2009 ANNUAL REPORT

THE WINNIPEG POLICE

PENSION PLAN

WHO WE ARE

The Winnipeg Police Pension Board was established under by-law with the responsibility for administration of the Winnipeg Police Pension Plan. The Board is made up of seven members. Two members are appointed by the Winnipeg Police Association, one member is appointed by the Winnipeg Police Senior Officers' Association, and four members are appointed by the City of Winnipeg.

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 the Executive Director.

Police officers of the City of Winnipeg have enjoyed a long and proud history of participation in employee pension plans in one form or another, with the origins of the current *Pension Plan* dating back to 1975.

Pension benefits are financed entirely by the assets (including investment earnings) of the *Plan* and the contribution obligations of the City of Winnipeg and the active members under the *Plan*.

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2009 OVERVIEW

The Winnipeg Police Pension Plan currently covers over 2,400 police members with assets of almost $900 million.

Financial Position

As at December 31, 2009		Fair Value		Actuarial Value
		(000's)		*(000's)*
Net Assets Available For Benefits				
Main Account - General Component	$	775,406	$	828,767
Main Account - Contribution Stabilization Reserve		72,455		72,455
Plan Members' Account		6,874		6,874
	$	854,735	$	908,096
Plan Obligations - as extrapolated	$	846,689	$	846,689
Funded Ratio - on extrapolated obligations		101.0%		107.3%

On May 26, 2003, the City of Winnipeg entered into an agreement with the Winnipeg Police Association and the Winnipeg Police Senior Officers' Association relative to the sharing of surpluses and risks under the *Pension Plan*, with effect from January 1, 2003. Under the terms of this agreement, actuarial surplus at January 1, 2003 was used to fully fund future cost-of-living adjustments on all accrued pension and deferred pension benefits at the rate of 75% of the Canadian inflation rate. The surplus was also used to establish a Contribution Stabilization Reserve to maintain the City's contribution rate at 8% of pensionable earnings, which is the same rate as that which police officers contribute to the *Plan*.

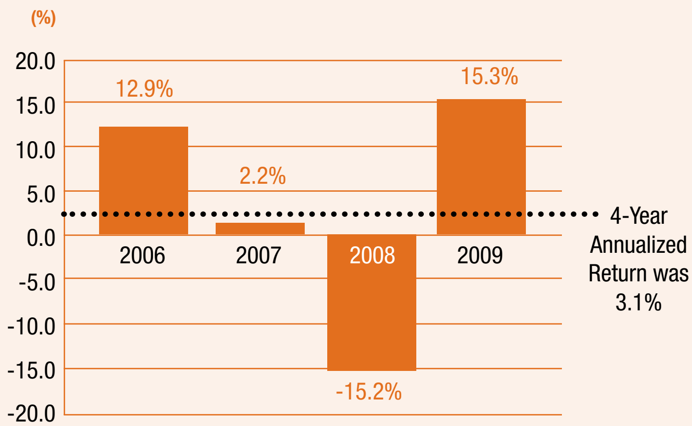
Future actuarial surpluses, in excess of the amount required to fully fund

i. future cost-of-living adjustments to pensions at 75% of the Canadian inflation rate, *and*

ii. a Contribution Stabilization Reserve sufficient to maintain the City's contribution rate at 8% of pensionable earnings,

will be shared equally between the City and the plan members.

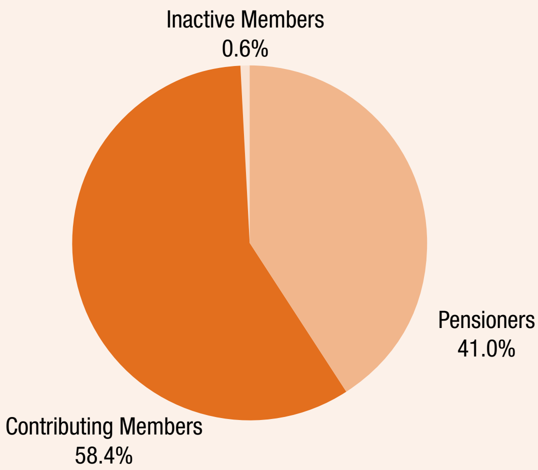
Annual Investment Return



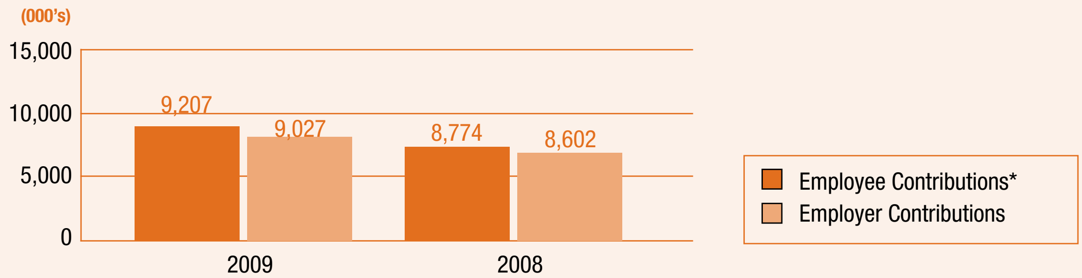
Membership Profile

As at December 31, 2009

Total Members 2,417

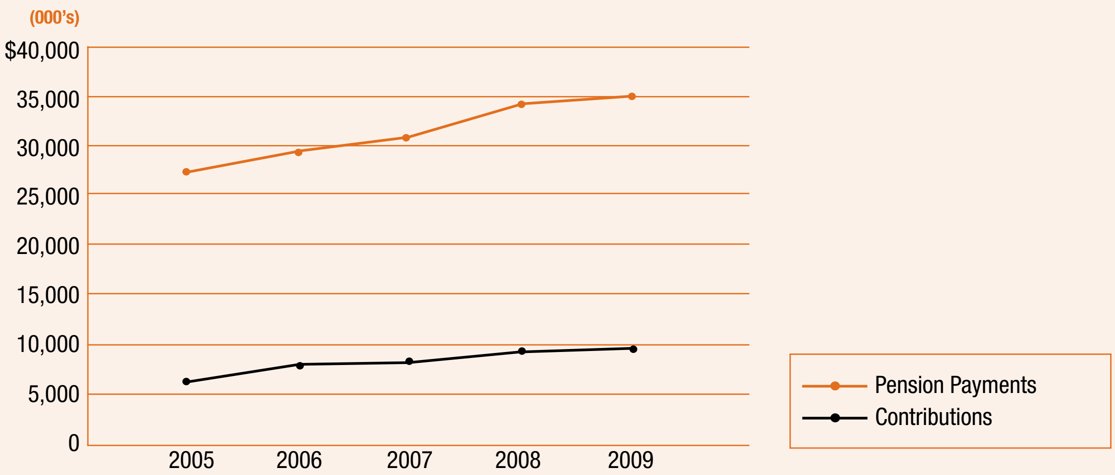


Contributions



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

Member Contributions & Pension Payments



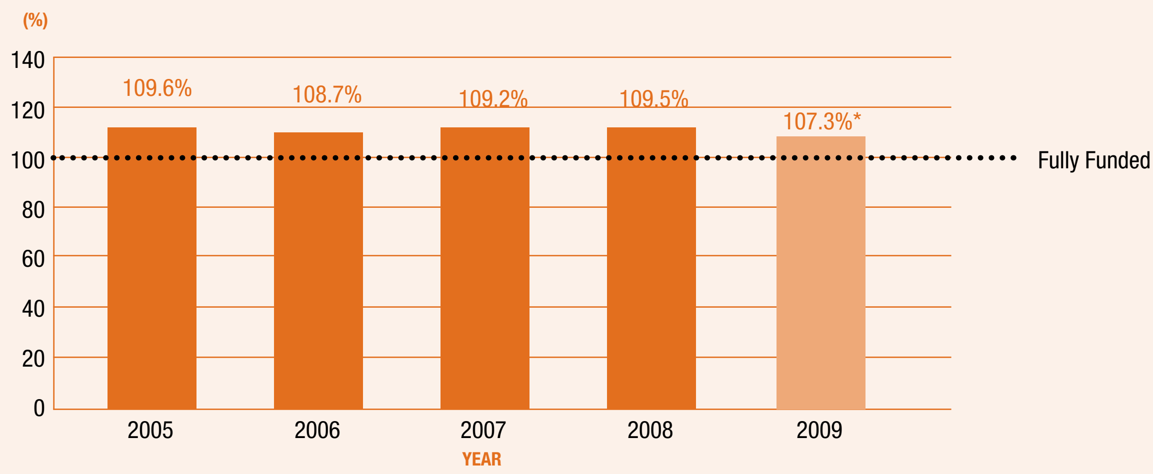
Cost of Benefits for Service in 2009

	As % of Contributory Earnings
Non-Indexed Benefits	19.61%
Cost-of-Living Adjustments	3.58%
Total	23.19%
Employee Contributions	8.00%
City Contributions (Matching)	8.00%
Balance from Contribution Stabilization Reserve	7.19%
Total	23.19%

