WINNIPEG POLICE PENSION PLAN

2010 ANNUAL REPORT

PLAN PROFILE

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 formula that is set out in the *Winnipeg Police Pension Plan* By-Law.

Pension benefits are financed 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*.

History

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* for police officers dating back to 1975. The current *Plan* encompasses the amalgamation, in 1989, of the police officers' component of a number of prior pension plans that had previously existed separately for the former municipalities and cities of greater Winnipeg.

The *Plan* has undergone many changes over the years, most recently with the implementation of the Surplus- and Risk-Sharing Agreement, effective January 1, 2003.

The Board

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

The *Board* is responsible for ensuring that the *Pension Plan* is administered in accordance with the By-Law, and approving and reviewing the investment policy, investment performance and funding of the *Plan*. The *Board* is responsible for ensuring adequate financial records are maintained and for reporting annually on the results of operations of the *Pension Plan* to the City and to *Plan* Members.

Investment Committee

The Investment Committee is responsible for determining the asset mix of the *Plan*, recommending investment managers to manage the assets of the *Plan* and monitoring the performance of each investment manager.

The Board has appointed the Investment Committee of *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund)* to carry out these responsibilities.

Administration

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.

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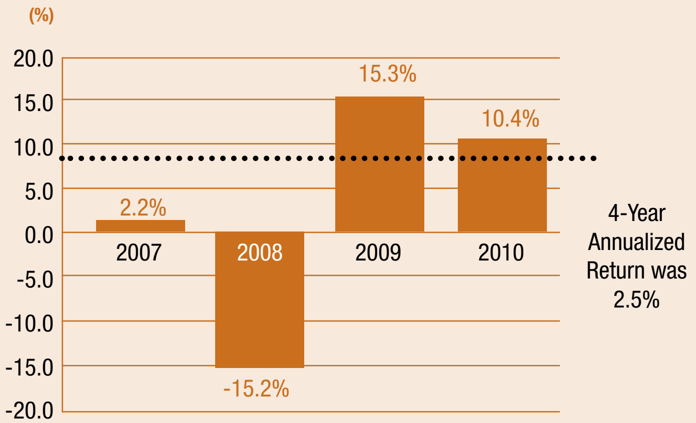
2010 OVERVIEW

The *Winnipeg Police Pension Plan* currently covers over 2,400 Members with assets of over $900 million.

Financial Position

As at December 31, 2010	Fair Value	Actuarial Value
	(000's)	*(000's)*
Net Assets Available For Benefits		
Main Account - General Component	$ 868,402	$ 885,135
Main Account - Contribution Stabilization Reserve	46,253	46,253
Plan Members' Account	7,578	7,578
	$ 922,233	$ 938,966
Plan Obligations - as extrapolated	$ 898,923	$ 898,923
Funded Ratio - on extrapolated obligations	102.6%	104.5%

