as at December 31, 2016 and the statement of changes in net assets available for benefits, changes in pension obligations and changes in surplus for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the *Winnipeg Police Pension Plan* as at December 31, 2016, and the changes in its net assets available for benefits, changes in its pension obligations and changes in surplus for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Professional Accountants

JUNE 19, 2017

WINNIPEG, MANITOBA

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31 (IN $ THOUSANDS)	2016	2015
ASSETS		
Investments, at fair value		
Bonds and debentures	$ 249,570	$ 269,172
Canadian equities	335,430	299,883
Foreign equities	446,517	429,239
Cash and short-term deposits	68,704	53,364
Private equities	24,165	24,468
Real estate	105,674	93,741
Infrastructure	107,251	107,069
Private debt	44,792	10,007
Real estate debt	20,889	14,872
Infrastructure Debt	2,844	–
	1,405,836	1,301,815
Participants' contributions receivable	3	5
Employers' contributions receivable	–	9
Accounts receivable	735	558
Due from *The Winnipeg Civic Employees' Pension Plan*	16	21
Total Assets	1,406,590	1,302,408
LIABILITIES		
Accounts payable	2,994	2,117
Total Liabilities	2,994	2,117
NET ASSETS AVAILABLE FOR BENEFITS	1,403,596	1,300,291
PENSION OBLIGATIONS	1,263,728	1,222,646
SURPLUS	$ 139,868	$ 77,645
SURPLUS COMPRISED OF:		
Main Account—General Component	$ 127,507	$ 66,260
Plan Members' Account	12,361	11,385
	$ 139,868	$ 77,645

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

	2016	2015
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	$ 28,655	$ 24,080
Employees	12,883	12,426
Reciprocal transfers from other plans	519	347
	42,057	36,853
Investment income (Note 5)	37,880	35,243
Current period change in fair value of investments	78,028	47,973
Total increase in assets	157,965	120,069
DECREASE IN ASSETS		
Pension payments	47,172	45,097
Lump sum benefits (Note 7)	1,631	1,174
Administrative expenses (Note 8)	1,073	908
Investment management and custodial fees	4,784	4,468
Total decrease in assets	54,660	51,647
Increase in net assets	103,305	68,422
Net assets available for benefits at beginning of year	1,300,291	1,231,869
Net assets available for benefits at end of year	$ 1,403,596	$ 1,300,291

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

	2016	2015
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	$ 1,222,646	$ 1,128,967
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	66,215	64,259
Benefits accrued	42,689	39,557
Changes in actuarial assumptions	–	38,876
Total increase in accrued pension benefits	108,904	142,692
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	48,802	46,271
Experience gains and losses and other factors	2,808	1,736
Changes in actuarial assumptions	15,128	–
Administration expenses	1,084	1,006
Total decrease in accrued pension benefits	67,822	49,013
NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR	41,082	93,679
ACCRUED PENSION BENEFITS, END OF YEAR	$ 1,263,728	$ 1,222,646

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF CHANGES IN SURPLUS

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

	2016	2015
SURPLUS, BEGINNING OF YEAR	$ 77,645	$ 102,902
Increase in net assets available for benefits for the year	103,305	68,422
Increase in accrued pension benefits for the year	(41,082)	(93,679)
SURPLUS, END OF YEAR	$ 139,868	$ 77,645

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

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

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

2016	MAIN ACCOUNT– GENERAL COMPONENT	MAIN ACCOUNT– CONTRIBUTION STABILIZATION RESERVE	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
INCREASE IN ASSETS					
Contributions					
The City of Winnipeg	$ 28,655	$ –	$ –	$ –	$ 28,655
Employees	12,883	–	–	–	12,883
Reciprocal transfers from other plans	519	–	–	–	519
	42,057	–	–	–	42,057
Investment income (Note 5)	37,547	–	333	–	37,880
Current period change in fair value of investments	77,343	–	685	–	78,028
Total increase (decrease) in assets	156,947	–	1,018	–	157,965
DECREASE IN ASSETS					
Pension payments	47,172	–	–	–	47,172
Lump sum benefits (Note 7)	1,631	–	–	–	1,631
Administrative expenses (Note 8)	1,073	–	–	–	1,073
Investment management and custodial fees	4,742	–	42	–	4,784
Total decrease in assets	54,618	–	42	–	54,660
Increase in net assets	102,329	–	976	–	103,305
Net assets available for benefits at beginning of year	1,288,906	–	11,385	–	1,300,291
Net assets available for benefits at end of year	$ 1,391,235	$ –	$ 12,361	$ –	$ 1,403,596