Statement of Actuarial Position

		December 31, 2008
		(000's)
1. Actuarial Value of Assets		
Main Account	$	877,262
Plan Members' Account		5,975
	$	883,237
2. Actuarial Liabilities	$	806,702
3. Excess of Actuarial Value of Plan Assets		
over actuarial liabilities	$	76,535
4. Amounts Previously Allocated		
Contribution Stabilization Reserve	$	48,042
Plan Members' Account		5,975
	$	54,017
5. Actuarial Surplus (3.- 4.)	$	22,518
6. Funded Ratio (1. / 2.)		
Including Plan Members' Account		109.5%
Excluding Plan Members' Account		108.7%

Funded Ratio Based on Actuarial Value of Assets



* Extrapolated: at the time the year-end financial statements were being prepared, the results of the actuarial valuation of the *Plan* as at December 31, 2009 were not available. Accordingly, the results of the December 31, 2008 actuarial valuation were extrapolated to December 31, 2009.

PENSION PLAN

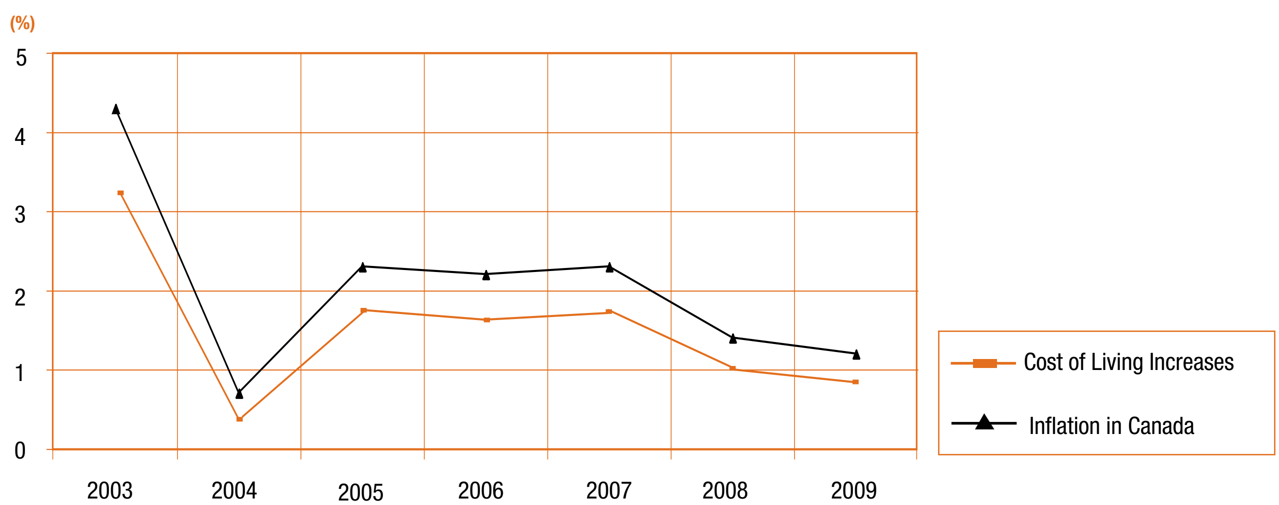
BENEFITS

The Winnipeg Police Pension Plan is a defined benefit pension plan, registered under Manitoba's *Pension Benefits Act* and Canada's *Income Tax Act*. The pension benefit is determined by a set formula that is defined in the Winnipeg Police Pension Plan By-law.

Retirement under the *Plan* is at age 55 or after completion of 25 years of credited service; however, two early retirement options are also available. A member may retire with a reduced pension anytime after reaching age 50 or completing 20 years of credited service. When a member dies, survivor benefits may also be paid to an eligible spouse/partner or dependent children, or other eligible beneficiaries.

The *Plan* also allows for indexing of pensions, currently at a rate of 75% of the annual increase in Canada's Consumer Price Index, at March 31.

Cost of Living Increases



BUILDING STRONG RELATIONSHIPS

Our services to members include:

- Participating in orientation sessions for new employees
- Calculating termination or retirement pension benefits
- Calculating retirement pension estimates
- Meeting individually with members who are retiring (or considering retirement), and presenting pre-retirement seminars
- Producing a bi-weekly pension payroll
- Producing individual annual statements of benefits

During 2009, a total of 40 individuals retired under the Winnipeg Police Pension Plan. This represents a slight increase from 2008 when 37 members retired. Of the 40 members who retired during 2009, eight retired under the early retirement option (age 50 or at least 20 years of credited service).

New members totaled 85 in 2009. New enrollments have averaged 81 members over the last five years.

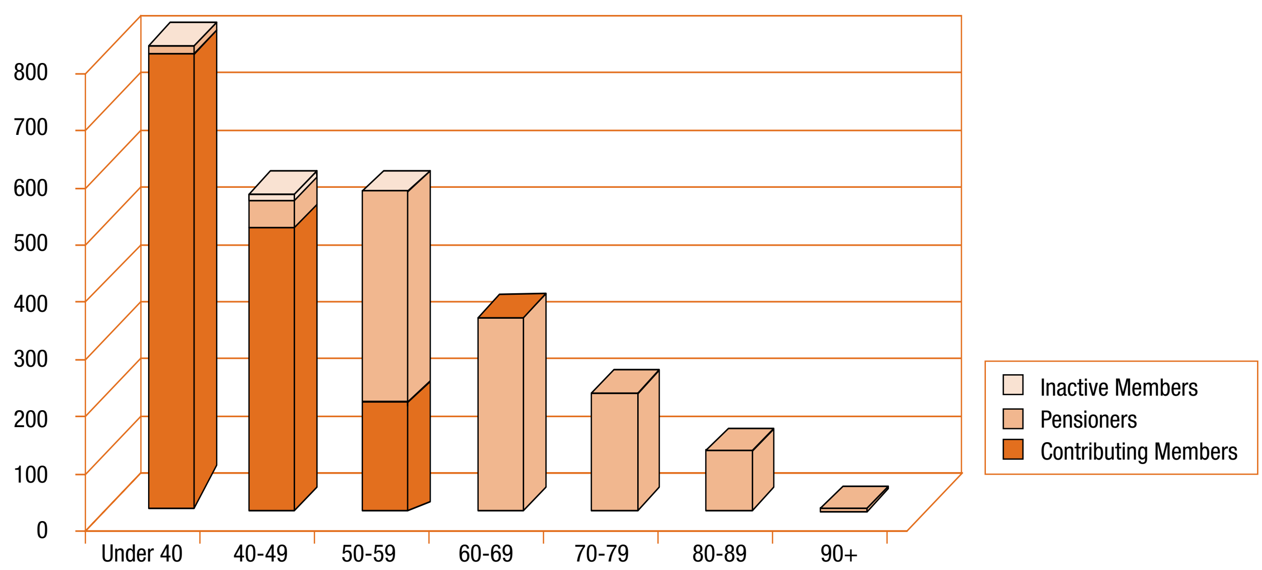
Summary of Membership

	2009	2008	2007	2006	2005
Contributing Members	1,411	1,372	1,330	1,291	1,266
Deferred Members	14	13	14	14	14
Pensioners	992	971	940	899	861
Total Membership	2,417	2,356	2,284	2,204	2,141
Membership Activity During the Year					
Normal Retirements	32	33	47	38	39
Early Retirements	8	4	3	4	5
Deaths in Service	2	1	1	2	1
Pensioner Deaths	27	16	18	15	19
New Members	85	84	98	72	68
Terminations	4	6	8	3	7

Membership Profile

As at December 31, 2009

(By Age Bands)



MANAGING ASSETS PRUDENTLY

Funded Status at December 31, 2008

The most recent actuarial valuation of the Winnipeg Police Pension Plan as at December 31, 2008 disclosed that the *Plan* was fully funded and had an excess of smoothed value of assets over actuarial liabilities of $76,535,000 – a funded ratio of 109.5% on the basis of actuarial values. If the fair value of assets had been used instead of the smoothed value, there would have been a shortfall of $46,610,000 – which would have resulted in a funded ratio of 94.2% on a fair value basis. The application of actuarial asset "smoothing" techniques has been used by the *Plan* for many years.

