2017

WINNIPEG POLICE PENSION PLAN

ANNUAL REPORT

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2017 ANNUAL REPORT

This annual report of the *Winnipeg Police Pension Plan* (the *Plan*), for the year ended December 31, 2017, contains audited financial statements of the *Plan* and highlights the work of the *Winnipeg Police Pension Board* (the *Board*) as well as key operational activities in the year.

2017 AT A GLANCE

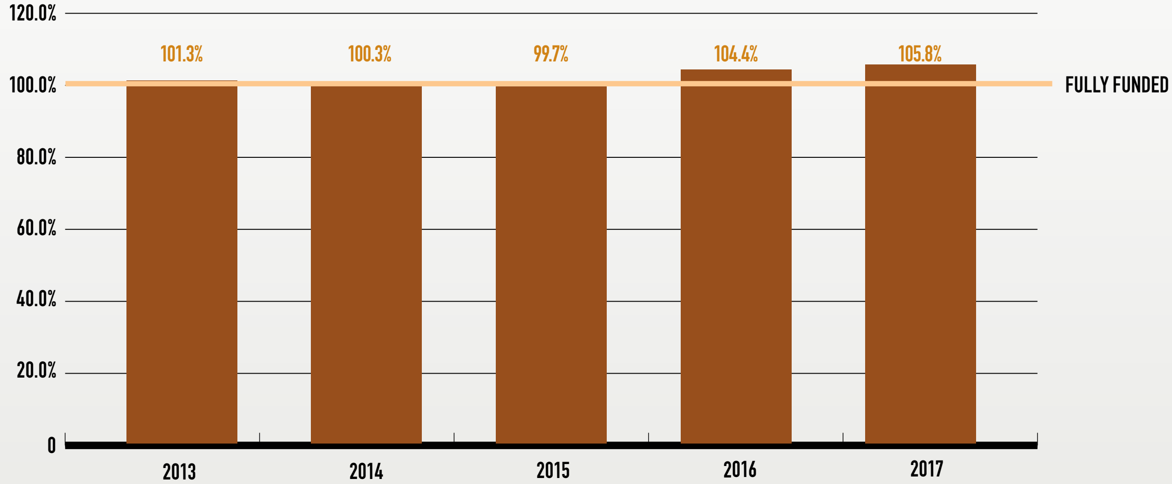
The *Plan* currently serves over 2,600 members (comprised of police officers, retired police officers, and other beneficiaries) with assets under management of over $1.5 billion.

FUNDED STATUS

Actuarial valuation results as at December 31, 2017 show that:

- The *Plan* had a surplus of "smoothed value" of assets over going-concern liabilities of $78.6 million and a going-concern funded ratio of 105.8% (prior to resolution of the in-year surplus in the Main Account—General Component; refer to Financial Status section on page 5 for details).
- "Excess" investment returns (those that exceeded the assumed rate of investment return in 2013, 2014, 2015, 2016 and 2017) generated $54.9 million to be recognized in 2017 and a further $98.9 million to be recognized for actuarial valuation purposes in future years (through 2021), under the "asset smoothing" technique used by the *Plan*.

FUNDED RATIO BASED ON ACTUARIAL VALUE OF ASSETS



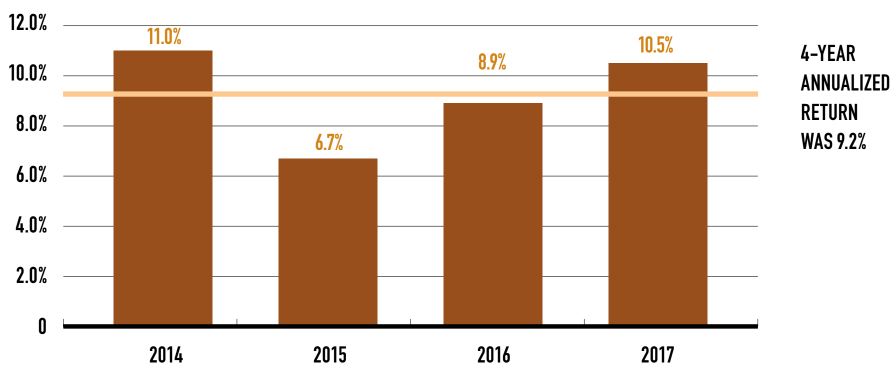
INVESTMENT PERFORMANCE

For the calendar year 2017, the *Plan's* investment portfolio achieved a rate of return of 10.5%. This compared favourably to its benchmark, which it exceeded by 0.9% (benchmark return of 9.6% as measured by RBC Investor Services, an independent measurement service). The *Plan's* ten-year annualized rate of return on investments at the end of 2017 was 7.0%, exceeding the *Plan's* objective for the period by a margin of 0.9% per year (with the objective being a rate of return that exceeded inflation by 4.0% per year commencing in 2013 and 5.0% per year for the five years prior).