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

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

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS) 2015

	MAIN ACCOUNT— GENERAL COMPONENT	MAIN ACCOUNT— CONTRIBUTION STABILIZATION RESERVE	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
INCREASE IN ASSETS					
Contributions					
The City of Winnipeg	$ 24,080	$ –	$ –	$ –	$ 24,080
Employees	12,426	–	–	–	12,426
Reciprocal transfers from other plans	347	–	–	–	347
	36,853	–	–	–	36,853
Investment income (Note 5)	34,936	–	307	–	35,243
Current period change in fair value of investments	47,554	–	419	–	47,973
Transfer from Contribution Stabilization Reserve – Resolution of funding deficiency (Note 3)	1,918	(1,918)	–	–	–
Transfer from City Account – Resolution of funding deficiency (Note 3)	20	–	–	(20)	–
Total increase (decrease) in assets	121,281	(1,918)	726	(20)	120,069
DECREASE IN ASSETS					
Pension payments	45,097	–	–	–	45,097
Lump sum benefits (Note 7)	1,174	–	–	–	1,174
Administrative expenses (Note 8)	908	–	–	–	908
Investment management and custodial fees	4,429	–	39	–	4,468
Total decrease in assets	51,608	–	39	–	51,647
Increase (decrease) in net assets	69,673	(1,918)	687	(20)	68,422
Net assets available for benefits at beginning of year	1,219,233	1,918	10,698	20	1,231,869
Net assets available for benefits at end of year	$ 1,288,906	$ –	$ 11,385	$ –	$ 1,300,291

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

SCHEDULE 3: SCHEDULE OF CHANGES IN SURPLUS BY ACCOUNT

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS) 2016

	MAIN ACCOUNT– GENERAL COMPONENT	MAIN ACCOUNT– CONTRIBUTION STABILIZATION RESERVE	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
SURPLUS, BEGINNING OF YEAR	$ 66,260	$ –	$ 11,385	$ –	$ 77,645
Increase in net assets available for benefits for the year	102,329	–	976	–	103,305
Net increase in accrued pension benefits for the year	(41,082)	–	–	–	(41,082)
SURPLUS, END OF YEAR	$ 127,507	$ –	$ 12,361	$ –	$ 139,868

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS) 2015

	MAIN ACCOUNT– GENERAL COMPONENT	MAIN ACCOUNT– CONTRIBUTION STABILIZATION RESERVE	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
SURPLUS, BEGINNING OF YEAR	$ 90,266	$ 1,918	$ 10,698	$ 20	$ 102,902
Increase (decrease) in net assets available for benefits for the year	69,673	(1,918)	687	(20)	68,422
Net increase in accrued pension benefits for the year	(93,679)	–	–	–	(93,679)
SURPLUS, END OF YEAR	$ 66,260	$ –	$ 11,385	$ –	$ 77,645

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(IN $ THOUSANDS)

1. DESCRIPTION OF PLAN

a) General

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

b) Administration

The *Plan* is administered by the *Winnipeg Police Pension Board* which is comprised of two voting members appointed by the Winnipeg Police Association, appointed on behalf of Police Officers who are Active Members; one voting member appointed by the Winnipeg Police Senior Officers' Association, appointed on behalf of the senior police officers who are Active Members; one voting member elected by the Non-Active Members and other beneficiaries under the *Plan*; and five voting members appointed by the City.