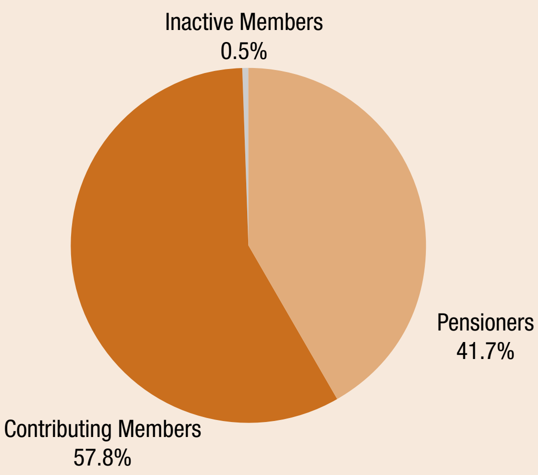
Annual Investment Return



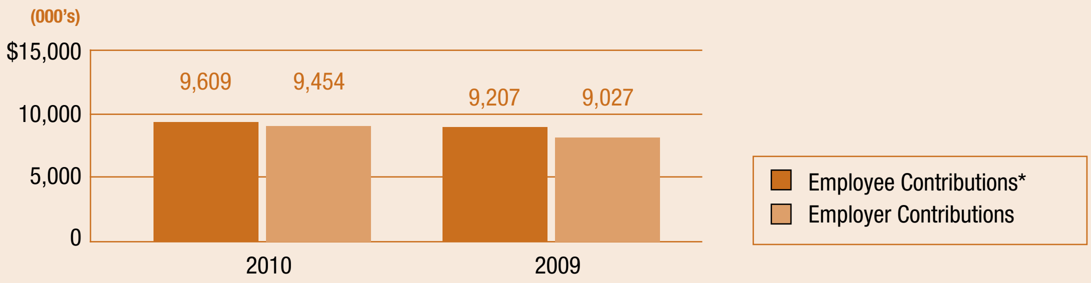
Membership Profile

As at December 31, 2010

Total Members 2,427

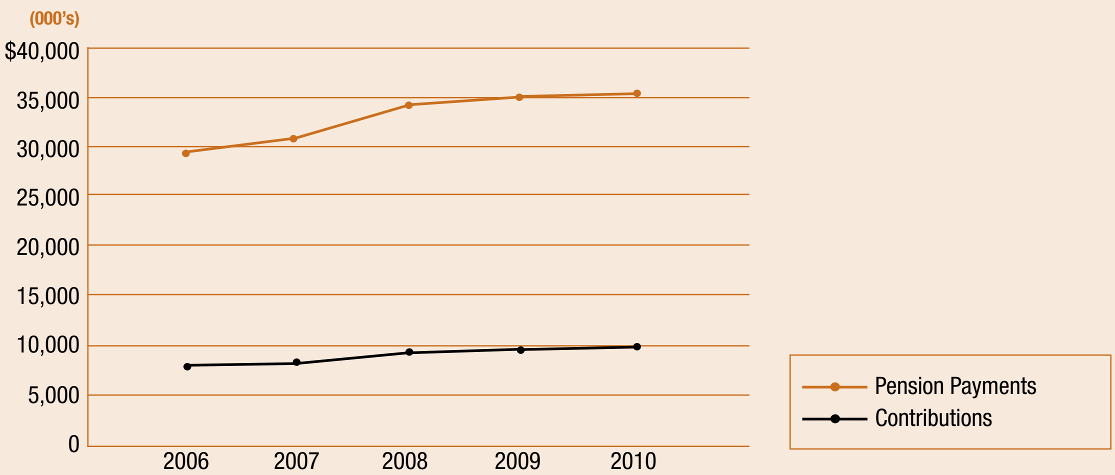


Contributions



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

Member Contributions & Pension Payments



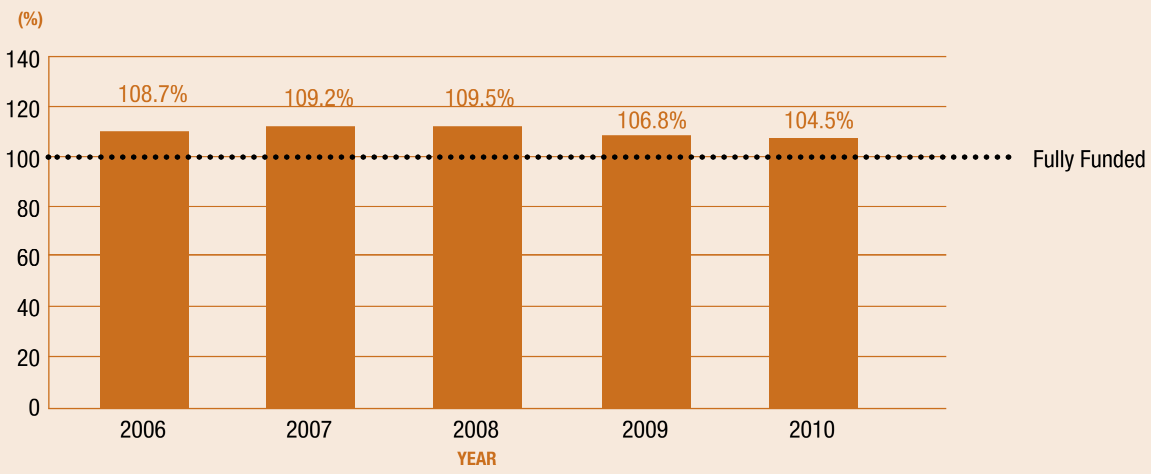
Cost of Benefits for Service in 2010

	As % of Contributory Earnings
Non-Indexed Benefits	20.07%
Cost-of-Living Adjustments	3.67%
Total	23.74%
Employee Contributions	8.00%
City Contributions (Matching)	8.00%
Balance from Contribution Stabilization Reserve	7.74%
Total	23.74%

Statement of Actuarial Position

	December 31, 2010
	(000's)
1. Actuarial Value of Assets	
Main Account	$ 931,388
Plan Members' Account	7,578
	938,966
2. Actuarial Liabilities	$ 898,923
3. Excess of Actuarial Value of Plan Assets over Actuarial Liabilities	$ 40,043
4. Amounts Previously Allocated	
Contribution Stabilization Reserve	$ 46,253
Plan Members' Account	7,578
	$ 53,831
5. Actuarial Surplus (Deficit) (3.- 4.)	$ (13,788)
6. Funded Ratio (1. / 2.)	
Including Plan Members' Account	104.5%
Excluding Plan Members' Account	103.6%