The results of the measurement, using the smoothed value of assets, continue to portray a picture of relative health for the *Plan* with respect to benefits accrued for all service up to December 31, 2008. However, this picture is clouded by the fact the *Plan* had only partially recognized the investment losses which occurred during 2008 when the *Plan* had a rate of investment return of -15.2%.

The results of the measurement, using the fair value of assets, indicated that the going concern funded ratio had fallen below 100%, and accordingly, the entire *Plan* assets (including the special purpose reserve and special purpose account that continued to exist as a result of applying a five-year smoothing method to value the Main Account–General Component for actuarial measurement purposes) were realistically supporting only the *Plan's* accrued benefits at year-end 2008.

The future financial health of the *Plan* will be, in part, dependant upon the significant reversal of the 2008 investment losses (which reversal commenced and took hold in a significant way during 2009, with the *Plan* earning a 15.3% rate of investment return, but on a lower asset base).

Under the terms of the *Plan*, the entire excess of smoothed value of assets over actuarial liabilities is allocated to a special-purpose reserve and special-purpose accounts, as follows:

- The Contribution Stabilization Reserve exists to finance the future service cost of benefits that exceed matching employee and employer contributions.
- The Plan Members' Account is credited with the share of actuarial surpluses that are credited to the Members.
- The financial structure also provides for a City Account, which will be credited with the share of any future actuarial surpluses that are allocated to the City of Winnipeg. To date, no actuarial surpluses have been credited to the City Account.

The cost of future service benefits under the *Plan* is currently 23.2% of pay, which is significantly more than the combined matching contributions of the City and the employees at 16.0% of pay. The City's ability to continue contributing to the *Plan* at the matching rate of 8% of pay will depend on the ability of the Contribution Stabilization Reserve to finance the shortfall between contributions and the cost of benefits in the future. The Reserve will have to be continuously "topped up" through future surplus generation if the City's contributions are to be maintained at the target rate. The actuarial valuation indicates that if the Contribution Stabilization Reserve is exhausted, the City's contribution rate could rise to about 13.6% of pay.

The actuarial valuation as at December 31, 2008 disclosed that the *Plan* generated a surplus of $22,518,000 on 2008 operations, which was allocated to the Contribution Stabilization Reserve in accordance with the terms of the *Plan*. The actuarial valuation also disclosed that the Contribution Stabilization Reserve is funded at 73.1% of its target level of $96,582,000.

Under the terms of the *Plan*, should a future funding deficiency emerge in the Main Account–General Component, it would be resolved, firstly, by transferring funds from the Contribution Stabilization Reserve until the amount of the Reserve is reduced to $48,582,000 (which is equal to the amount of actuarial surplus originally allocated to fully fund cost-of-living adjustments to pensions and deferred pensions) and, secondly, by an equal reduction in the rate of future cost-of-living adjustments (and hence, the funding of these cost-of-living adjustments) and the Contribution Stabilization Reserve.

Although the balance of the Contribution Stabilization Reserve is available to resolve funding deficiencies if they emerge, the Reserve is not intended to be used as a buffer to permanently finance investment shortfalls or other experience losses. To the extent that it ends up being used for such purposes, its ability to finance the cost of future service benefits will be constrained, and could result in increases to the City's contribution rate, as earlier described, and decreases to the future level of cost-of living adjustments.

Key Actuarial Assumptions

One of the key assumptions that underlies the determination of actuarial liabilities, thereby affecting the actuarial surplus, is the valuation interest rate. The valuation interest rate assumed was 6.25% per year in the 2008 actuarial valuation (increased from 6.00% per year in the 2007 actuarial valuation), and was developed with reference to expected long-term economic and investment conditions. The valuation interest rate assumed was carefully and prudently developed, giving recognition to the long-term asset mix expected to be utilized by the *Plan*, and after assuming an equity premium that is normal by historical standards.

Other key economic assumptions in the 2008 actuarial valuation include future inflation at 2.00% per year (decreased from 2.25% per year in the 2007 actuarial valuation, resulting in an assumed real rate of investment return of 4.25% per year) and general increases in pay of 3.50% per year (decreased from 3.75% per year in the 2007 actuarial valuation).

Although these assumptions were considered appropriate both for funding and accounting purposes in 2008, there nonetheless is measurement uncertainty associated with these estimates versus actual future investment returns and salary escalation that will impact on the future financial position of the *Plan*, possibly in a material way.

It is important to note that the actuarial position described in the preceding sections does not take into account the significant investment gains recognized by the *Plan* as a result of the upturn in the investment markets during 2009. As mentioned earlier, the *Plan's* rate of investment return for 2009 was 15.3%, reflective of the partial reversal of investment losses that were realized generally on a global basis in 2008. The "Extrapolated Funded Status" described in the next section includes the impact of such investment gains (on a smoothed basis).

Extrapolated Funded Status at December 31, 2009

At the time the year-end financial statements were being prepared, the results of the next actuarial valuation of the *Plan* as at December 31, 2009 were not available. Accordingly, the results of the December 31, 2008 actuarial valuation were extrapolated to December 31, 2009, to determine the actuarial present value of accrued benefits at year-end. Significant long-term actuarial assumptions used in determining the actuarial value of accrued pension benefits included a valuation interest rate of 6.25% per year, inflation of 2.0% per year and general increases in pay of 3.5% per year. The extrapolation is prepared for financial reporting purposes only, with any apparent emerging surplus or deficiency subject to confirmation or revision in the subsequent actuarial valuation report.

Actions that are required under the surplus and risk sharing provisions of the *Plan* that would affect its funded status are undertaken only with reference to the reported results of the formal actuarial valuation. Readers of the financial statements should, therefore, be careful to treat such extrapolated results as preliminary.

The notes to the financial statements disclose that the actuarial value of assets of the Main Account–General Component are lower than the extrapolated obligations of the *Plan* by approximately $17,922,000 as at December 31, 2009. Although the extrapolated values of the assets and obligations project this somewhat significant amount of apparent deficiency emerging on 2009 operations, this result is expected to be remedied by a transfer from the Contribution Stabilization Reserve to the Main Account–General Component. Experience gains or losses will also have a bearing on the final level of funding deficiency (or surplus) that is ultimately determined for the Main Account –General Component in the next actuarial valuation as at December 31, 2009. It is not expected that the results of this forthcoming valuation will result in changes to the City's contribution rate or the level of cost-of living adjustments in 2010 under the *Plan*.

After taking into account the Contribution Stabilization Reserve and the Plan Members' Account, the extrapolated funded status of the *Plan* remains at 107.3% on an actuarial basis and 101.0% on a fair value basis. These funded positions compare with those from the previous actuarial valuation one year earlier of 109.5% and 94.2%, respectively.

The application of a five-year asset smoothing method had the continuing effect of deferring a still significant portion of the investment market losses in 2008 to future years. However, excess investment returns realized in 2009 have been applied against the balance of unrecognized 2008 investment losses.

As at December 31, 2009, the assets as measured on a smoothed basis are greater than their related fair value by $53,361,000 – an improvement in position of $69,784,000 from the previous year. In effect, the smoothing method has served to temporarily buffer (i.e. potentially delay recognition of) part of the impact of the *Plan* earning -15.2% during 2008, versus the assumed rate of investment return for 2008 of 6.0%.