The *Board* also consists of a maximum of four non-voting members, one of whom may be appointed by each of the Winnipeg Police Association, the Winnipeg Police Senior Officers' Association, and the City of Winnipeg, respectively, and one of whom may be elected by the Non-Active Members or, if no election is held, appointed by the Non-Active Member Representative on behalf of the Non-Active Members.

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

c) Financial structure

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

i) Main Account – General Component

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

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

If the Contribution Stabilization Reserve is insufficient to provide the above transfer or if provincial funding regulations restrict such a transfer, then the City contributes the balance of the current service cost of benefits accrued during the year, including 2% of earnings for post-retirement cost-of-living adjustments, in excess of the employees' contributions.

ii) Main Account – Contribution Stabilization Reserve

The Contribution Stabilization Reserve is credited with a portion of actuarial surpluses. The Contribution Stabilization Reserve finances, through transfers to the Main Account – General Component, the portion of the current service cost of benefits that exceeds the employees' and City's contributions. In accordance with Provincial funding regulations the Contribution Stabilization Reserve can be used to reduce the City's contributions only to the extent of the balance in excess of 5% of the *Plan's* solvency liabilities. The balance of the Contribution Stabilization Reserve has been below this threshold since 2012.

iii) Plan Members' Account

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

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

iv) City Account

The City Account is credited with the share of future actuarial surpluses that are allocated to the City in accordance with the *Plan*.

d) Retirement pensions

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

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the *Plan* text, which level is currently 39.5% (2015 – 44.9%) of the percentage change in the Consumer Price Index for Canada.

e) Disability pensions

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

f) Survivor's benefits

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

g) Termination benefits

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

h) Variation in benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

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

These financial statements include the financial statements of the *Plan* and its wholly-owned subsidiary, 5332665 Manitoba Ltd., which was incorporated on July 14, 2006. The *Plan* accounts for its investment in its subsidiary on a non-consolidated basis and presents it at fair value. The purpose of the subsidiary corporation is to invest in and hold certain private equity investments on behalf of the *Plan*.

b) Investments and investment income

Investments are stated at fair value. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions.

Publicly traded equity investments are valued using published market prices.

Bonds and debentures are valued either using published market prices or by applying valuation techniques that utilize observable market inputs.

For private equity, private debt, real estate debt, infrastructure debt and infrastructure investments, where quoted market prices are not available, various methods of valuation are used by the external managers to determine fair value including the use of: discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Real estate investments are valued based on the most recent valuations or appraisals of the underlying properties.

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

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

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

c) Foreign currency translation

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

d) Use of estimates

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

3. OBLIGATIONS FOR PENSION BENEFITS

An actuarial valuation of the *Plan* was performed as of December 31, 2016 by Eckler Ltd. This valuation was used to determine the actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2016. For the comparative 2015 figures, the actuarial present value of accrued benefits at December 31, 2015 is based on the December 31, 2015 actuarial valuation performed by Eckler Ltd. 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 5.50% (2015 – 5.50%) per year, inflation of 2.0% (2015 – 2.0%) per year and general increases in pay of 3.50% (2015 – 3.50%) per year. The demographic assumptions, including rates of termination of employment, retirement and mortality, were chosen after detailed analysis of past experience.

(IN $ THOUSANDS)

These assumptions were approved by the *Winnipeg Police Pension Board* for purposes of preparing the financial statements. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2016 disclosed a $43,206 funding surplus which is to be resolved in accordance with the *Plan*, by transferring $206 to the City Account, by transferring $21,500 from the Main Account – General Component to the Main Account – Contribution Stabilization Reserve and by increasing future cost-of-living adjustments from 39.5% to 46.7% of inflation (with a corresponding increase in obligations for pension benefits of $21,500), effective January 1, 2017.

The actuarial valuation as at December 31, 2015 disclosed a $15,128 funding deficiency which was resolved in accordance with the *Plan*, by decreasing future cost-of-living adjustments from 44.9% to 39.5% of inflation (which results in a reduction to obligations for pension benefits of $15,128), effective January 1, 2016.