Funded Ratio Based on Actuarial Value of Assets



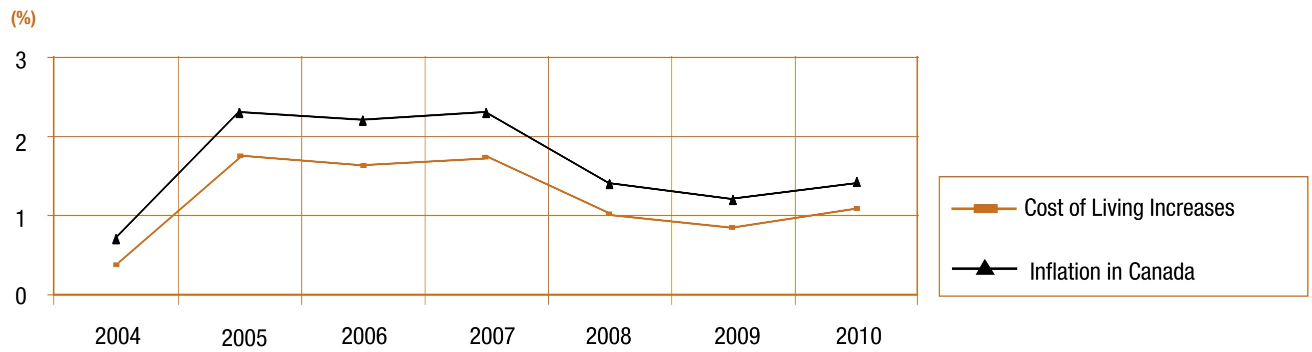
PLAN OPERATIONS

BENEFITS

Retirement under the *Pension 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 a spouse/partner, eligible dependent children, or other eligible beneficiaries.

The *Pension Plan* also allows for indexing of pensions referred to as Cost-of-Living Adjustments or COLA. Retired Members' pensions are adjusted each year by a percentage of the increase in Canada's Consumer Price Index (CPI), at March 31 (75% as at March 31, 2010).

Cost of Living Increases



BUILDING STRONG RELATIONSHIPS

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 2010, a total of 29 individuals retired under the *Pension Plan*. This represents a decrease from 2009 when 40 members retired.

New members totaled 29 in 2010. New enrollments have averaged 74 members per year over the last five years.

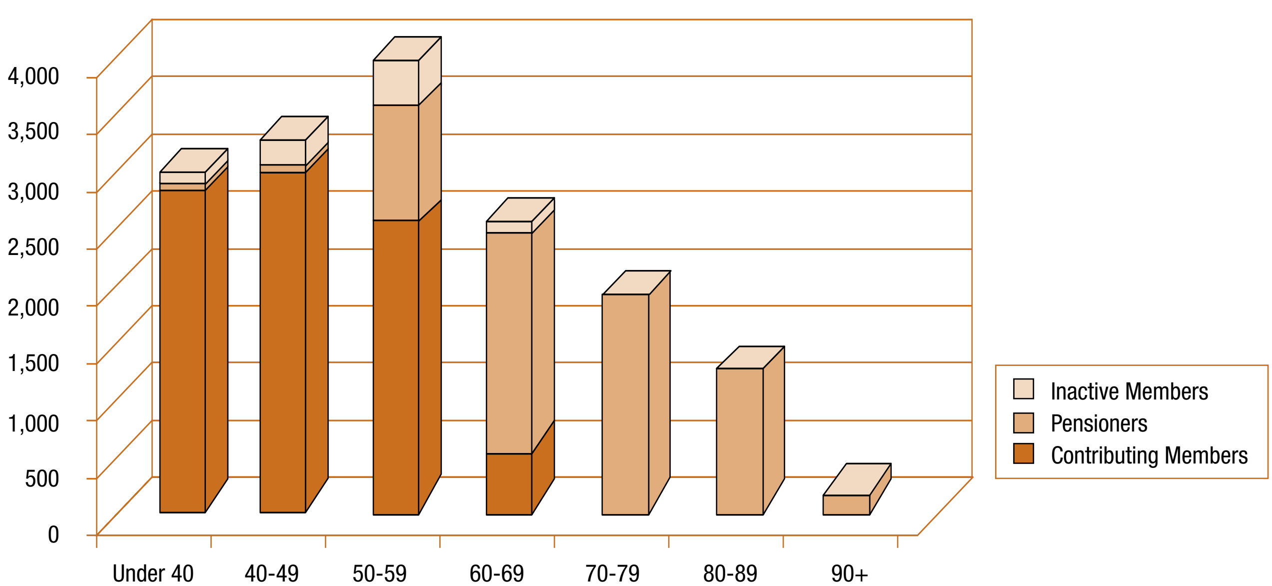
Summary of Membership

	2010	2009	2008	2007	2006
Contributing Members	1,402	1,411	1,372	1,330	1,291
Deferred Members	14	14	13	14	14
Pensioners	1,011	992	971	940	899
Total Membership	2,427	2,417	2,356	2,284	2,204
Membership Activity During the Year					
Normal Retirements	26	32	33	47	38
Early Retirements	3	8	4	3	4
Deaths in Service	1	2	1	1	2
Pensioner Deaths	15	27	16	18	15
New Members	29	85	84	98	72
Terminations	9	4	6	8	3

Membership Profile

As at December 31, 2010

(By Age Bands)



MANAGING ASSETS PRUDENTLY

FUNDED STATUS AT DECEMBER 31, 2010

Key Findings

The most recent actuarial valuation of the *Winnipeg Police Pension Plan*, as at December 31, 2010 disclosed, that the *Plan* was fully funded with respect to benefits accrued for all service up to December 31, 2010 and had an excess of smoothed value of assets over actuarial liabilities of $40,043,000—a funded ratio of 104.5% on the basis of actuarial values. If the fair value of assets had been used instead of the smoothed value, there would have been an excess of $23,310,000—which would have resulted in a funded ratio of 102.6% on a fair value basis. The application of actuarial asset "smoothing" techniques has been used by the *Plan* for many years.