Accordingly, should the *Plan* earn exactly the assumed 6.25% on the actuarial asset base over the next three years, the remaining $53,361,000 smoothing difference would be expected to emerge as funding deficiencies over this three-year period, a situation that would be significantly detrimental to the financial position of the *Plan*. At present, any resulting funding deficiencies would be dealt with in accordance with the terms of the *Plan*, which could result in decreases to the future level of cost-of-living adjustments, as well as increases in the City's contribution rate.

The above noted potential funding deficiencies can be mitigated to the extent that there continue to be significant recoveries in the investment markets and/or there is enhanced investment performance, which results in higher than assumed rates of investment return over the next three years. Such outcomes remain very uncertain. Should future returns fall short of the assumed rates of return, this situation will be worsened.

Long-Term Investment Goals and Performance

Over the last ten years, the *Plan* achieved an average rate of return of 4.9% per year, ranking third quartile (71st percentile) among larger pension plans in Canada. The current long-term goal of the *Plan* is to achieve a rate of return that exceeds inflation by 5.0% per year. With the ten-year annualized inflation rate being 2.1%, the *Plan* fell short of this goal by a margin of 2.2% per year over the last ten years. It should be noted that such measurements are end date sensitive. There has been considerable erosion in the margin over the last few years because the 2007 absolute return, at 2.2%, was low, and the 2008 return, at -15.2%, fell into double digit negative territory.

Although a long-term investment return which exceeds inflation by 4.25% per year, together with matching contributions from the employees and the City, is expected to adequately finance the benefits derived from past service for the existing *Plan* members, ongoing future actuarial surplus generation will be required to maintain funding of the Contribution Stabilization Reserve to finance the ongoing shortfall of matching contributions versus the future service benefit cost and to avoid a reduction in the rate of cost-of-living adjustments to pensions.

Accordingly, notwithstanding the assumed 4.25% per year real return used for the actuarial valuation, it is desirable to strive for a real rate of return of at least 5% per year over the long term. This 5% objective is reflected in the *Plan's* Statement of Investment Policies and Procedures.

It is the achievement of sufficient excess investment returns in the future (both to reverse 2008 investment losses and to permit ongoing surplus generation) that will have the most significant bearing on the ultimate sustainability of City contribution levels and the current level of cost-of-living adjustment.

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

Future Accounting Changes

In April 2010, the Canadian Institute of Chartered Accountants (CICA) issued Section 4600, Pension Plans, replacing Section 4100, Pension Plans. The new section will be applicable to financial statements related to fiscal years beginning on or after January 1, 2011. It establishes requirements for measurement and presentation of information in general purpose financial statements of pension plans, as well as financial statement disclosures. The Board is currently evaluating the impact of the adoption of this new Section on its financial statements.

Five-Year Financial Summary

THE CITY OF WINNIPEG–WINNIPEG POLICE PENSION PLAN

	2009	2008	2007	2006	2005
	(000's)	*(000's)*	*(000's)*	*(000's)*	*(000's)*
Investments, at Fair Value					
Bonds and Debentures	$ 321,822	$ 299,194	$ 325,875	$ 317,237	$ 286,143
Real Return Bonds	10,670	9,889	10,076	10,170	10,690
Canadian Equities	257,039	187,247	303,111	335,699	317,039
Foreign Equities	241,648	208,840	232,672	225,399	187,000
Cash and Short-term Deposits	16,171	46,298	40,982	23,807	23,649
Private Equities	7,990	9,241	5,396	5,183	3,353
Other Liabilities	(605)	(617)	(1,974)	(2,543)	(1,871)
	$ 854,735	$ 760,092	$ 916,138	$ 914,952	$ 826,003

	2009	2008	2007	2006	2005
Assets Available for					
Main Account					
–General Component	$ 775,406	$ 706,075	$ 856,643	$ 846,816	$ 764,512
–Contribution Stabilization Reserve	72,455	48,042	52,442	61,225	55,361
Plan Members' Account	6,874	5,975	7,053	6,911	6,130
	$ 854,735	$ 760,092	$ 916,138	$ 914,952	$ 826,003

MAIN ACCOUNT–GENERAL COMPONENT

	2009	2008	2007	2006	2005
Contributions					
Employees	$ 9,207	$ 8,774	$ 7,769	$ 7,842	$ 7,070
City of Winnipeg	9,027	8,602	7,623	7,676	6,938
Reciprocal Transfers	120	668	296	50	46
Transfer from Contribution Stabilization Reserve	8,113	10,430	9,938	8,856	8,056
Net Investment Income (Loss)	102,100	(127,997)	17,313	96,049	83,178
	128,567	(99,523)	42,939	120,473	105,288
Pension Payments	35,122	33,322	31,234	28,924	27,369
Lump Sum Benefits	740	1,408	1,218	1,343	1,397
Administration	856	678	660	601	576
Transfer to Contribution Stabilization Reserve	22,518	15,637	-	7,301	2,951
Transfer to Plan Members' Account	-	-	-	-	-
	59,236	51,045	33,112	38,169	32,293
Increase (Decrease) in Assets	$ 69,331	$ (150,568)	$ 9,827	$ 82,304	$ 72,995

CONTRIBUTION STABILIZATION RESERVE

	2009	2008	2007	2006	2005
	(000's)	*(000's)*	*(000's)*	*(000's)*	*(000's)*
Transfer of Surplus from Main Account–General Component	$ 22,518	$ 15,637	$ -	$ 7,301	$ 2,951
Net Investment Income (Loss)	10,008	(9,607)	1,155	7,419	6,430
	32,526	6,030	1,155	14,720	9,381
Transfer to Main Account –General Component	8,113	10,430	9,938	8,856	8,056
Increase (Decrease) in Net Assets	$ 24,413	$ (4,400)	$ (8,783)	$ 5,864	$ 1,325

PLAN MEMBERS' ACCOUNT

	2009	2008	2007	2006	2005
Transfer of Surplus from Main Account–General Component	$ -	$ -	$ -	$ -	$ -
Net Investment Income (Loss)	899	(1,078)	142	781	664
Increase (Decrease) in Net Assets	$ 899	$ (1,078)	$ 142	$ 781	$ 664
Annual Rate of Return	15.3%	-15.2%	2.2%	12.9%	12.3%

REPORT ON INVESTMENTS

The Winnipeg Police Pension Board delegates, to the Investment Committee of The Board of Trustees of The Winnipeg Civic Employees' Benefits Program, the responsibility for:

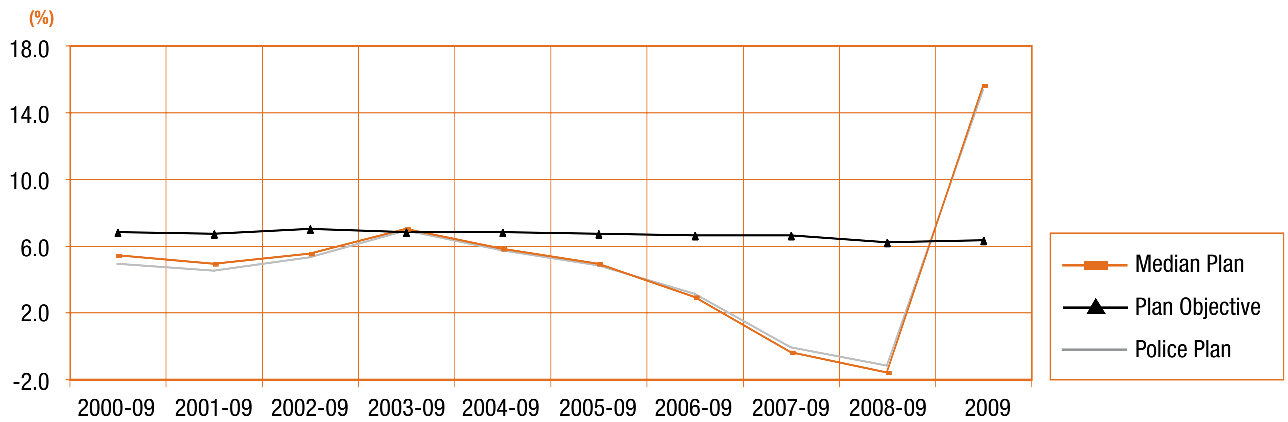
- determining the *Plan's* asset mix (within the parameters of the *Plan's* Statement of Investment Policies and Procedures),
- recommending the selection or termination of various investment managers, *and*
- monitoring the performance of these investment managers.