10.5%

RATE OF RETURN
2017

ANNUAL INVESTMENT RETURN

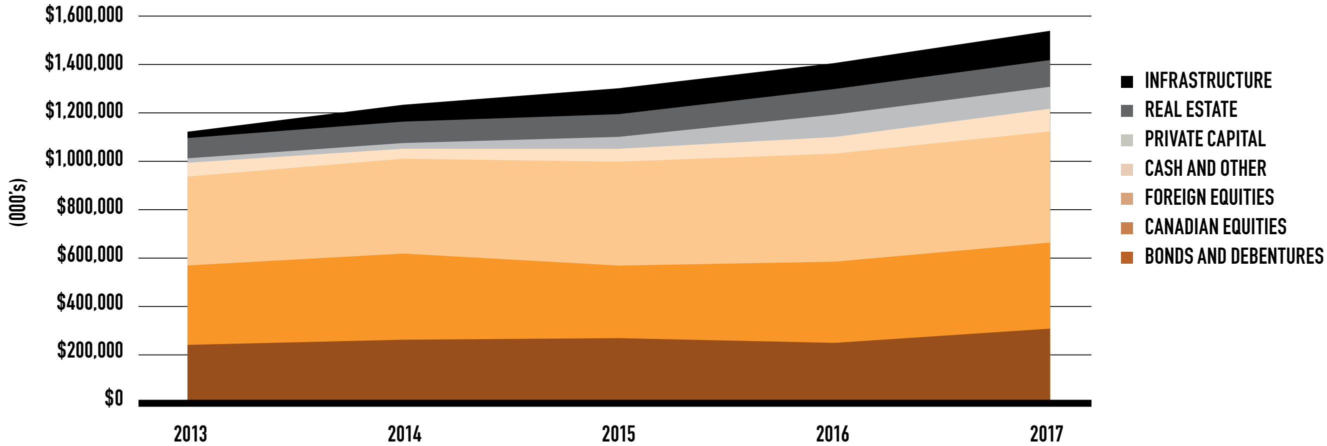


The *Plan* continued to implement the recommendation established during the 2016 Asset-Liability Study and approved by the *Winnipeg Police Pension Board*, to continue the transition of assets away from public equities and fixed income allocations and into the alternative asset classes of real estate, global infrastructure, real estate debt, infrastructure debt, and private corporate debt. Real estate, global infrastructure, and private capital now represent 7.2%, 7.9%, and 5.9% of the *Plan's* investment portfolio, respectively. In total, these alternative assets represent 21.0% of total assets at the end of 2017, a 0.7% decrease from 2016. The decrease was due to the strong growth of the *Plan's* overall investment portfolio relative to the growth of the alternatives allocation, as well as the return of capital from several of the *Plan's* alternative holdings. The long-term target for the alternatives allocation is 30%.

The *Plan's* investments in all asset categories experienced positive returns in 2017. In particular, US and international equities had exceptional performance during the year, returning 14.3% and 27.8%, respectively.

VALUE OF INVESTMENTS BY ASSET CLASS

(IN THOUSANDS)



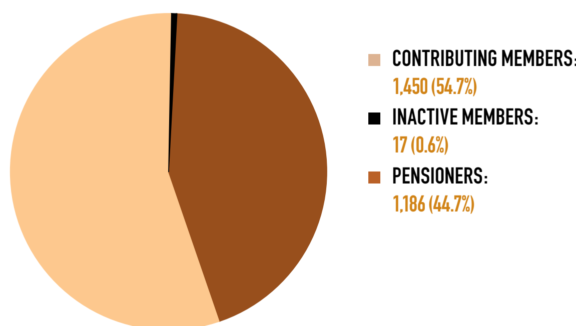
MEMBERSHIP

Total *Plan* membership remained roughly the same as in 2016. There were 50 retirements in 2017, and 40 new members joined the *Plan*. The proportion of contributing members to pensioners decreased (from 55.6% contributing members in 2016 to 54.7% at December 31, 2017).

MEMBERSHIP PROFILE

AS AT DECEMBER 31, 2017

TOTAL MEMBERS: 2,653



FINANCIAL POSITION

AS AT DECEMBER 31, 2017
(IN $ THOUSANDS)

	FAIR VALUE	ACTUARIAL VALUE
Net Assets Available For Benefits		
Main Account – General Component	$ 1,500,083	$ 1,401,229
Main Account – Contribution Stabilization Reserve	23,704	23,704
Plan Members' Account	13,628	13,628
City Account	227	227
	$ 1,537,642	$ 1,438,788
Plan Obligations	$ 1,360,152	$ 1,360,152
Funded Ratio	113.0%	105.8%

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

COST OF BENEFITS FOR SERVICE IN 2018

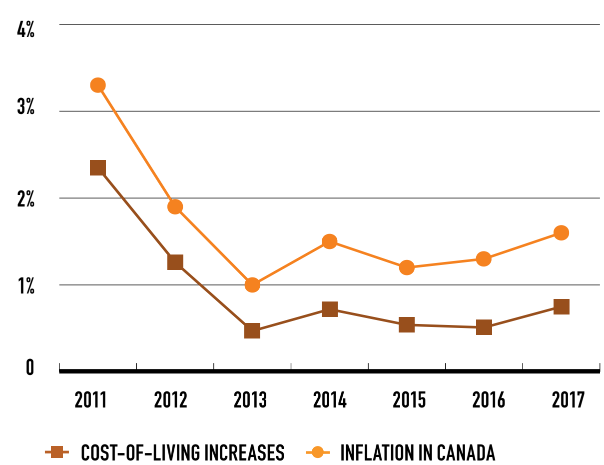
	AS % OF CONTRIBUTORY EARNINGS
Normal actuarial cost of benefits in 2018 (Expected)	**27.80%**
Employee required contributions	8.00%
City of Winnipeg required contributions	18.31%
Balance from future surplus or COLA reduction	1.49%
	27.80%

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 2017, COLA was granted at a rate of 46.7% 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, 2017, 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, 2017. At that date, the *Plan* had an excess of assets over actuarial liabilities of $78,636,000—a funded ratio of 105.8%—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 $177,490,000—which would have resulted in a funded ratio of 113.0% on a *fair* value basis. The application of an actuarial "asset smoothing" technique has been used by the *Plan* for many years.

Although changes to the actuarial assumptions increased the *Plan's* obligations in 2017, the *Plan's* actuarial position benefited from significant investment experience gains. The *Plan's* investment portfolio achieved a rate of investment return of 10.5%. The "excess" investment returns (those that exceeded the net rate of return assumed for actuarial purposes in 2017), together with unrecognized investment market gains from 2013, 2014, 2015 and 2016, generated "excess" investment returns of $54,929,000 to be recognized in 2017, and a further $98,854,000 to be recognized for actuarial valuation purposes in future years (through 2021) under the "asset smoothing" technique used by the *Plan*.