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

The effect of using a smoothed value of assets for the Main Account – General Component in determining the estimated actuarial surplus or deficiency, before allocation of surplus or deficit resolution, is as follows:

	2016	2015
Surplus for financial statement reporting purposes –		
Main Account – General Component	$ 127,507	$ 66,260
Fair value changes not reflected in actuarial value of assets	(84,301)	(81,388)
Surplus (Deficit) for actuarial valuation purposes –		
Main Account – General Component	43,206	(15,128)
Add: special purpose reserves and accounts		
Main Account – Contribution Stabilization Reserve	–	–
Plan Members' Account	12,361	11,385
City Account	–	–
Surplus (Deficit) for actuarial valuation purposes –		
including special purpose reserves and accounts	$ 55,567	$ (3,743)

The funding requirements relating to the *Plan's* solvency position under *The Pension Benefits Regulation*, are based on the last actuarial valuation for funding purposes filed with the Manitoba Pension Commission, which will be as at December 31, 2016.

The actuarial valuation as at December 31, 2016 disclosed solvency liabilities measured on a *Plan* termination basis of $1,431,314 and a solvency deficiency of $9,553, after taking into the account the amount secured by the existing letter of credit.

(IN $ THOUSANDS)

The Pension Benefits Regulation provides that an irrevocable letter of credit may be used to secure some or all of the special payments that would otherwise be required from the City of Winnipeg. In 2016, the City of Winnipeg provided a renewed irrevocable letter of credit from a chartered bank to the *Winnipeg Police Pension Board* to be held in trust for the *Plan* in the amount of $28,962 together with any applicable interest as required under the *Regulation*. The letter of credit took effect from October 27, 2016 and as of December 31, 2016 the irrevocable letter of credit secured special payments that would otherwise be required from the City of Winnipeg in the amount of $32,426. The letter of credit expires October 26, 2017.

The City of Winnipeg has informed the *Winnipeg Police Pension Board* that it will be arranging for renewal of the existing irrevocable letter of credit to be held by the *Winnipeg Police Pension Board* in lieu of making special payments, together with any applicable interest as required under the *Regulation*. The renewed letter of credit is expected to take effect in October 2017 and must be renewed annually thereafter until such time as the *Plan* no longer has a solvency deficiency or the City of Winnipeg has made all payments required under the *Regulation*.

4. MANAGEMENT OF FINANCIAL RISK

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

a) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the *Plan*, and is concentrated in the *Plan's* investment in bonds and debentures and short-term deposits. At December 31, 2016, the *Plan's* credit risk exposure related to bonds and debentures and short-term deposits totaled $318,274 (2015 – $322,536).

The *Plan's* concentration of credit risk as at December 31, 2016, related to bonds and debentures, is categorized amongst the following types of issuers:

TYPE OF ISSUER	2016 FAIR VALUE	2015 FAIR VALUE
Government of Canada and Government of Canada guaranteed	$ 51,147	$ 55,819
Provincial and Provincial guaranteed	86,479	95,334
Canadian cities and municipalities	9,197	9,651
Corporations and other institutions	102,747	108,368
	$ 249,570	$ 269,172

The *Plan's* investments include short-term deposits with the City of Winnipeg which have a fair value of $44,364 at December 31, 2016 (2015 – $42,810).

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.

(IN $ THOUSANDS)

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

	2016		2015	
CREDIT RATING	PERCENT OF TOTAL BONDS	PERCENT OF NET ASSETS	PERCENT OF TOTAL BONDS	PERCENT OF NET ASSETS
AAA	26.8	4.8	26.4	5.5
AA	32.0	5.7	31.5	6.5
A	28.6	5.1	30.5	6.3
BBB	12.6	2.2	11.6	2.4
BB	–	–	–	–
	100.0	17.8	100.0	20.7

At December 31, 2016, the *Plan's* credit risk exposure related to private debt, real estate debt and infrastructure debt totaled $68,525 (2015 – $24,879). The *Plan's* external managers for the private debt, real estate debt and infrastructure debt portfolios limit credit risk through diversification, performing internal credit analysis and enforcing loan covenants.