The *Plan* utilizes external investment managers to manage the equity portfolios. The short-term investments and the bond portfolio, including real return bonds, are managed internally.

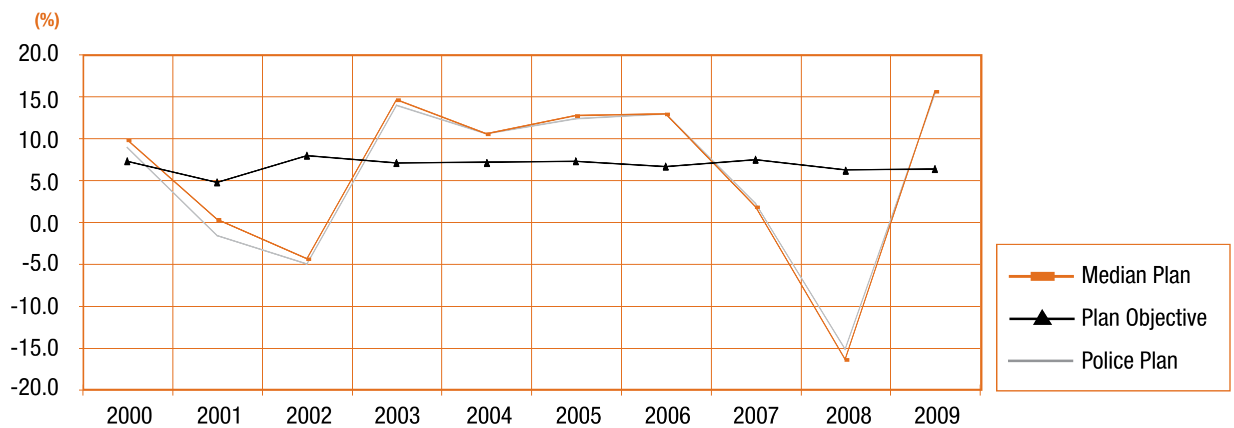
In 2009, the investment portfolio reported a return of 15.3%. The bottom in the markets was witnessed early in March 2009 after a year in which the world experienced the "worst global recession since the Great Depression." The years 1999 and 2000 and 2003-2006 experienced abnormally high real returns, interspersed by negative returns for 2001 and 2002, meagre returns in 2007 and significant negative returns in 2008. The *Plan's* four-year and ten-year annualized rates of return of 3.1% and 4.9%, respectively, place the Plan at the 43rd percentile and 71st percentile ranking, respectively, of Canadian pension fund returns as measured by RBC Dexia Investor Services, an independent measurement service.

The below median ten-year record (median return of 5.38%) can be attributed to the underperformance of our Canadian equity managers and the underperformance of our passive investment in the S&P 500 Index relative to the performance of active managers. More recent performance, on a relative basis, has been positively affected by having the *Plan's* Canadian equity portfolios over-weighted relative to the sample and generally outperformance by our equity managers.

Annualized Rates of Return



Annual Rates of Return



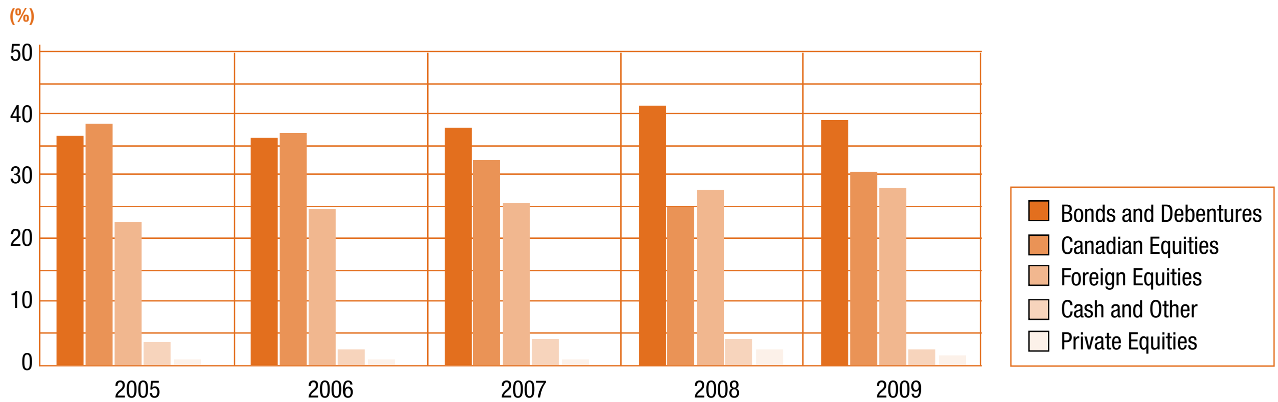
Asset Mix

As a result of a general significant rise in the global equity markets and significant withdrawals from fixed income, there was an increase in allocation to equity investments – from 52.1% of the portfolio at the beginning of the year to 58.3% at year-end. Benefit payments and administrative expenses exceeded contributions by $20.0 million in 2009. Funds were raised by liquidating $21.5 million from the *Plan's* bond and money market investments with $1.5 million being directed to our private equity fund-of-funds manager, Hamilton Lane.

Asset Mix

	2009	2008	2007	2006	2005
Bonds and Debentures	38.9%	40.6%	36.6%	35.7%	35.8%
Canadian Equities	30.1%	24.6%	33.0%	36.6%	38.3%
Foreign Equities	28.2%	27.5%	25.3%	24.5%	22.6%
Cash and Other	1.9%	6.1%	4.5%	2.6%	2.9%
Private Equities	0.9%	1.2%	0.6%	0.6%	0.4%
	100.0%	100.0%	100.0%	100.0%	100.0%

Asset Mix



Equity Investments

The *Plan's* Canadian equity managers outperformed the S&P/TSX Composite Index and the median pension fund in 2009 with a rate of return of 36.7%. The S&P/TSX Composite Index had a return of 35.1% in 2009 compared to a negative return of 33.0% in 2008.

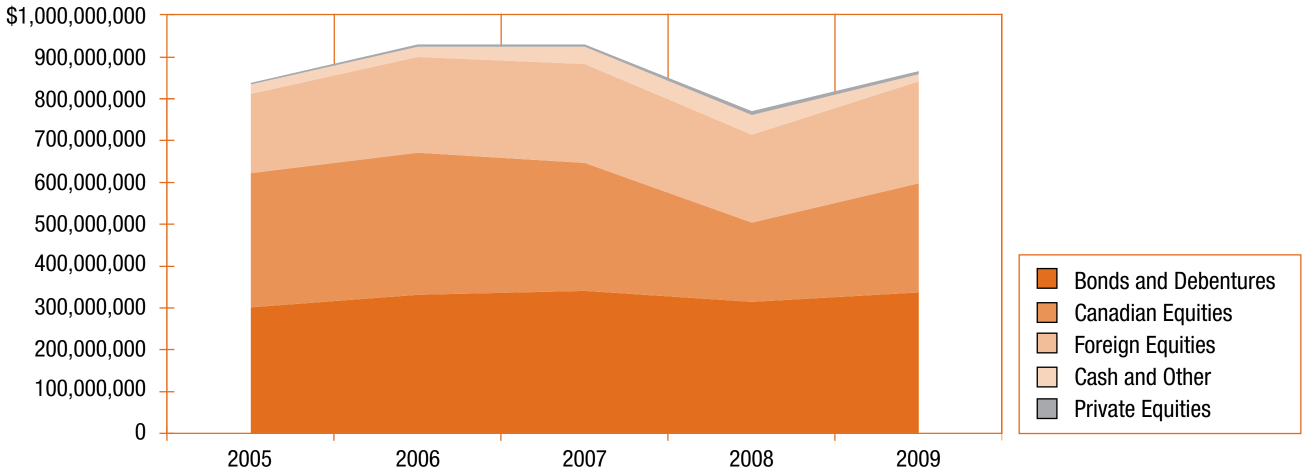
The *Plan's* foreign equity managers, collectively, experienced a return of 15.6% in Canadian dollar terms in 2009. This return was 272 basis points above the median. The US equity managers collectively reported a return of 10.8%, in Canadian dollars in 2009, which was above the return of the S&P 500 of 7.4%. Over the last ten years, the US stock market has significantly underperformed the Canadian stock market in Canadian dollars. The *Plan's* Non-North American equity managers collectively reported a return of 20.0% in 2009. The Europe, Australia, Far East Index returned 11.9% in 2009. The World index returned 10.4% in Canadian dollars in 2009.