The actuarial valuation revealed an in-year actuarial surplus of $41,077,000 in the Main Account –General Component related to calendar year 2017 operations. The 2017 actuarial surplus was allocated, in accordance with the terms of the *Plan*, by transferring $47,000 to the City Account, by transferring $20,515,000 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 46.7% to 52.8% of the annual percentage increase in Canada's Consumer Price Index (which resulted in a corresponding increase in obligations for pension benefits of $20,515,000, effective January 1, 2018).

CURRENT SERVICE COST

The current service cost of the benefits expected to be earned under the *Plan* for service in 2018 is 27.80% of contributory earnings. Currently, the employee share of annual contributions equals 8% of contributory earnings. The City of Winnipeg's required contributions in 2018 are 18.31% of contributory earnings. The balance of 1.49% 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 solvency valuation of the *Plan*, as at December 31, 2017, disclosed that the solvency assets (not including the amount secured by the existing letter of credit) are greater than the solvency liabilities by $34,092,000, a solvency ratio of 102.3%.

An irrevocable letter of credit has been in place since 2012 to secure special payments that would otherwise be required from the City of Winnipeg. In 2017, 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, 2017 and as of December 31, 2017, it secured special payments that would otherwise be required from the City of Winnipeg in the amount of $35,355,000. The Letter of Credit is due to expire on October 26, 2018.

The report of the actuarial valuation of the *Plan* as at December 31, 2017 will be filed with the Regulators (Manitoba Pension commission and Canada Revenue Agency).

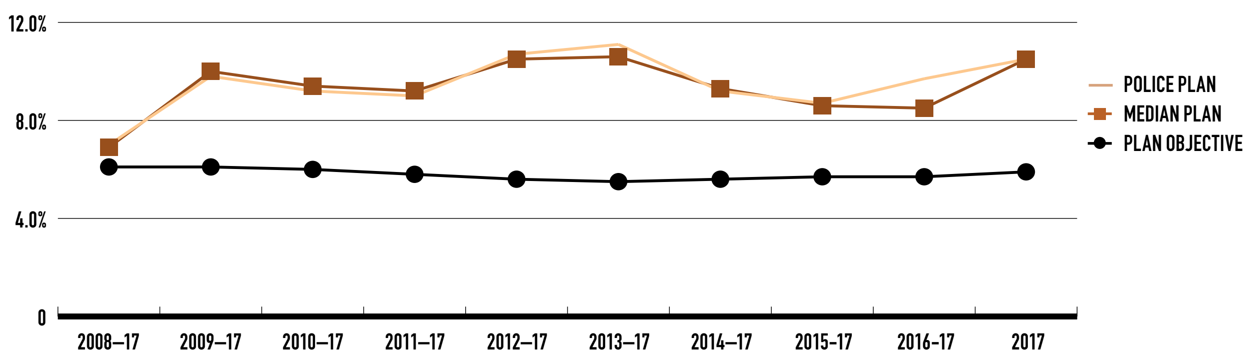
With the filing of the December 31, 2017 actuarial valuation report, the funding requirements of *The Pension Benefits Regulator*, will be met relative to the *Plan's* solvency position, without the Letter of Credit. Hence, the Letter of Credit will be allowed to expire on its scheduled expiry date of October 26, 2018, and will not be renewed or replaced.

2017 INVESTMENT OVERVIEW

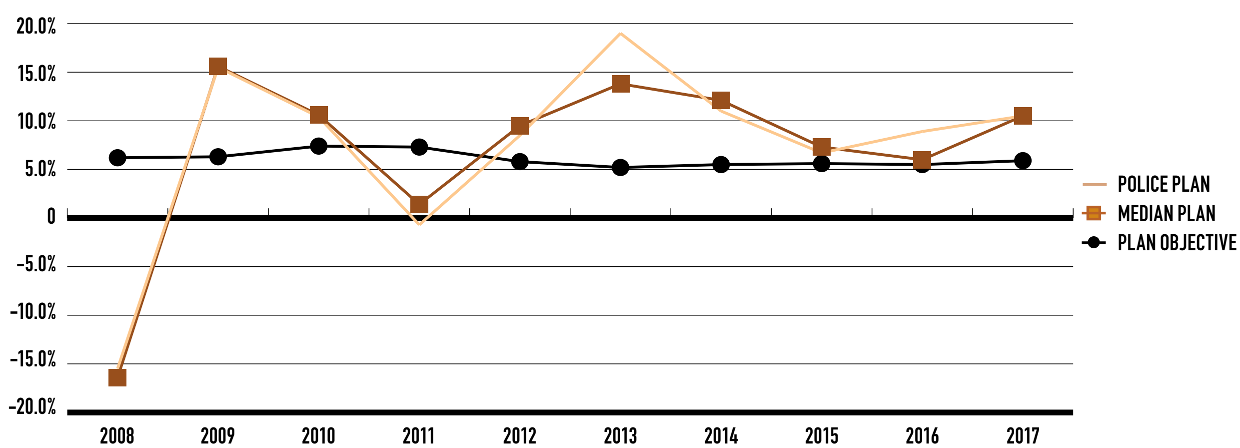
Based on investment return and risk considerations, the *Board* has established a target asset mix (the "long term policy asset mix"), which is identified in the *Plan's Statement of Investment Policies and Procedures*. Based on the capital market conditions as at December 31, 2017, the expected long term real rate of return on this target mix is 4.0% per annum.

The *Plan* measures its success against its target asset mix objectives and against the appropriate benchmarks (for example, stock and bond market indices). It also considers the performance of other pension plans of a similar size (reported as the "median plan" performance). In 2017, the *Plan's* rate of return on investments of 10.5% exceeded the *Plan's* objectives and equalled the median Canadian pension fund return of 10.5%. This ranked the *Plan* in the 47th percentile among larger pension plans in Canada. For the four-year period ended December 31, 2017, the *Plan's* investments returned 9.2%, ranking it in the 50th percentile.