Although the *Plan* remained fully funded for benefits accrued for service up to December 31, 2010, the actuarial valuation revealed an in-year actuarial deficiency of $13,788,000 in the Main Account—General Component related to calendar year 2010 operations. The emergence of this actuarial deficiency is in part related to the recognition of 2008 investment losses under the asset smoothing technique. The 2010 actuarial deficiency is to be resolved 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. Accordingly, the deficiency will be resolved by reducing the rate of future cost-of-living adjustments from 75% to approximately 71% of inflation and by transferring $6,894,000 from the Main Account—Future Contribution Reserve to the Main Account - General Component, effective January 1, 2011.

The actuarial valuation as at December 31, 2010 disclosed that the Contribution Stabilization Reserve is funded, before deficit resolution, at 40.1% of its target level of $115,256,000. Upon the transfer of funds to the Main Account—General Component in the amount of $6,894,000 effective January 1, 2011, to resolve one-half of the funding deficiency in accordance with the terms of the *Plan*, the Contribution Stabilization Reserve will be funded at 34.1% of its target level.

The actuarial valuation as at December 31, 2010 also disclosed that the *Plan* had a solvency excess of $50,551,000 calculated using the smoothed value of assets. On a market value basis, the *Plan* would have had a solvency excess of $33,818,000.

Analysis

The results of the actuarial valuation, using the smoothed value of assets, continues to portray an overall picture of relative health for the *Plan* with respect to benefits accrued for all service up to December 31, 2010, albeit with a somewhat reduced level of funded cost-of-living adjustments. This picture remains clouded by the fact the *Plan* has not yet fully recognized the investment losses which occurred during 2008 when the *Plan* had a rate of investment return of -15.2%. The remaining unrecognized losses amount to $16,733,000 at year end 2010.

Accordingly, should the *Plan* earn exactly the assumed 6.25% on the actuarial asset base over the next two years, the remaining $16,733,000 smoothing difference would be expected to emerge as funding deficiencies over this two-year period. Should future returns fall short of the assumed rates of return, this situation will be worsened.

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 in the future and especially over the next two years. Such outcomes remain very uncertain.

The future financial position of the *Plan* will be, in part, dependant upon the continued reversal of the 2008 investment losses (which reversal commenced and took hold in a significant way during 2009 and which continued into 2010, with the Plan earning rates of investment return of 15.3% in 2009 and 10.4% in 2010). It will also be dependent upon the ability of the *Plan* to continue earning the assumed rate of investment return (presently 6.25% per annum).

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.

Reserve Structure and Financing of Future Benefits
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 23.7% 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. It is estimated that if the Contribution Stabilization Reserve is exhausted, the City's contribution rate could rise to about 14.1% of pay.

Although the balance of the Contribution Stabilization Reserve is available on an as-needed basis 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 2010 actuarial valuation (unchanged from the 2009 and 2008 actuarial valuations), 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 2010 actuarial valuation include future inflation at 2.00% per year (unchanged from the 2009 and 2008 actuarial valuations, resulting in an assumed real rate of investment return of 4.25% per year) and general increases in pay of 3.50% per year (unchanged from the 2009 and 2008 actuarial valuations).

Although these assumptions were considered appropriate both for funding and accounting purposes in 2010, 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.

LONG-TERM INVESTMENT GOALS AND PERFORMANCE

Over the last ten years, the *Plan* achieved an average rate of return of 5.1% per year, ranking third quartile (73rd 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 2.0%, the *Plan* fell short of this goal by a margin of 1.9% per year over the last ten years. It should be noted that such measurements are end date sensitive.

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. In addition, shorter-term surplus generation will be required in each of the next two years in amounts of approximately $8,367,000 per year in order to avoid further reductions in the rate of cost-of-living adjustments to pensions. As well, surplus generation would be required over the longer term in order to restore the funded level of cost-of-living adjustments to the 75% target level.

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. As earlier noted, the generation of excess investment returns in the future is subject to considerable uncertainty.

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. Accordingly, the *Plan* will adopt the new standards for its fiscal year beginning January 1, 2011. The new standards establish 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

	2010	2009	2008	2007	2006
	(000's)	*(000's)*	*(000's)*	*(000's)*	*(000's)*
Investments, at Fair Value					
Bonds and Debentures	$ 303,005	$ 321,822	$ 299,194	$ 325,875	$ 317,237
Real Return Bonds	11,165	10,670	9,889	10,076	10,170
Canadian Equities	302,855	257,039	187,247	303,111	335,699
Foreign Equities	261,305	241,648	208,840	232,672	225,399
Cash and Short-term Deposits	32,427	16,171	46,298	40,982	23,807
Private Equities	12,058	7,990	9,241	5,396	5,183
Other Liabilities	(582)	(605)	(617)	(1,974)	(2,543)
	$ 922,233	$ 854,735	$ 760,092	$ 916,138	$ 914,952

	2010	2009	2008	2007	2006
Assets Available for					
Main Account					
—General Component	$ 868,402	$ 775,406	$ 706,075	$ 856,643	$ 846,816
—Contribution Stabilization Reserve	46,253	72,455	48,042	52,442	61,225
Plan Members' Account	7,578	6,874	5,975	7,053	6,911
	$ 922,233	$ 854,735	$ 760,092	$ 916,138	$ 914,952