Fixed Income Investments

The *Plan's* bond portfolio achieved a rate of return of 4.7% in 2009. For the four- and ten-year periods ended December 31, 2009, the bond portfolio returned 4.8% and 7.2% annualized, ranking well into the 1st quartile for ten years.

Our strategy of maintaining a marginally long duration, high quality bond portfolio positively influenced our absolute and relative performance over the ten years. Performance for 2009 ranked well below the median due to the avoidance of exposure to riskier credits which appreciated significantly in early 2009.

Investments



Asset Mix Strategy for 2010

After a significant rally off the bottom in 2009, the Investment Committee anticipates a slow recovery from the global recession, deflation challenges and a steep yield curve. In the long term, assuming a recovery in 2010, stocks should outperform bonds.

We expect that the fixed income component of the fund will gradually decline over the year as funds are drawn from this asset class to fund benefit payments and an initial investment in real estate and additions to our private equity holdings. There will be no new direct allocation to public equities.

Total Returns

	One Year	Four Years	Ten Years
Total Fund	15.3%	3.1%	4.9%
Bonds and Debentures	4.7%	4.8%	7.2%
Canadian Equities	36.7%	4.3%	7.1%
Foreign Equities	15.6%	-1.9%	-2.7%
Benchmarks			
DEX Universe Bond Index	5.4%	4.9%	6.7%
S&P / TSX Composite Index	35.1%	3.9%	5.6%
S&P 500	7.4%	-3.3%	-4.1%
Europe, Australia, Far East Stock Market Index	11.9%	-1.5%	-2.1%
Consumer Price Index	1.3%	1.6%	2.1%

Fixed Income Investments Summary

As at December 31, 2009

Description	Maturity Date	Pension Plan Market Value
		(000's)
Government of Canada bonds	2010-2023	$ 34,840
Provincial bonds	2010-2024	189,335
Municipal bonds	2010-2015	4,217
Corporate and other institutions bonds	2010-2019	102,755
Accrued interest		1,345
Total bonds and debentures		$ 332,492

Call funds - City of Winnipeg		14,407
Short term investment fund		1,757
Cash		7
Total short-term investments		$ 16,171

ACTUARIAL OPINION

MERCER

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

THE CITY OF WINNIPEG - WINNIPEG POLICE PENSION PLAN

Mercer has conducted an actuarial valuation of the *Winnipeg Police Pension Plan* as at December 31, 2008, relying on data and other information provided to us by the Plan administrator. The results of the valuation are contained in our report dated September 2009.

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, 2008 and has an excess of smoothed value of assets over actuarial liabilities of $76,535,000 as at that date, on the basis of the assumptions and methods described in our report. Of this excess, $54,017,000 has been previously allocated to the Contribution Stabilization Reserve and the Plan Members' Account.

The remaining actuarial surplus of $22,518,000 will be allocated to the Contribution Stabilization Reserve in accordance with the terms of the Plan.

The Plan has a solvency excess of $116,799,000 as at December 31, 2008, based on a smoothed value of assets.

Cost of Benefits for Service in 2009
The normal actuarial cost of the benefits expected to be earned under the Plan for service in 2009 is 23.19% of contributory earnings.

This cost is expected to be financed by employee contributions averaging 8.0% of contributory earnings, City contributions of 8.0% of contributory earnings and transfers from the Contribution Stabilization Reserve of 7.19% of contributory earnings.

In our opinion:

- the actuarial valuation and our report thereon present fairly the actuarial position of the Winnipeg Police Pension Plan as at December 31, 2008 on the basis of the actuarial assumptions and valuation methods adopted,

- the data on which the valuation is based are sufficient and reliable for the purposes of the valuation,

- the assumptions are appropriate for the purposes of determining the funded status of the Plan as at December 31, 2008 on going-concern and solvency bases, and determining the minimum funding requirements, and

- the methods employed in the valuation are appropriate for the purposes of determining the funded status of the Plan as at December 31, 2008 on going-concern and solvency bases, and determining the minimum funding requirements.

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

E. DeLuca.

Enzo DeLuca
FELLOW OF THE CANADIAN INSTITUTE OF ACTUARIES

Alyssa Hariton
FELLOW OF THE CANADIAN INSTITUTE OF ACTUARIES

Ryan Welsh
FELLOW OF THE CANADIAN INSTITUTE OF ACTUARIES

AUDITORS' REPORT

THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN

Deloitte.

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

We have audited the consolidated statement of net assets available for benefits of the Winnipeg Police Pension Plan as at December 31, 2009 and the consolidated statements of changes in net assets available for benefits of the main account – general component, main account – contribution stabilization reserve and plan members' account for the year then ended. These financial statements are the responsibility of the board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits of the Winnipeg Police Pension Plan as at December 31, 2009 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
April 16, 2010

THE CITY OF WINNIPEG - WINNIPEG POLICE PENSION PLAN

Consolidated Statement of Net Assets Available for Benefits

As at December 31

		2009		2008
		(000's)		*(000's)*
ASSETS				
Investments, at fair value				
Bonds and debentures	$	331,147	$	307,701
Canadian equities		257,039		187,247
Foreign equities		241,648		208,840
Cash and short-term deposits		16,171		46,298
Private equities		7,990		9,241
		853,995		759,327
Accrued interest		1,345		1,382
Accounts receivable		4		571
Due from The Winnipeg Civic Employees' Pension Plan		104		346
Total Assets		855,448		761,626
LIABILITIES				
Accounts payable		713		1,534
Total Liabilities		713		1,534
NET ASSETS AVAILABLE FOR BENEFITS	$	854,735	$	760,092
NET ASSETS AVAILABLE FOR BENEFITS COMPRISED OF:				
Main Account–General Component	$	775,406	$	706,075
Main Account–Contribution Stabilization Reserve		72,455		48,042
Plan Members' Account		6,874		5,975
	$	854,735	$	760,092

See accompanying notes to the consolidated financial statements.

THE CITY OF WINNIPEG - WINNIPEG POLICE PENSION PLAN

MAIN ACCOUNT - GENERAL COMPONENT

Consolidated Statement of Changes in Net Assets Available for Benefits

For the years ended December 31

	2009	2008
	(000's)	*(000's)*
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	$ 9,027	$ 8,602
Employees	9,207	8,774
Reciprocal transfers from other plans	120	668
	18,354	18,044
Transfer from Contribution Stabilization Reserve (Note 1)	8,113	10,430
Investment income (Note 5)	26,578	31,694
Current period change in fair value of investments	77,117	(157,996)
Total increase (decrease) in assets	130,162	(97,828)
DECREASE IN ASSETS		
Pension payments	35,122	33,322
Lump sum benefits	740	1,408
Administrative expenses (Note 7)	856	678
Investment management and custodial fees	1,595	1,695
Transfer of surplus to Contribution Stabilization Reserve (Note 3)	22,518	15,637
Total decrease in assets	60,831	52,740
Increase (decrease) in net assets	69,331	(150,568)
Net assets available for benefits at beginning of year	706,075	856,643
Net assets available for benefits at end of year	$ 775,406	$ 706,075

See accompanying notes to the consolidated financial statements.

THE CITY OF WINNIPEG - WINNIPEG POLICE PENSION PLAN

MAIN ACCOUNT - CONTRIBUTION STABILIZATION RESERVE

Consolidated Statement of Changes in Net Assets Available for Benefits

For the years ended December 31

	2009	2008
	(000's)	*(000's)*
INCREASE IN ASSETS		
Transfer of surplus from Main Account–General Component (Note 3)	$ 22,518	$ 15,637
Investment income (Note 5)	2,605	2,379
Current period change in fair value of investments	7,559	(11,859)
Total increase in assets	32,682	6,157
DECREASE IN ASSETS		
Investment management and custodial fees	156	127
Transfer to Main Account–General Component (Note 1)	8,113	10,430
Total decrease in assets	8,269	10,557
Increase (decrease) in net assets	24,413	(4,400)
Net assets available for benefits at beginning of year	48,042	52,442
Net assets available for benefits at end of year	$ 72,455	$ 48,042

See accompanying notes to the consolidated financial statements.