ANNUALIZED RATES OF RETURN

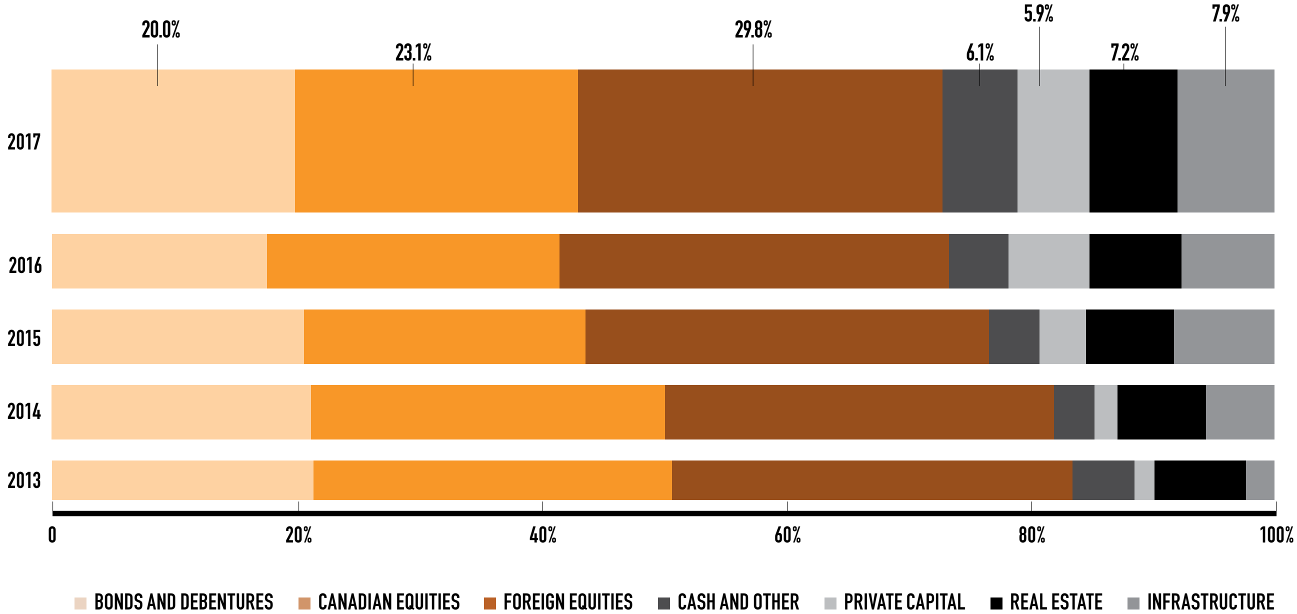


ANNUAL RATES OF RETURN



Consistent with the "long term policy asset mix," the *Plan's* assets have continued to transition towards more alternative assets (private capital, real estate, and infrastructure).

ASSET MIX



ASSET MIX*

	TARGET MIX	2017	2016	2015	2014	2013
Bonds and debentures	19.0%	20.0%	17.7%	20.7%	21.3%	21.5%
Canadian equities	20.0%	23.1%	23.9%	23.0%	28.9%	29.3%
Foreign equities	30.0%	29.8%	31.8%	33.0%	31.8%	32.7%
Cash and other	1.0%	6.1%	4.9%	4.1%	3.3%	5.1%
Private capital	10.0%	5.9%	6.6%	3.8%	1.9%	1.6%
Real estate	10.0%	7.2%	7.5%	7.2%	7.2%	7.5%
Infrastructure	10.0%	7.9%	7.6%	8.2%	5.6%	2.3%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Certain of the previous years percentages have been reclassified to conform with the 2017 Financial Statement presentation

INVESTMENT MANAGEMENT APPROACH

The *Plan* utilizes external investment managers to manage all asset classes and portfolios. There were two new additions to the *Plan's* investment manager line-up during 2017. New managers to the platform include AMP Capital (Infrastructure Debt) and Axium Infrastructure (Global Infrastructure). A third mandate was added during the year but with an existing manager, Neuberger Berman (Private Debt). New capital was allocated to the AMP Capital Infrastructure Debt Fund and Neuberger Berman Private Debt Fund III. Axium is expected to start calling capital in 2018.

Additional capital was directed to the following existing investments; Brookfield Real Estate Debt Funds IV & V, Neuberger Berman Private Debt Funds I & II, IFM Global Infrastructure Fund, JP Morgan International Infrastructure Fund, IAM Infrastructure Private Debt Fund, Northleaf Private Credit Fund I, and the Brookfield Infrastructure Debt Fund. The *Plan* continues to search for managers to fulfill its allocation targets in the alternative asset classes. (See Appendix B on page 32 for a complete list of Investment Managers).

BONDS AND SHORT-TERM INVESTMENTS SUMMARY

AS AT DECEMBER 31, 2017

DESCRIPTION	PENSION PLAN MARKET VALUE (IN THOUSANDS)
Government of Canada bonds	$ 67,524
Provincial bonds	115,301
Municipal bonds	3,092
Corporate and other institutions' bonds	122,513
Total bonds and debentures	$ 308,430
Call funds—City of Winnipeg	$ 74,390
Cash	19,516
Total short-term investments	$ 93,906

ACTUARIAL OPINION

AS AT DECEMBER 31, 2017

Eckler Ltd. has conducted an actuarial valuation of the Winnipeg Police Pension Plan as at December 31, 2017. 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, 2017, dated June 11, 2018.

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, 2017 and has an excess of the smoothed value of assets over actuarial liabilities of $78,636,000 as at that date, on the basis of the assumptions and methods described in our report. Of this excess, $13,628,000 has been previously allocated to the Plan Members' Account, $227,000 has been previously allocated to the City Account, and $23,704,000 has been previously allocated to the Contribution Stabilization Reserve, resulting in a net excess of $41,077,000. In accordance with the terms of the Plan, the remaining excess will be allocated by transferring $47,288 from the General Component of the Main Account to the City Account for transfer deficiency payments made in 2017, $20,562,000 from the General Component of the Main Account to the Contribution Stabilization Reserve, and increasing the level of cost-of-living adjustments from 46.7% to 52.8% of the annual percentage change in the Consumer Price Index (CPI) to provide a $20,515,000 increase in the actuarial liabilities.