MAIN ACCOUNT—GENERAL COMPONENT

	2010	2009	2008	2007	2006
Contributions					
Employees	$ 9,609	$ 9,207	$ 8,774	$ 7,769	$ 7,842
City of Winnipeg	9,454	9,027	8,602	7,623	7,676
Reciprocal Transfers	145	120	668	296	50
Transfer from Contribution Stabilization Reserve	9,149	8,113	10,430	9,938	8,856
Transfer from Contribution Stabilization Reserve, Resolution of Funding Deficiency	21,774	-	-	-	
Net Investment Income (Loss)	81,116	102,100	(127,997)	17,313	96,049
	131,247	128,567	(99,523)	42,939	120,473
Pension Payments	36,094	35,122	33,322	31,234	28,924
Lump Sum Benefits	1,390	740	1,408	1,218	1,343
Administration	767	856	678	660	601
Transfer to Contribution Stabilization Reserve	-	22,518	15,637	-	7,301
Transfer to Plan Members' Account	-	-	-	-	-
	38,251	59,236	51,045	33,112	38,169
Increase (Decrease) in Assets	$ 92,996	$ 69,331	$ (150,568)	$ 9,827	$ 82,304

CONTRIBUTION STABILIZATION RESERVE

	2010	2009	2008	2007	2006
	(000's)	*(000's)*	*(000's)*	*(000's)*	*(000's)*
Transfer of Surplus from Main Account—General Component	$ -	$ 22,518	$ 15,637	$ -	$ 7,301
Net Investment Income (Loss)	4,721	10,008	(9,607)	1,155	7,419
	4,721	32,526	6,030	1,155	14,720
Transfer to Main Account —General Component	9,149	8,113	10,430	9,938	8,856
Transfer to Main Account —General Component, Resolution of Funding Deficiency	21,774	-	-	-	-
	30,923	8,113	10,430	9,938	8,856
Increase (Decrease) in Net Assets	$ (26,202)	$ 24,413	$ (4,400)	$ (8,783)	$ 5,864

PLAN MEMBERS' ACCOUNT

	2010	2009	2008	2007	2006
Transfer of Surplus from Main Account—General Component	$ -	$ -	$ -	$ -	$ -
Net Investment Income (Loss)	704	899	(1,078)	142	781
Increase (Decrease) in Net Assets	$ 704	$ 899	$ (1,078)	$ 142	$ 781
Annual Rate of Return	10.4%	15.3%	-15.2%	2.2%	12.9%

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 (Pension Fund)*, 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.

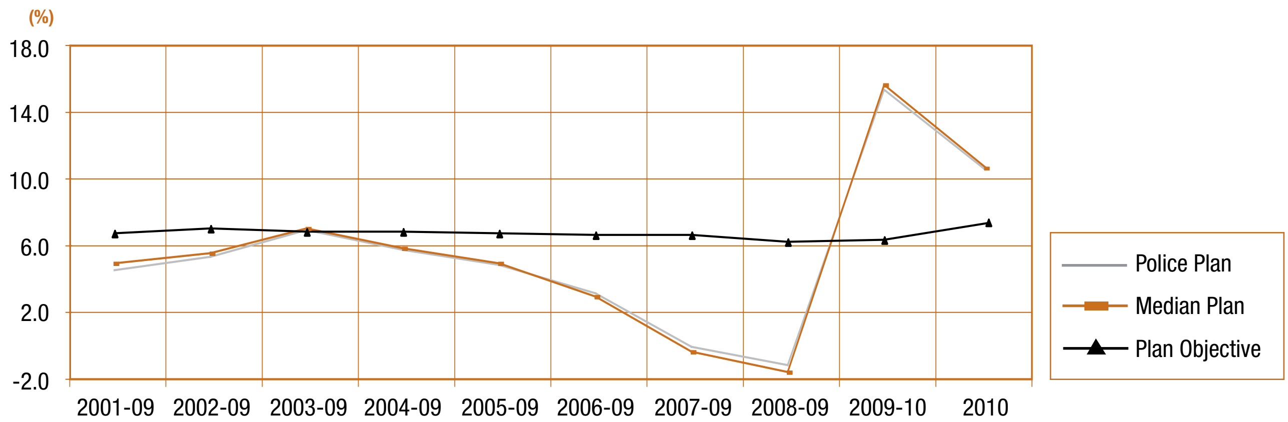
The *Pension Plan* currently utilizes external investment managers to manage the equity portfolios. The short-term investments and the bond portfolio, including real return bonds, are managed internally.

In 2010, the investment portfolio reported a return of 10.4%, slightly below the 10.6% return of the median Canadian pension fund as measured by RBC Dexia Investor Services, an independent measurement service. Throughout 2010, global markets performed well, extending the recovery that began in March 2009.

Over the last ten years, returns were below the *Pension Plan's* CPI+5% objective, as abnormally high returns in years 2003-2006 and 2009-2010 were largely offset by negative returns in 2001, 2002 and 2008. The *Pension Plan's* four-year and ten-year annualized rates of return were 2.5% and 5.1%, which placed the *Plan* at the 44th percentile and 73rd percentile ranking, respectively, of Canadian pension funds.