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

b) Liquidity risk

Liquidity risk is the risk that the *Plan* will encounter difficulty in meeting obligations associated with financial liabilities. The *Plan* ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund the pensioner payroll costs and to fund investment commitments. The *Plan* primarily invests in securities that are traded in active markets and can be readily disposed. The *Plan* may invest in private equity and private debt, which is not traded in an organized market and may be illiquid, but only up to a maximum of 5% of the *Plan's* assets, as stipulated in the *Plan's* Statement of Investment Policies and Procedures. The *Plan* may also invest in real estate and real estate debt, which is not traded in an organized market and may be illiquid, but only up to a maximum of 14% of the *Plan's* assets, as stipulated in the *Plan's* Statement of Investment Policies and Procedures. Finally, the *Plan* may also invest in infrastructure and infrastructure debt, which is not traded in an organized market and may be illiquid, but only up to a maximum of 10% of the *Plan's* assets, as stipulated in the *Plan's* Statement of Investment Policies and Procedures.

c) Interest rate risk

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

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

The *Plan* has approximately 22.6% (2015 – 24.8%) of its assets invested in bonds and debentures and short-term investments as at December 31, 2016. The returns on bonds and debentures are particularly sensitive to changes in nominal interest rates.

(IN $ THOUSANDS)

The term to maturity and related fair values of investments in bonds and debentures held by the *Plan* at December 31, 2016 are as follows:

TERM TO MATURITY	2016 FAIR VALUE	2015 FAIR VALUE
Less than one year	$ 7,683	$ 12,589
One to five years	73,537	65,793
Greater than five years	168,350	190,790
	$ 249,570	$ 269,172

As at December 31, 2016, had prevailing interest rates raised or lowered by 0.5% (2015 – 0.5%) assuming a parallel shift in the yield curve, with all other variables held constant, the fair value of investments in bonds and debentures would have decreased or increased, respectively, by approximately $12,354 (2015 – $13,661), approximately 0.9% of total net assets (2015 – 1.1%). The *Plan's* sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

The *Plan* also has exposure to interest rate risk from its private debt, real estate debt and infrastructure debt investments. The *Plan's* external investment managers mitigate interest rate risk by making loans that are primarily floating rate instruments.

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the *Plan's* holdings of foreign equity, real estate debt, private debt, infrastructure debt and infrastructure investments. The *Plan's* investment managers may, from time to time, hedge some of this exposure using forward contracts. The following table indicates the *Plan's* net foreign currency exposure after giving effect to the net related economic hedge as at December 31, 2016. The table also illustrates the potential impact to the *Plan's* net assets, all other variables held constant, as a result of a 10% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

	2016				2015	
	GROSS EXPOSURE	NET FOREIGN CURRENCY HEDGE	NET EXPOSURE	IMPACT ON NET ASSETS	NET EXPOSURE	IMPACT ON NET ASSETS
United States	$ 390,557	$ 11,580	$ 378,977	$ 37,898	$ 325,107	$ 32,511
Euro countries	75,401	9,321	66,080	6,608	62,329	6,233
United Kingdom	49,104	14,297	34,807	3,481	36,264	3,626
Japan	25,761	-	25,761	2,576	23,760	2,376
Hong Kong	18,786	-	18,786	1,879	18,468	1,847
Switzerland	13,842	-	13,842	1,384	16,221	1,622
Sweden	12,544	-	12,544	1,254	12,081	1,208
Australia	6,887	-	6,887	689	5,540	554
Other	16,514	-	16,514	1,651	16,640	1,664
	$ 609,396	$ 35,198	$ 574,198	$ 57,420	$ 516,410	$ 51,641

e) Other price risk

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

For this *Plan*, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2016, had the prices on the respective stock exchanges for these securities increased or decreased by 15%, with all other variables held constant, net assets would have increased or decreased by approximately $117,291 (2015 – $109,368), approximately 8.4% of total net assets (2015 – 8.4%). In practice, the actual results may differ and the difference could be material.