The actuarial valuation as at December 31, 2017 revealed that the Plan no longer has a solvency deficiency. As a result, the letter of credit that was previously used by the City to secure prior solvency special payments may be eliminated with no requirement to fund the amount previously secured.

COST OF BENEFITS FOR SERVICE IN 2018

The current service cost of the benefits expected to be earned under the Plan for service in 2018 is 27.80% of contributory earnings. This cost is expected to be financed by employee contributions of 8.0% of contributory earnings, City contributions of 18.31% of contributory earnings, with the balance of 1.49% 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.

This 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, 2017 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, 2017, 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 18, 2018
WINNIPEG, MANITOBA

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31
(IN $ THOUSANDS)

	2017	2016
ASSETS		
Investments, at fair value		
Bonds and debentures	$ 308,430	$ 249,570
Canadian equities	355,740	335,430
Foreign equities	459,152	446,517
Cash and short-term deposits	93,906	68,704
Private equities	16,424	24,165
Real estate	110,606	105,674
Infrastructure	120,826	107,251
Private debt	74,207	68,525
	1,539,291	1,405,836
Participants' contributions receivable	7	3
Employers' contributions receivable	18	–
Accounts receivable	734	735
Due from *The Winnipeg Civic Employees' Pension Plan*	–	16
Total Assets	1,540,050	1,406,590
LIABILITIES		
Accounts payable	2,403	2,994
Due to *The Winnipeg Civic Employees' Pension Plan*	5	–
Total Liabilities	2,408	2,994
NET ASSETS AVAILABLE FOR BENEFITS	1,537,642	1,403,596
PENSION OBLIGATIONS	1,360,152	1,263,728
SURPLUS	$ 177,490	$ 139,868
SURPLUS COMPRISED OF:		
Main Account – General Component	$ 139,931	$ 127,507
Main Account – Contribution Stabilization Reserve	23,704	–
Plan Members' Account	13,628	12,361
City Account	227	–
	$ 177,490	$ 139,868

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)

	2017	2016
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	$ 28,288	$ 28,655
Employees	12,817	12,883
Reciprocal transfers from other plans	706	519
	41,811	42,057
Investment income (Note 5)	39,197	37,880
Current period change in fair value of investments	109,656	78,028
Total increase in assets	190,664	157,965
DECREASE IN ASSETS		
Pension payments	49,144	47,172
Lump sum benefits (Note 7)	1,077	1,631
Administrative expenses (Note 8)	952	1,073
Investment management and custodial fees	5,445	4,784
Total decrease in assets	56,618	54,660
Increase in net assets	134,046	103,305
Net assets available for benefits at beginning of year	1,403,596	1,300,291
Net assets available for benefits at end of year	$ 1,537,642	$ 1,403,596

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)

	2017	2016
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	$ 1,263,728	$ 1,222,646
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	70,462	66,215
Benefits accrued	43,189	42,689
Changes in actuarial assumptions	74,351	–
Total increase in accrued pension benefits	188,002	108,904
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	50,221	48,802
Experience gains and losses and other factors	40,203	2,808
Changes in actuarial assumptions	–	15,128
Administration expenses	1,154	1,084
Total decrease in accrued pension benefits	91,578	67,822
NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR	96,424	41,082
ACCRUED PENSION BENEFITS, END OF YEAR	$ 1,360,152	$ 1,263,728

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)

	2017	2016
SURPLUS, BEGINNING OF YEAR	$ 139,868	$ 77,645
Increase in net assets available for benefits for the year	134,046	103,305
Increase in accrued pension benefits for the year	(96,424)	(41,082)
SURPLUS, END OF YEAR	$ 177,490	$ 139,868

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) 2017

	MAIN ACCOUNT – GENERAL COMPONENT	MAIN ACCOUNT – CONTRIBUTION STABILIZATION RESERVE	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
INCREASE IN ASSETS					
Contributions					
The City of Winnipeg	$ 28,288	$ –	$ –	$ –	$ 28,288
Employees	12,817	–	–	–	12,817
Reciprocal transfers from other plans	706	–	–	–	706
	41,811	–	–	–	41,811
Investment income (Note 5)	38,242	603	346	6	39,197
Current period change in fair value of investments	106,986	1,685	969	16	109,656
Transfer to Contribution Stabilization Reserve – Resolution of funding surplus (Note 3)	(21,500)	21,500	–	–	–
Transfer to City Account – Resolution of funding surplus (Note 3)	(206)	–	–	206	–
Total increase in assets	165,333	23,788	1,315	228	190,664
DECREASE IN ASSETS					
Pension payments	49,144	–	–	–	49,144
Lump sum benefits (Note 7)	1,077	–	–	–	1,077
Administrative expenses (Note 8)	952	–	–	–	952
Investment management and custodial fees	5,312	84	48	1	5,445
Total decrease in assets	56,485	84	48	1	56,618
Increase in net assets	108,848	23,704	1,267	227	134,046
Net assets available for benefits at beginning of year	1,391,235	–	12,361	–	1,403,596
Net assets available for benefits at end of year	$ 1,500,083	$ 23,704	$ 13,628	$ 227	$ 1,537,642

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)

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 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 3: SCHEDULE OF CHANGES IN SURPLUS BY ACCOUNT

FOR THE YEAR ENDED DECEMBER 31
(IN $ THOUSANDS)