THE CITY OF WINNIPEG - WINNIPEG POLICE PENSION PLAN

PLAN MEMBERS' ACCOUNT

Consolidated Statement of Changes in Net Assets Available for Benefits

For the years ended December 31

	2009	2008
	(000's)	*(000's)*
INCREASE IN ASSETS		
Investment income (Note 5)	$ 234	$ 267
Current period change in fair value of investments	679	(1,331)
Total increase (decrease) in assets	913	(1,064)
DECREASE IN ASSETS		
Investment management and custodial fees	14	14
Total decrease in assets	14	14
Increase (decrease) in net assets	899	(1,078)
Net assets available for benefits at beginning of year	5,975	7,053
Net assets available for benefits at end of year	$ 6,874	$ 5,975

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

1. Description of Plan

a) General

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

b) Financial structure

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

i) Main Account – General Component

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

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

If the Contribution Stabilization Reserve is insufficient to provide the above transfer, then the City contributes the balance of the cost of non-indexed benefits, as determined by the Plan's Actuary, in excess of Plan members' contributions of 7% of earnings (towards non-indexed benefits), plus 1% of earnings for cost-of-living adjustments.

ii) Main Account – Contribution Stabilization Reserve

The Contribution Stabilization Reserve is credited with a portion of actuarial surpluses. The Contribution Stabilization Reserve finances, through transfers to the Main Account–General Component, the portion of the current service cost of benefits that exceeds the Plan members' and the City's matching contributions. The reserve is also intended to finance the future service cost related to this shortfall of matching contributions for the existing members, subject to the availability of reserves.

iii) Plan Members' Account

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

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

iv) City Account

The financial structure provides for a City Account which will be credited with the share of future actuarial surpluses that are allocated to the City in accordance with the Plan. To date, no actuarial surplus has been credited to the City Account.

c) Retirement pensions

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

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the Plan text, which level is currently 75% of the percentage change in the Consumer Price Index for Canada.

d) Disability pensions

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

e) Survivor's benefits

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

f) Termination benefits

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

g) Variation in benefits

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

h) Administration

The Plan is administered by the Winnipeg Police Pension Board which is comprised of two members appointed by the Winnipeg Police Association, one member appointed by the Winnipeg Police Senior Officers' Association and four members appointed by the City. The Plan is registered under the Pension Benefits Act of Manitoba and the Income Tax Act.

2. Summary of Significant Accounting Policies

a) Basis of presentation

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

These consolidated financial statements include the financial statements of the Plan and its wholly-owned subsidiary, 5332665 Manitoba Ltd., which was incorporated on July 14, 2006. The purpose of the subsidiary corporation is to invest in and hold certain private equity investments on behalf of the Plan.

b) Investments

Investments are stated at fair value. Fair value represents the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act.

Publicly traded equity investments are valued using published market prices. For private equity investments, where quoted market prices are not available, various methods of valuation are used by the external managers to determine fair value including the use of: discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate.

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

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

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

c) Foreign currency translation

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

d) Use of estimates

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

e) Accounting changes

In January 2009, the Plan adopted EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities issued by the Emerging Issues Committee. This abstract requires that an entity's own credit risk (for financial liabilities) and the credit risk of the counterparty (for financial assets) should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this abstract did not have an impact on the consolidated financial statements.

The Plan also adopted the changes made by Canadian Institute of Chartered Accountants (CICA) to section 3862, Financial Instruments – Disclosures where by an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs in making the measurements. The fair value hierarchy shall have 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 required disclosures are included in Note 4.

3. Obligations for Pension Benefits

An actuarial valuation of the Plan was made as of December 31, 2008 by Mercer (Canada) Limited. The results of the December 31, 2008 actuarial valuation were extrapolated to December 31, 2009, to determine the actuarial present value of accrued benefits disclosed below. These assumptions were approved by the Winnipeg Police Pension Board for purposes of preparing this note to the financial statements. The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6.25% (2008 Extrapolation – 6.25%) per year, inflation of 2.0% (2008 Extrapolation – 2.0%) per year and general increases in pay of 3.50% (2008 Extrapolation – 3.5%) per year. The demographic assumptions, including rates of termination of employment, retirement and mortality, were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2008 disclosed a $22,518,000 (2007 - $15,637,000) actuarial surplus to be allocated in accordance with the Plan.

The actuarial present value of the Plan's accrued benefits as at December 31, 2009, as extrapolated and the principal components of changes in actuarial present values during the year, were as follows:

	2009	2008
	(000's)	*(000's)*
Actuarial present value of accrued benefits, beginning of year	$ 806,245	$ 821,858
Experience gains and losses and other factors	457	(1,146)
Changes in actuarial assumptions	-	(52,506)
Interest accrued on benefits	50,103	47,711
Benefits accrued	26,468	25,736
Benefits paid	(35,862)	(34,730)
Administrative expenses paid	(722)	(678)
Actuarial present value of accrued benefits, end of year	$ 846,689	$ 806,245

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

The value of the assets of the Main Account – General Component on an actuarial basis were:

		2009		2008
		(000's)		*(000's)*
Fair value of net assets available for benefits	$	775,406	$	706,075
Fair value changes not reflected in actuarial value of assets		53,361		123,145
Actuarial value of net assets available for benefits	$	828,767	$	829,220

A full actuarial valuation of the Plan is being carried out as of December 31, 2009. Any actuarial surplus or funding deficiency disclosed in this valuation will be dealt with in accordance with the provisions of the Pension By-Law.

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 investments. At December 31, 2009, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $348,663,000 (2008 - $355,381,000). The Plan's concentration of credit risk as at December 31, 2009, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer		2009 Fair Value		2008 Fair Value
		(000's)		*(000's)*
Government of Canada and Government of Canada guaranteed	$	34,840	$	47,555
Provincial and Provincial guaranteed		189,335		158,846
Canadian cities and municipalities		4,217		4,238
Corporations and other institutions		102,755		97,062
	$	331,147	$	307,701

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $14,407,000 at December 31, 2009.

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

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

	2009		2008	
Credit Rating	Percent of Total Bonds	Percent of Net Assets	Percent of Total Bonds	Percent of Net Assets
	(%)	(%)	(%)	(%)
AAA	22.9	8.9	28.4	11.5
AA	66.0	25.5	62.7	25.4
A	9.1	3.5	7.2	2.9
BBB	2.0	0.8	0.9	0.4
BB	-	-	0.8	0.3
	100.0	38.7	100.0	40.5

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 also invest in private equity, which is not traded in an organized market and may be illiquid, but only up to a maximum of 5% of the Plan's assets, as stipulated in the Plan's Statement of Investment Policies and Procedures.

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 41% (2008 – 47%) of its assets invested in fixed income securities as at December 31, 2009. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related fair values of investments in bonds and debentures held by the Plan at December 31, 2009 are as follows:

Term to Maturity	2009 Fair Value	2008 Fair Value
	(000's)	*(000's)*
Less than one year	$ 38,710	$ 27,986
One to five years	141,780	96,186
Greater than five years	150,657	183,529
	$ 331,147	$ 307,701

As at December 31, 2009, had prevailing interest rates raised or lowered by 0.5% (2008 – 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 $7,881,000 (approximately 0.9% of total net assets) (2008–$8,662,000). The Plan's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be material.

d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the Plan's net foreign currency exposure after giving effect to the net related hedge as at December 31, 2009. 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.