The *Plan* also has exposure to valuation risk through its holdings of private equity, private debt, real estate debt and real estate investments, for which quoted market prices are not available. As at December 31, 2016, the estimated fair value of private equity investments is $24,165 (2015 – $24,468), approximately 1.7% of total net assets (2015 – 1.9%), and the related change in fair value of investments recognized for the year ended December 31, 2016 is $17 (2015 – $3,067). As at December 31, 2016, the estimated fair value of private debt investments is $44,792 (2015 – $10,007), approximately 3.2% of total net assets (2015 – 0.8%), and the related change in fair value of investments recognized for the year ended December 31, 2016 is ($43) (2015 – $790). As at December 31, 2016, the estimated fair value of real estate debt investments is $20,889 (2015 – $14,872), approximately 1.5% of total net assets (2015 – 1.1%), and the related change in fair value of investments recognized for the year ended December 31, 2016 is ($1,045) (2015 – $1,641). As at December 31, 2016, the estimated fair value of real estate investments is $105,674 (2015 – $93,741), approximately 7.5% of total net assets (2015 – 7.2%), and the related change in fair value of investments recognized for the year ended December 31, 2016 is $4,093 (2015 – $2,308).

The *Plan* also has exposure to valuation risk through its holdings of infrastructure and infrastructure debt investments, for which quoted market prices are not available.

In 2013, the *Plan* became a client of OMERS Investment Management, and to date has made payments of $44,255 in a Contractual Return Arrangement. The Contractual Return Arrangement provides the *Plan* with the annual rate of return (which may be positive or negative) based on the total investment return reported in the OMERS Annual Report for the assets and related liabilities allocable to the OMERS Primary Pension Plan fund that are directly or indirectly owned by OMERS Administration Corporation ("OAC") and managed by Borealis Infrastructure (the "Borealis Assets"). Under this arrangement the *Plan* is the sole limited partner in an Ontario limited partnership (OIM B4 2013 L.P.), and it has entered into a derivative contract with that limited partnership, which provides the return described above each year on the outstanding value of the contract. The arrangement provides for annual cash distributions to the *Plan* to the extent that cash distributions are received by OAC in respect of the operations of any investment forming part of the Borealis Assets. In addition, further cash distributions may be made under the arrangement, to the extent that cash distributions are received by OAC and distributed to the partnership in respect of the full or partial disposition of any investment forming part of the Borealis Assets.

As at December 31, 2016, the estimated fair value of the infrastructure investments is $107,251 (2015 – $107,069), approximately 7.6% of total net assets (2015 – 8.2%), and the related change in fair value of investments recognized for the year ended December 31, 2016 is ($953) (2015 – $14,535). As at December 31, 2016, the estimated fair value of the infrastructure debt investments is $2,844 (2015 – $Nil), approximately 0.2% of total net assets (2015 – Nil), and the related change in fair value of investments recognized for the year ended December 31, 2016 is $18 (2015 – $Nil).

(IN $ THOUSANDS)

f) Fair value hierarchy

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

The following tables present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2016 and December 31, 2015, classified using the fair value hierarchy described above:

	LEVEL 1	LEVEL 2	LEVEL 3	2016 TOTAL INVESTMENT ASSETS AT FAIR VALUE
Bonds and debentures	$ –	$ 249,570	$ –	$ 249,570
Canadian equities	335,430	–	–	335,430
Foreign equities	446,517	–	–	446,517
Cash and short-term deposits	65,214	3,490	–	68,704
Private equities	–	–	24,165	24,165
Real estate	–	–	105,674	105,674
Infrastructure	–	–	107,251	107,251
Private debt	–	–	44,792	44,792
Real estate debt	–	–	20,889	20,889
Infrastructure debt	–	–	2,844	2,844
	$ 847,161	$ 253,060	$ 305,615	$ 1,405,836