2017

	MAIN ACCOUNT – GENERAL COMPONENT	MAIN ACCOUNT – CONTRIBUTION STABILIZATION RESERVE	PLAN MEMBERS' ACCOUNT	CITY ACCOUNT	TOTAL
SURPLUS, BEGINNING OF YEAR	$ 127,507	$ –	$ 12,361	$ –	$ 139,868
Increase in net assets available for benefits for the year	108,848	23,704	1,267	227	134,046
Net increase in accrued pension benefits for the year	(96,424)	–	–	–	(96,424)
SURPLUS, END OF YEAR	$ 139,931	$ 23,704	$ 13,628	$ 227	$ 177,490

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

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, 2017
(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 46.7% (2016 – 39.5%) 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 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, 2017 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, 2017. For the comparative 2016 figures, the actuarial present value of accrued benefits at December 31, 2016 is based on the December 31, 2016 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 5.25% (2016 – 5.50%) per year, inflation of 2.0% (2016 – 2.0%) per year and general increases in pay of 3.25% (2016 – 3.50%) per year. The change in the valuation interest rate from 5.50% to 5.25% increased the obligations for pension benefits by $51,559. The change in the economic assumptions for general increases in pay from 3.50% to 3.25% decreased the obligations for pension benefits by $4,949. The demographic assumptions for annual rates of mortality improvements were revised to utilize the Mortality Improvement 2017 Scale (MI-2017) increasing obligations for pension benefits by $6,241. The demographic assumptions, including rates of termination of employment, retirement and mortality, were chosen after detailed analysis of past experience.

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, 2017 disclosed a $41,077 funding surplus which is to be resolved in accordance with the *Plan*, by transferring $47 to the City Account, by transferring $20,515 from the Main Account – General Component to the Main Account – Contribution Stabilization Reserve and by increasing future cost-of-living adjustments from 46.7% to 52.8% of inflation (with a corresponding increase in obligations for pension benefits of $20,515), effective January 1, 2018.

The actuarial valuation as at December 31, 2016 disclosed a $43,206 funding surplus which was allocated 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 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.

(IN $ THOUSANDS)

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:

	2017	2016
Surplus for financial statement reporting purposes – Main Account – General Component	$ 139,931	$ 127,507
Fair value changes not reflected in actuarial value of assets	(98,854)	(84,301)
Surplus for actuarial valuation purposes – Main Account – General Component	41,077	43,206
Add: special purpose reserves and accounts		
Main Account – Contribution Stabilization Reserve	23,704	–
Plan Members' Account	13,628	12,361
City Account	227	–
Surplus for actuarial valuation purposes – including special purpose reserves and accounts	$ 78,636	$ 55,567

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, 2017.

The actuarial valuation as at December 31, 2017 disclosed that the *Plan* no longer has a solvency deficiency, whereas the actuarial valuation as at December 31, 2016 on file disclosed a solvency deficiency of $9,553, after taking into the account the amount secured by the existing letter of credit.

An irrevocable letter of credit has been used to secure special payments that would otherwise be required from the City of Winnipeg. The existing letter of credit took effect from October 27, 2017 and as of December 31, 2017 the irrevocable letter of credit secured special payments that would otherwise be required from the City of Winnipeg in the amount of $35,355. The letter of credit expires October 26, 2018.

As the *Plan* no longer has a solvency deficiency, the letter of credit will no longer be required and will not be renewed.

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, 2017, the *Plan's* credit risk exposure related to bonds and debentures and short-term deposits totaled $402,336 (2016 – $318,274).

(IN $ THOUSANDS)

The *Plan's* concentration of credit risk as at December 31, 2017, related to bonds and debentures, is categorized amongst the following types of issuers:

TYPE OF ISSUER	2017 FAIR VALUE	2016 FAIR VALUE
Government of Canada and Government of Canada guaranteed	$ 67,524	$ 51,147
Provincial and Provincial guaranteed	115,301	86,479
Canadian cities and municipalities	3,092	9,197
Corporations and other institutions	122,513	102,747
	$ 308,430	$ 249,570

The *Plan's* investments include short-term deposits with the City of Winnipeg which have a fair value of $74,390 at December 31, 2017 (2016 – $44,364).

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.

As at December 31, 2017 bonds and debentures analyzed by credit rating are as follows:

CREDIT RATING	2017 PERCENT OF TOTAL BONDS	2017 PERCENT OF NET ASSETS	2016 PERCENT OF TOTAL BONDS	2016 PERCENT OF NET ASSETS
AAA	27.7	5.6	26.8	4.8
AA	34.7	7.0	32.0	5.7
A	25.1	5.0	28.6	5.1
BBB	12.5	2.5	12.6	2.2
	100.0	20.1	100.0	17.8

At December 31, 2017, the *Plan's* credit risk exposure related to private debt totaled $74,207 (2016 – $68,525). The *Plan's* external managers for the private 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, which is not traded in an organized market and may be illiquid, but only up to a maximum of 2.5% of the *Plan's* assets, as stipulated in the *Plan's* Statement of Investment Policies and Procedures. The *Plan* may also invest in private debt, real estate and infrastructure, which are not traded in organized markets and may be illiquid, but only up to a maximum of 12.5% of the *Plan's* assets for each asset class, as stipulated in the *Plan's* Statement of Investment Policies and Procedures.

(IN $ THOUSANDS)

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 26.1% (2016 – 22.6%) of its assets invested in bonds and debentures and short-term investments as at December 31, 2017. The returns on bonds and debentures are particularly sensitive to changes in nominal interest rates.

The term to maturity and related fair values of investments in bonds and debentures held by the *Plan* at December 31, 2017 are as follows:

TERM TO MATURITY	2017 FAIR VALUE	2016 FAIR VALUE
Less than one year	$ 7,325	$ 7,683
One to five years	94,803	73,537
Greater than five years	206,302	168,350
	$ 308,430	$ 249,570

As at December 31, 2017, had prevailing interest rates raised or lowered by 0.5% (2016 – 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 $15,259 (2016 – $12,354), approximately 1.0% of total net assets (2016 – 0.9%). 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 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, private 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, 2017. 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.