The below median ten-year performance (median return of 5.5%) can be attributed to the underperformance of our Canadian equity managers and the underperformance of the bond portfolio. More recent performance, on a relative basis, has been positively affected by having the *Pension Plan's* Canadian and foreign equity portfolios over-weighted relative to the median pension fund and, generally, outperformance by our equity managers.

Annualized Rates of Return



Annual Rates of Return

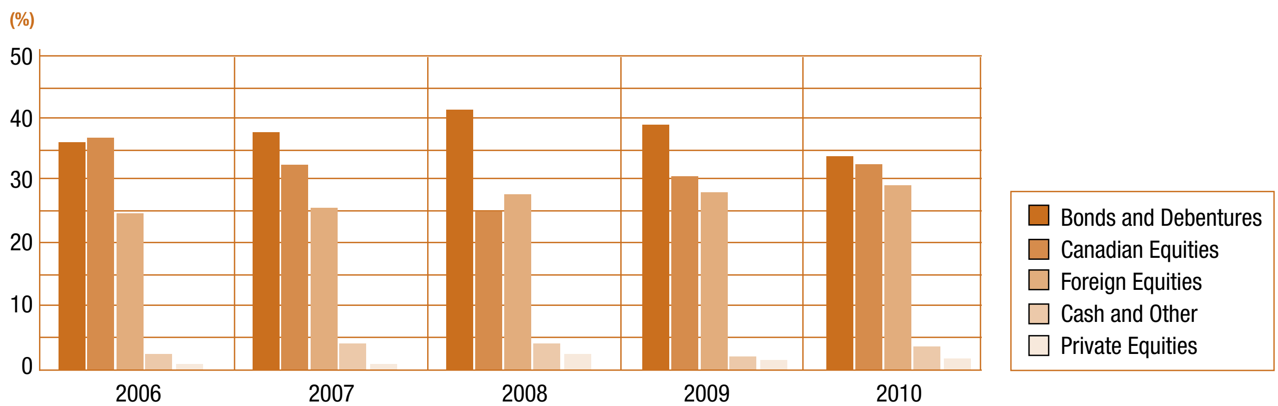
Asset Mix

As a result of a general significant rise in the equity markets and significant withdrawals from fixed income, there was an increase in the allocation to equity investments—from 59.2% of the portfolio at the beginning of the year to 62.4% at year-end.

Asset Mix

	2010	2009	2008	2007	2006
Bonds and Debentures	34.1%	38.9%	40.6%	36.6%	35.7%
Canadian Equities	32.8%	30.1%	24.6%	33.0%	36.6%
Foreign Equities	28.3%	28.2%	27.5%	25.3%	24.5%
Cash and Other	3.5%	1.9%	6.1%	4.5%	2.6%
Private Equities	1.3%	0.9%	1.2%	0.6%	0.6%
	100.0%	100.0%	100.0%	100.0%	100.0%

Asset Mix



Equity Investments

In 2010, the *Pension Plan's* Canadian equity managers achieved a return of 17.4%, slightly ahead of the median pension fund return of 17.3%, but behind the S&P/TSX Composite Index return of 17.6%. One underperforming investment manager, Phillips, Hager & North, was terminated and the funds were transferred to the TD Canadian Equity Index Fund.

The *Pension Plan's* foreign equity managers, collectively, reported a return of 7.7% in Canadian dollar terms in 2010, outperforming both the MSCI World (CAD) Index and the median pension fund. The MSCI World (CAD) Index returned 5.9% while the median pension fund returned 6.7% in 2010.

In 2010, the *Pension Plan's* U.S. equity managers, collectively, reported a return of 8.1%, in Canadian dollars, which was below the return of the S&P 500 (CAD) Index of 9.1%. One underperforming investment manager, AllianceBernstein, was terminated and the funds were transferred to JPMorgan. Over the last ten years, the U.S. stock market has significantly underperformed the Canadian stock market in Canadian dollars.

The *Pension Plan's* Non-North American equity managers reported a combined return of 7.2%, which significantly outperformed the MSCI Europe, Australasia, Far East (CAD) Index at 2.1%.

Fixed Income Investments

The *Pension Plan's* bond portfolio achieved a rate of return of 6.4% in 2010, which underperformed both the median pension fund return of 8.5%, and the DEX Universe Index return of 6.7%. Our defensive position with respect to credit exposure helped performance during the volatile markets of 2008, but has resulted in underperformance in 2009 and 2010, as credit markets recovered strongly.