	LEVEL 1	LEVEL 2	LEVEL 3	2015 TOTAL INVESTMENT ASSETS AT FAIR VALUE
Bonds and debentures	$ –	$ 269,172	$ –	$ 269,172
Canadian equities	299,883	–	–	299,883
Foreign equities	429,239	–	–	429,239
Cash and short-term deposits	52,717	647	–	53,364
Private equities	–	–	24,468	24,468
Real estate	–	–	93,741	93,741
Infrastructure	–	–	107,069	107,069
Private debt	–	–	10,007	10,007
Real estate debt	–	–	14,872	14,872
	$ 781,839	$ 269,819	$ 250,157	$ 1,301,815

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

(IN $ THOUSANDS)

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

PRIVATE EQUITIES	2016	2015
Fair value, beginning of year	$ 24,468	$ 21,387
Gains recognized in increase in net assets	17	3,067
Purchases	215	768
Sales/distributions	(3,014)	(3,864)
Purchases of short-term investments within subsidiary	2,479	3,110
	$ 24,165	$ 24,468

REAL ESTATE	2016	2015
Fair value, beginning of year	$ 93,741	$ 88,617
Gains recognized in increase in net assets	4,093	2,308
Purchases	9,050	2,816
Sales	(1,210)	–
	$ 105,674	$ 93,741

INFRASTRUCTURE	2016	2015
Fair value, beginning of year	$ 107,069	$ 69,602
(Losses) gains recognized in increase in net assets	(953)	14,535
Purchases	1,620	22,932
Sales	(485)	–
	$ 107,251	$ 107,069

PRIVATE DEBT	2016	2015
Fair value, beginning of year	$ 10,007	$ –
(Losses) gains recognized in increase in net assets	(43)	790
Purchases	36,752	11,007
Sales	(1,924)	(1,790)
	$ 44,792	$ 10,007

REAL ESTATE DEBT	2016	2015
Fair value, beginning of year	$ 14,872	$ 2,186
(Losses) gains recognized in increase in net assets	(1,045)	1,641
Purchases	11,272	11,045
Sales	(4,210)	–
	$ 20,889	$ 14,872

INFRASTRUCTURE DEBT	2016	2015
Fair value, beginning of year	$ –	$ –
Gains recognized in increase in net assets	18	–
Purchases	3,000	–
Sales	(174)	–
	$ 2,844	$ –

(IN $ THOUSANDS)

Section 3.29 of *The Pension Benefits Act Regulations* requires disclosure of each investment asset that has a fair value greater than one percent of the fair value of the investment assets of the Fund. As at December 31, 2016, the Fund held the following investments that met this classification:

	2016
Bonds and debentures	
TD Emerald Long Bond Broad Market Pooled Fund	$ 97,367
TD Lancaster Fixed Income Fund II	77,466
Fiera Active Fixed Income Fund	74,737
Canadian equities	
TD Emerald Canadian Equity Index Fund	82,719
Foreign equities	
State Street S&P 500 Index Common Trust Fund	109,926
Hillsdale Global Performance Equity Fund	24,723
Cash and short-term deposits	
City of Winnipeg short term deposit	44,364
Private equities	
5332665 Manitoba Ltd. common shares	23,184
Real estate	
Greystone Real Estate Fund Inc.	54,563
Bentall Kennedy Prime Canadian Property Fund Ltd.	51,111
Infrastructure	
OIM B4 2013 L.P.	54,827
JPMorgan Infrastructure Investments Fund	25,776
IFM Global Infrastructure (Canada), L.P.	26,648
Real estate debt	
Brookfield Real Estate Finance Fund IV	20,889
Private debt	
Northleaf Star Investor Corporation	16,760

(IN $ THOUSANDS)

5. INVESTMENT INCOME

	2016	2015
Bonds and debentures	$ 9,690	$ 9,821
Canadian equities	9,091	10,084
Foreign equities	7,391	6,256
Cash, short-term deposits and other	(248)	611
Real estate	2,250	2,816
Infrastructure	6,447	4,489
Private debt	1,101	168
Real estate debt	2,112	998
Infrastructure debt	46	–
	$ 37,880	$ 35,243
Allocated to:		
Main Account – General Component	$ 37,547	$ 34,936
Plan Members' Account	333	307
	$ 37,880	$ 35,243

6. INVESTMENT TRANSACTION COSTS

During 2016, the *Plan* incurred investment transaction costs in the form of brokerage commissions, in the amount of $350 (2015 – $297). Investment transaction costs are included in the current period change in fair value of investments.