(IN $ THOUSANDS)

	2017				2016	
	GROSS EXPOSURE	NET FOREIGN CURRENCY HEDGE	NET EXPOSURE	IMPACT ON NET ASSETS	NET EXPOSURE	IMPACT ON NET ASSETS
United States	$ 390,063	$ 13,763	$ 376,300	$ 37,630	$ 378,977	$ 37,898
Euro countries	83,068	6,318	76,750	7,675	66,080	6,608
United Kingdom	61,858	16,083	45,775	4,578	34,807	3,481
Japan	28,672	–	28,672	2,867	25,761	2,576
Hong Kong	18,857	–	18,857	1,886	18,786	1,879
Switzerland	14,964	–	14,964	1,496	13,842	1,384
Sweden	12,179	–	12,179	1,218	12,544	1,254
Australia	8,613	–	8,613	861	6,887	689
Other	22,724	6,318	16,406	1,641	16,514	1,651
	$ 640,998	$ 42,482	$ 598,516	$ 59,852	$ 574,198	$ 57,420

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, 2017, 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 $122,224 (2016 – $117,291), approximately 8.0% of total net assets (2016 – 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 and real estate investments, for which quoted market prices are not available. As at December 31, 2017, the estimated fair value of private equity investments is $16,424 (2016 – $24,165), approximately 1.1% of total net assets (2016 – 1.7%), and the related change in fair value of investments recognized for the year ended December 31, 2017 is $548 (2016 – $17). As at December 31, 2017, the estimated fair value of private debt investments is $74,207 (2016 – $68,525), approximately 4.8% of total net assets (2016 – 4.9%), and the related change in fair value of investments recognized for the year ended December 31, 2017 is ($3,144) (2016 – ($1,070)). As at December 31, 2017, the estimated fair value of real estate investments is $110,606 (2016 – $105,674), approximately 7.2% of total net assets (2016 – 7.5%), and the related change in fair value of investments recognized for the year ended December 31, 2017 is $6,605 (2016 – $4,093).

The *Plan* also has exposure to valuation risk through its holdings of infrastructure 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, 2017, the estimated fair value of the infrastructure investments is $120,826 (2016 – $107,251), approximately 7.9% of total net assets (2016 – 7.6%), and the related change in fair value of investments recognized for the year ended December 31, 2017 is $6,008 (2016 – ($953)).

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.

(IN $ THOUSANDS)

The following tables present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2017 and December 31, 2016, classified using the fair value hierarchy described above:

	LEVEL 1	LEVEL 2	LEVEL 3	2017 TOTAL INVESTMENT ASSETS AT FAIR VALUE
Bonds and debentures	$ –	$ 308,430	$ –	$ 308,430
Canadian equities	355,740	–	–	355,740
Foreign equities	459,152	–	–	459,152
Cash and short-term deposits	91,917	1,989	–	93,906
Private equities	–	–	16,424	16,424
Real estate	–	–	110,606	110,606
Infrastructure	–	–	120,826	120,826
Private debt	–	–	74,207	74,207
	$ 906,809	$ 310,419	$ 322,063	$ 1,539,291

	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	–	–	68,525	68,525
	$ 847,161	$ 253,060	$ 305,615	$ 1,405,836

(IN $ THOUSANDS)

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

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

PRIVATE EQUITIES	2017	2016
Fair value, beginning of year	$ 24,165	$ 24,468
Gains recognized in increase in net assets	548	17
Purchases	94	215
Sales/distributions	(3,499)	(3,014)
Purchases of short-term investments within subsidiary	3,116	2,479
Dividend from subsidiary, accounted for on equity basis	(8,000)	–
	$ 16,424	$ 24,165

REAL ESTATE	2017	2016
Fair value, beginning of year	$ 105,674	$ 93,741
Gains recognized in increase in net assets	6,605	4,093
Purchases	–	9,050
Sales	(1,673)	(1,210)
	$ 110,606	$ 105,674

INFRASTRUCTURE	2017	2016
Fair value, beginning of year	$ 107,251	$ 107,069
Gains (losses) recognized in increase in net assets	6,008	(953)
Purchases	7,594	1,620
Sales	(27)	(485)
	$ 120,826	$ 107,251

PRIVATE DEBT	2017	2016
Fair value, beginning of year	$ 68,525	$ 24,879
(Losses) recognized in increase in net assets	(3,144)	(1,070)
Purchases	30,222	51,024
Sales	(21,396)	(6,308)
	$ 74,207	$ 68,525

(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, 2017, the Fund held the following investments that met this classification:

	2017
Bonds and debentures	
TD Emerald Long Bond Broad Market Pooled Fund	$ 99,171
TD Lancaster Fixed Income Fund II	81,324
Fiera Active Fixed Income Fund	81,228
TD Emerald Canadian Bond Pooled Fund Trust	46,707
Canadian equities	
TD Emerald Canadian Equity Index Fund	87,775
Foreign equities	
State Street S&P 500 Index Common Trust Fund	108,243
Hillsdale Global Performance Equity Fund	37,830
Cash and short-term deposits	
City of Winnipeg short term deposit	74,390
Private equities	
5332665 Manitoba Ltd. common shares	15,771
Real estate	
Greystone Real Estate Fund Inc.	58,568
Bentall Kennedy Prime Canadian Property Fund Ltd.	52,039
Infrastructure	
OIM B4 2013 L.P.	57,438
IFM Global Infrastructure (Canada), L.P.	34,421
JPMorgan Infrastructure Investments Fund	28,865
Private debt	
Northleaf Star Investor Corporation	17,333

(IN $ THOUSANDS)

5. INVESTMENT INCOME

	2017	2016
Bonds and debentures	$ 9,334	$ 9,690
Canadian equities	9,025	9,091
Foreign equities	7,312	7,391
Cash, short-term deposits and other	628	(248)
Real estate	2,022	2,250
Infrastructure	6,099	6,447
Private debt	4,777	3,259
	$ 39,197	$ 37,880
Allocated to:		
Main Account – General Component	$ 38,242	$ 37,547
Main Account – Contribution Stabilization Reserve	603	–
Plan Members' Account	346	333
City Account	6	–
	$ 39,197	$ 37,880

6. INVESTMENT TRANSACTION COSTS

During 2017, the *Plan* incurred investment transaction costs in the form of brokerage commissions, in the amount of $254 (2016 – $350). Investment transaction costs are included in the current period change in fair value of investments.