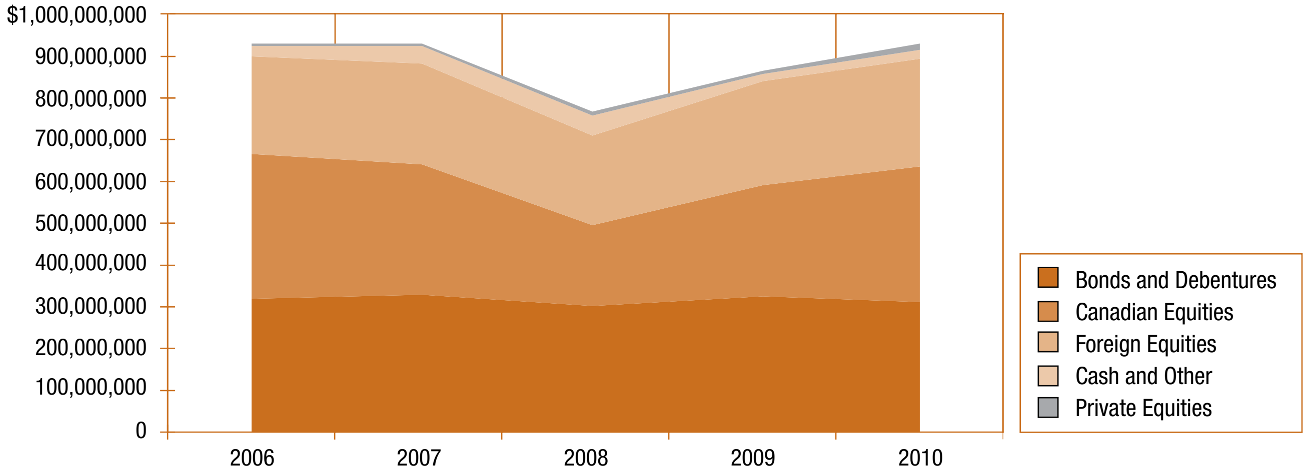
For the four-year and ten-year periods ended December 31, 2010, the bond portfolio returned 5.4% and 6.6%, respectively. Over ten years, the portfolio outperformed the DEX Universe Index return of 6.3%, but underperformed the median pension fund return of 6.9%.

Fixed Income Investments Summary

As at December 31, 2010

Description	Maturity Date	Pension Plan Market Value
		(000's)
Government of Canada Bonds	2011-2021	$ 29,549
Provincial Bonds	2011-2024	187,796
Municipal Bonds	2011-2013	3,283
Corporate and Other Institutions Bonds	2011-2021	92,408
Accrued Interest		1,134
Total Bonds and Debentures		$ 314,170
Call Funds - City of Winnipeg		30,447
Short-term Investment Fund		1,972
Cash		8
Total Short-term Investments		$ 32,427

Investments



Total Returns

	One Year	Four Years	Ten Years
Total Fund	10.4%	2.5%	5.1%
Bonds and Debentures	6.4%	5.4%	6.6%
Canadian Equities	17.4%	4.2%	7.3%
Foreign Equities	7.7%	-4.6%	-1.2%
Benchmarks			
DEX Universe Bond Index	6.7%	5.6%	6.3%
S&P / TSX Composite Index	17.6%	4.0%	6.6%
S&P 500	9.1%	-4.7%	-2.7%
Europe, Australasia, Far East Stock Market Index	2.1%	-6.5%	-0.7%
Consumer Price Index	2.4%	1.8%	2.0%

Asset Mix Strategy for 2011

In 2010, *The Winnipeg Civic Employees' Benefits Program* conducted a comprehensive asset-liability study, on the basis of which, the Trustees adopted a new long-term policy asset mix for both the *Program* and the *Police Plan*. The new policy asset mix is expected, over the long term, to achieve the objective of CPI+5% with an acceptable level of risk exposure to the *Plan*.

Among the notable changes arising from the study were new allocations to real estate and infrastructure, offset by reductions in equities and fixed income. The Trustees are in the process of identifying appropriate vehicles and investment managers for these mandates, and anticipate that the changes will be completed over a three- to four-year period.

ACTUARIAL OPINION

THE CITY OF WINNIPEG—WINNIPEG POLICE PENSION PLAN

Mercer has conducted an actuarial valuation of the *Winnipeg Police Pension Plan* as at December 31, 2010, relying on data and other information provided to us by the Plan administrator. The results of the valuation and a summary of the data and assumptions used are contained in our presentation dated June 20, 2011.

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, 2010 and has an excess of smoothed value of assets over the going concern funding target of 40,043,000 as at that date, on the basis of the assumptions and methods described in our report.

In order to ensure that the General Component of the Main Account remains fully funded, an amount equal to $6,894,000 will be transferred from the Contribution Stabilization Reserve to the General Component of the Main Account as at December 31, 2010, and the level of cost-of-living adjustments will be reduced from 75% to 71.2% of the annual percentage change in the Consumer Price Index to provide a matching $6,894,000 reduction in the going concern funding target, in accordance with the terms of the Plan.

The Plan has a solvency excess of $50,551,000 as at December 31, 2010, based on a smoothed value of assets.

Cost of Benefits for Service in 2011

The normal actuarial cost of the benefits expected to be earned under the Plan for service in 2011 is 23.68% of contributory earnings.

This cost is expected to be financed by employee contributions of 8.0% of contributory earnings, City contributions of 8.0% of contributory earnings and transfers from the Contribution Stabilization Reserve of 7.68% of contributory earnings.

In our opinion:

- the actuarial valuation and our presentation thereon present fairly the actuarial position of the Winnipeg Police Pension Plan as at December 31, 2010 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,
- all assumptions were independently reasonable at the time the valuation was prepared and are, in aggregate, appropriate for the purposes of the valuation, and
- the methods employed in the valuation are appropriate for the purposes of the valuation.