7. LUMP SUM BENEFITS

	2016	2015
Death benefits	$ 1,285	$ –
Payments on relationship breakdown	341	48
Termination benefits	5	1,054
Other	–	72
	$ 1,631	$ 1,174

8. ADMINISTRATIVE EXPENSES

	2016	2015
The Winnipeg Civic Employees' Benefits Program	$ 717	$ 616
Actuarial fees	162	189
Asset liability study	114	-
Audit fees	26	25
Legal fees	37	10
Consulting fees	2	53
General and administrative expenses	15	15
	$ 1,073	$ 908

9. COMMITMENTS

The *Plan's* wholly-owned subsidiary, 5332665 Manitoba Ltd., has entered into an investment management agreement wherein it has authorized an investment manager to make private equity investment commitments on its behalf, with aggregate commitments not to exceed $20,000. Commitments will be funded over the next several years. As at December 31, 2016, $19,246 had been funded.

ADMINISTRATION

AS AT DECEMBER 31, 2016

The *Winnipeg Police Pension Plan* is constituted under City of Winnipeg By-Law No. 126/2011. The *Winnipeg Police Pension Board* is responsible for administration of the *Plan*.

The *Board* is made up of nine voting members: five are appointed by the City of Winnipeg, two are appointed by the Winnipeg Police Association, one is appointed by the Winnipeg Police Senior Officers' Association, and one is elected by non-active members and other beneficiaries. In addition, a maximum of four non-voting members may be appointed to the *Board*, one from each of the groups identified above.

WINNIPEG POLICE PENSION BOARD

Appointed by Winnipeg City Council

Richard Kachur (Chair)
CITY CLERK

Mel Chambers
DIRECTOR OF ASSESSMENT AND TAXATION

Paul Olafson
CORPORATE CONTROLLER

Mike Ruta
CHIEF FINANCIAL OFFICER

Christian Schmidt
DEPUTY CHIEF, WINNIPEG FIRE PARAMEDIC SERVICE

Michael Jack (non-voting)
CHIEF OPERATING OFFICER

Appointed by Winnipeg Police Association

Maurice (Moe) Sabourin (Vice-Chair)

George Van Mackelbergh

Appointed by Winnipeg Police Senior Officers' Association

Jon Lutz

Elected by Non-Active Members and Other Beneficiaries

Loren Schinkel

INVESTMENT COMMITTEE MEMBERS

Gary Timlick, Wawanesa Insurance (Chair)

Sam Pellettieri, CFA, Investors Group (Vice-Chair)

Don Delisle, Province of Manitoba

Jeff Norton, Teachers' Retirement Allowances Fund

Rob Provencher, City of Winnipeg

Bob Romphf, Manitoba Nurses Union

MANAGEMENT

The day-to-day administration of the *Plan* is carried out by the management and staff of *The Winnipeg Civic Employees' Benefits Program* under the direction of its Chief Executive Officer.

Glenda Willis
CHIEF EXECUTIVE OFFICER

Nestor Theodorou
CHIEF INVESTMENT OFFICER

Melony Schanel
MANAGER, FINANCE (ACTING)

Brian Luedtke
MANAGER, INFORMATION SYSTEMS

Bill Battershill
DIRECTOR OF MEMBER SERVICES

Amanda Jeninga
ASSOCIATE DIRECTOR OF MEMBER SERVICES AND MANAGER, COMMUNICATIONS

EXTERNAL ADVISORS

Actuary
Eckler Ltd.

Auditor
Deloitte LLP

Custodian
RBC Investor Services

Investment Consultant
Aon Hewitt

Legal Counsel
Taylor McCaffrey
Koskie Minsky

NOTES

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