7. LUMP SUM BENEFITS

	2017	2016
Death benefits	$ –	$ 1,285
Payments on relationship breakdown	539	341
Termination benefits	410	5
Other	128	–
	$ 1,077	$ 1,631

8. ADMINISTRATIVE EXPENSES

	2017	2016
The Winnipeg Civic Employees' Benefits Program	$ 775	$ 717
Actuarial fees	121	162
Asset liability study	-	114
Audit fees	26	26
Legal fees	18	37
Consulting fees	1	2
General and administrative expenses	11	15
	$ 952	$ 1,073

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, 2017, $19,413 had been funded.

10. COMPARATIVE FIGURES

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

TOP 50 CORPORATE SHARE HOLDINGS*

AS AT DECEMBER 31, 2017

(IN THOUSANDS)	PENSION PLAN MARKET VALUE	(IN THOUSANDS)	PENSION PLAN MARKET VALUE
1 Toronto – Dominion Bank	$ 19,877	26 AIA Group Limited	4,877
2 Bank of Nova Scotia	19,167	27 SNC – Lavalin Group Inc.	4,845
3 Royal Bank of Canada	18,517	28 Great Canadian Gaming Corp	4,805
4 Enbridge Inc.	11,104	29 Johnson & Johnson	4,631
5 Canadian Natural Resources Limited	10,742	30 Alphabet Inc., Class A Common	4,594
6 Suncor Energy Inc.	10,061	31 Husky Energy Inc.	4,502
7 Manulife Financial Corporation	9,556	32 Magna International Inc., Class A, SV	4,320
8 Apple Inc.	9,104	33 Facebook, Inc.	4,228
9 Microsoft Corp.	8,218	34 Ferrari NV	4,174
10 Bank of Montreal	8,068	35 ASML Holding	3,975
11 Potash Corporation of Saskatchewan Inc.	7,851	36 Inditex	3,959
12 Finning International Inc.	7,634	37 Atlas Copco, Class "A"	3,917
13 Tencent Holdings Limited	7,270	38 Ensign Energy Services Inc.	3,889
14 Canadian National Railway Company	7,247	39 Agrium Inc.	3,883
15 Canadian Imperial Bank of Commerce	6,579	40 Westshore Terminals Investment Corp	3,858
16 Power Corporation of Canada, SV	6,556	41 Waste Connections Inc	3,833
17 Brookfield Asset Management Inc., Class A	6,196	42 Rogers Communications Inc., Class "B" NV	3,812
18 Alibaba Group Holding Limited	6,175	43 Alphabet Inc., Class C Capital	3,770
19 Alimentation Couche-Tard Inc., Class B, SV	6,070	44 Hydro One Ltd	3,717
20 CGI Group Inc., Class A, SV	5,844	45 EnCana Corporation	3,706
21 Open Text Corp	5,720	46 Bank of America Corp	3,685
22 Canadian Pacific Railway Limited	5,509	47 Cenovus Energy Inc.	3,664
23 Prairiesky Royalty Ltd, Common	5,468	48 Ritchie Brothers Auctioneers Inc.	3,575
24 Amazon.com, Inc.	5,348	49 Kering	3,353
25 Baidu Inc.	5,035	50 Peyto Exploration & Development Corp.	3,304

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

INVESTMENT MANAGERS

AS AT DECEMBER 31, 2017

FIXED INCOME
Fiera Capital Corporation
TD Asset Management Inc.

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

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

NON-NORTH AMERICAN EQUITIES
Baillie Gifford Overseas Ltd.
Causeway Capital Management LLC
Hillsdale Investment Management Inc.
Pyrford International

PRIVATE CAPITAL
Hamilton Lane Advisors LLC (Equity)
Richardson Capital Limited (Equity)
AMP Capital
Brookfield Asset Management (Debt)
Golub Capital (Debt)
Integrated Asset Management Corp. (Debt)
Neuberger Berman (Debt)
Northleaf Capital Partners (Debt)

REAL ESTATE
Bentall Kennedy (Equity)
Greystone Managed Investments Inc. (Equity)

INFRASTRUCTURE
Axium Infrastructure
IFM Global Infrastructure (Canada), L.P.
J.P. Morgan Investment Management Inc.
OMERS Borealis Infrastructure

ADMINISTRATION

AS AT DECEMBER 31, 2017

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

Mel Chambers (Chair)
DIRECTOR OF ASSESSMENT AND TAXATION

Marc Lemoine
DEPUTY CITY CLERK

Paul Olafson
CORPORATE CONTROLLER

Mike Ruta
CHIEF FINANCIAL OFFICER

Christian Schmidt
DEPUTY CHIEF, WINNIPEG FIRE PARAMEDIC SERVICE

Michael Jack (non-voting)
CHIEF CORPORATE SERVICES 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

Marc Pellerin

INVESTMENT COMMITTEE MEMBERS

Gary Timlick,
Wawanesa Insurance (Chair)

Sam Pellettieri, CFA,
(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
DIRECTOR, INFORMATION SYSTEMS

Bill Battershill
DIRECTOR OF MEMBER SERVICES

Amanda Jeninga
ASSOCIATE DIRECTOR OF MEMBER SERVICES

EXTERNAL ADVISORS

Actuary
Eckler Ltd.

Auditor
Deloitte LLP

Custodian
RBC Investor Services Trust

Investment Consultant
Aon Hewitt

Legal Counsel
Taylor McCaffrey
Koskie Minsky

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