	2009				2008	
	Gross Exposure	Net Foreign Currency Hedge	Net Exposure	Impact on Net Assets	Net Exposure	Impact on Net Assets
	(000's)	*(000's)*	*(000's)*	*(000's)*	*(000's)*	*(000's)*
United States	$ 126,353	$ -	$ 126,353	$ 12,635	$ 112,507	$ 11,250
Euro	39,732	-	39,732	3,973	32,671	3,267
United Kingdom	22,827	-	22,827	2,283	17,832	1,783
Japan	14,935	-	14,935	1,494	17,786	1,779
Switzerland	8,864	-	8,864	886	7,564	756
Hong Kong	5,670	-	5,670	567	3,645	365
Australia	5,447	-	5,447	545	4,917	492
Other	24,188	-	24,188	2,419	19,167	1,917
	$ 248,016	$ -	$ 248,016	$ 24,802	$ 216,089	$ 21,609

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, 2009, 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 $74,803,000 (approximately 8.8% of total net assets) (2008–$59,413,000). In practice, the actual results may differ and the difference could be material.

The Plan also has exposure to equity valuation risk through its holdings of private equity investments, for which quoted market prices are not available. As at December 31, 2009, the estimated fair value of private equity investments is $7,990,000 (2008–$9,241,000), approximately 0.9% of total net assets (2008 – 1.2%), and the related change in fair value of investments recognized for the year ended December 31, 2009 is ($2,869,000) (2008 – $447,000).

f) Fair value hierarchy

Financial instruments recorded at fair value on the Consolidated Statement of Net Assets Available for Benefits 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 table presents the investment assets recorded at fair value in the Consolidated Statement of Net Assets Available for Benefits, classified using the fair value hierarchy described above:

	Level 1	Level 2	Level 3	Total Investment Assets at Fair Value
	(000's)	*(000's)*	*(000's)*	*(000's)*
Bonds and debentures	$ -	$ 331,147	$ -	$ 331,147
Canadian equities	257,039	-	-	257,039
Foreign equities	239,817	1,831	-	241,648
Cash and short-term deposits	16,171	-	-	16,171
Private equities	-	-	7,990	7,990
	$ 513,027	$ 332,978	$ 7,990	$ 853,995

During the year, there have 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
	(000's)
Fair value, beginning of year	$ 9,241
(Losses) gains recognized in increase (decrease) in net assets	(2,869)
Purchases	2,242
Sales	(624)
	$ 7,990

5. Investment Income

	2009	2008
	(000's)	(000's)
Bonds and debentures	$ 17,003	$ 18,581
Canadian equities	6,290	6,738
Foreign equities	5,768	7,108
Cash and short-term deposits	356	1,913
	$ 29,417	$ 34,340
Allocated to:		
Main Account – General Component	$ 26,578	$ 31,694
Main Account – Contribution Stabilization Reserve	2,605	2,379
Plan Members' Account	234	267
	$ 29,417	$ 34,340

6. Investment Transaction Costs

During 2009, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $309,000 (2008–$400,000). Investment transaction costs are included in the current period change in fair value of investments.

7. Administrative Expenses

	2009	2008
	(000's)	(000's)
Winnipeg Civic Employees' Benefits Program	$ 603	$ 588
Actuarial fees	219	52
Meetings and seminars	1	1
Consulting and professional fees	12	10
Legal fees	12	19
General and administrative expenses	9	8
	$ 856	$ 678

8. Commitments

The Plan's wholly-owned subsidiary, 5332665 Manitoba Ltd., has entered into an investment management agreement wherein it has authorized an investment manager to make private equity investment commitments on its behalf, with aggregate commitments not to exceed $20,000,000. Commitments will be funded over the next several years. As at December 31, 2009, $9,395,000 had been funded.

9. Comparative Figures

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

APPENDICES

APPENDIX A
TOP 50 CORPORATE SHARE HOLDINGS*

as at December 31, 2009

		Pension Plan Market Value			Pension Plan Market Value
		(000's)			*(000's)*
1. Royal Bank of Canada	$	11,874	26. Finning International Inc.	$	3,316
2. Bank of Nova Scotia		10,704	27. Exxon Mobil Corporation Common		3,127
3. Canadian Natural Resources Limited		10,404	28. ShawCor Ltd., Class "A" SV		3,049
4. Toronto - Dominion Bank		9,762	29. Power Corporation of Canada, SV		2,996
5. Suncor Energy Inc.		7,846	30. Canadian Pacific Railway Limited		2,987
6. Manulife Financial Corporation		6,516	31. Agrium Inc.		2,911
7. Rogers Communications Inc., Class "B" NV		6,466	32. Husky Energy Inc.		2,898
8. Thompson Reuters Corporation		4,959	33. Metro Inc., Class "A" SV		2,780
9. Sun Life Financial Inc.		4,836	34. EnCana Corporation		2,631
10. TransCanada Corporation		4,757	35. Cameco Corp.		2,613
11. Canadian Imperial Bank of Commerce		4,718	36. Peyto Energy Trust		2,593
12. Intact Financial Corporation		4,689	37. Niko Resources Ltd.		2,571
13. Bank of Montreal		4,684	38. Jean Coutu Group (PJC) Inc., Class "A" SV		2,525
14. Shoppers Drug Mart Corporation		4,672	39. Ivanhoe Mines Ltd.		2,442
15. Potash Corporation of Saskatchewan Inc.		4,670	40. BCE Inc.		2,389
16. Research in Motion Limited		4,575	41. Imperial Oil Limited		2,385
17. Goldcorp Inc.		4,328	42. Microsoft Corp.		2,369
18. Tim Hortons Inc.		4,147	43. Crescent Point Energy Corp.		2,180
19. Canadian National Railway Company		4,136	44. Celestica Inc., SV		2,162
20. MacDonald Dettwiler & Associates Ltd.		3,845	45. Gildan Activewear Inc.		2,132
21. Talisman Energy Inc.		3,799	46. Groupe Aeroplan Inc.		1,973
22. Barrick Gold Corporation		3,644	47. CI Financial Corp.		1,971
23. TELUS Corporation		3,553	48. Consolidated Thompson Iron Mines Limited		1,943
24. SNC - Lavalin Group Inc.		3,398	49. Great-West Lifeco Inc.		1,864
25. Loblaw Companies Limited		3,370	50. IGM Financial Inc.		1,821

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

APPENDIX B
INVESTMENT MANAGERS
As at December 31, 2009

Fixed Income

Kirk Merlevede, Manager of Fixed Income Investments

Canadian Equities

Burgundy Asset Management Ltd.
Foyston, Gordon and Payne Inc.
Guardian Capital L.P.
Phillips, Hager & North Investment Management Ltd.
TD Asset Management Inc.

US Equities

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

Non-North American Equities

Baillie Gifford Overseas Ltd.
Capital Guardian Trust Company
Franklin Templeton Investments Corp.

Private Equities

Hamilton Lane Advisors LLC
Richardson Capital Limited

2009 DIRECTORY
WINNIPEG POLICE PENSION BOARD

as at December 31, 2009

BOARD MEMBERS

Appointed by Winnipeg City Council

DOUG WEBSTER (Chair)
Deputy Chief of Police

BETTY HOLSTEN BOYER
Manager of Financial Planning and Review

RICHARD KACHUR
City Clerk

MIKE RUTA
Deputy Chief Administrative Officer/Chief Financial Officer

Appointed by Winnipeg Police Association
MIKE SUTHERLAND (Vice-Chair)
MARC PELLERIN

Appointed by Winnipeg Police Senior Officers' Association
ALEX KATZ

INVESTMENT COMMITTEE

ERIC STEFANSON, F.C.A. (Chair)

JOHN MCCALLUM (Vice-Chair)
University of Manitoba Faculty of Management

PHIL SHEEGL
City of Winnipeg

JON HOLEMAN
RBC Dominion Securities

BOB ROMPHF
Manitoba Nurses Union

GARY TIMLICK
Wawanesa Insurance

MANAGEMENT

GLENDA WILLIS
Executive Director

RICK ABBOTT
Director of Investments

KIRK MERLEVEDE
Manager, Fixed Income Investments

BILL BATTERSHILL
Manager, Information Systems

ELEANORE KRAYNYK
Manager, Pension and Group Insurance Benefits

ROB SUTHERLAND
Manager, Finance and Administration

ADVISORS

Actuary
Mercer (Canada) Limited

Consulting Actuary
Western Compensation & Benefits Consultants

Auditor
Deloitte & Touche, LLP

Legal Counsel
City of Winnipeg Legal Services
Taylor McCaffrey

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