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

Naveen Kapahi
FELLOW OF THE CANADIAN INSTITUTE OF ACTUARIES

Ryan Welsh
FELLOW OF THE CANADIAN INSTITUTE OF ACTUARIES

INDEPENDENT AUDITORS' REPORT

THE CITY OF WINNIPEG—WINNIPEG POLICE PENSION PLAN

To the Chairperson and Members
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 consolidated statement of net assets available for benefits for the main account—general component, main account—contribution stabilization reserve and plan members' account as at December 31, 2010 and their consolidated statements of changes in net assets available for benefits 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 generally accepted accounting principles, and for such internal controls as management determines 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, 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, 2010 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
June 29, 2011

THE CITY OF WINNIPEG - WINNIPEG POLICE PENSION PLAN

Consolidated Statement of Net Assets Available for Benefits

As at December 31

	2010	2009
	(000's)	*(000's)*
ASSETS		
Investments, at fair value		
Bonds and debentures	$ 313,036	$ 331,147
Canadian equities	302,855	257,039
Foreign equities	261,305	241,648
Cash and short-term deposits	32,427	16,171
Private equities	12,058	7,990
	921,681	853,995
Accrued interest	1,134	1,345
Accounts receivable	11	4
Due from The Winnipeg Civic Employees' Pension Plan	62	104
Total Assets	922,888	855,448
LIABILITIES		
Accounts payable	655	713
Total Liabilities	655	713
NET ASSETS AVAILABLE FOR BENEFITS	$ 922,233	$ 854,735
NET ASSETS AVAILABLE FOR BENEFITS COMPRISED OF:		
Main Account—General Component	$ 868,402	$ 775,406
Main Account—Contribution Stabilization Reserve	46,253	72,455
Plan Members' Account	7,578	6,874
	$ 922,233	$ 854,735

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

	2010	2009
	(000's)	*(000's)*
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	$ 9,454	$ 9,027
Employees	9,609	9,207
Reciprocal transfers from other plans	145	120
	19,208	18,354
Transfer from Contribution Stabilization Reserve (Note 1)	9,149	8,113
Investment income (Note 5)	27,278	26,578
Current period change in fair value of investments	55,605	77,117
Transfer from Contribution Stabilization Reserve, Resolution of funding deficiency (Note 3)	21,774	-
Total increase in assets	133,014	130,162
DECREASE IN ASSETS		
Pension payments	36,094	35,122
Lump sum benefits	1,390	740
Administrative expenses (Note 7)	767	856
Investment management and custodial fees	1,767	1,595
Transfer of surplus to Contribution Stabilization Reserve (Note 3)	-	22,518
Total decrease in assets	40,018	60,831
Increase in net assets	92,996	69,331
Net assets available for benefits at beginning of year	775,406	706,075
Net assets available for benefits at end of year	$ 868,402	$ 775,406

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

	2010	2009
	(000's)	*(000's)*
INCREASE IN ASSETS		
Transfer of surplus from Main Account—General Component (Note 3)	$ -	$ 22,518
Investment income (Note 5)	1,588	2,605
Current period change in fair value of investments	3,236	7,559
Total increase in assets	4,824	32,682
DECREASE IN ASSETS		
Investment management and custodial fees	103	156
Transfer to Main Account—General Component (Note 1)	9,149	8,113
Transfer to Main Account—General Component —Resolution of funding deficiency	21,774	-
Total decrease in assets	31,026	8,269
Increase (decrease) in net assets	(26,202)	24,413
Net assets available for benefits at beginning of year	72,455	48,042
Net assets available for benefits at end of year	$ 46,253	$ 72,455

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

	2010	2009
	(000's)	*(000's)*
INCREASE IN ASSETS		
Investment income (Note 5)	$ 237	$ 234
Current period change in fair value of investments	482	679
Total increase in assets	719	913
DECREASE IN ASSETS		
Investment management and custodial fees	15	14
Total decrease in assets	15	14
Increase in net assets	704	899
Net assets available for benefits at beginning of year	6,874	5,975
Net assets available for benefits at end of year	$ 7,578	$ 6,874

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2010

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 ⅔% 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 April 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) issued Part IV—Accounting Standards for Pension Plans which includes Section 4600, Pension Plans. The new Section will be applicable to financial statements of pension plans and other benefit plans relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Plan will adopt the new standards for its fiscal year beginning 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. This standard will need to incorporate by reference Part I—International Financial Reporting Standards (IFRS) or Part II—Accounting Standards for Private Enterprises (ASPE) of the CICA Handbook for issues not directly addressed in Part IV of the Handbook. The Plan is currently evaluating the impact of the adoption of these new requirements on its financial statements.

3. Obligations for Pension Benefits

An actuarial valuation of the Plan was performed as of December 31, 2010 by Mercer (Canada) Limited. This valuation was used to determine the actuarial present value of accrued benefits at December 31, 2010, presented below. For the comparative 2009 figures, the actuarial present value of accrued benefits at December 31, 2009 is based on an extrapolation of the results of the December 31, 2008 actuarial valuation. 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% (2009 Extrapolation—6.25%) per year, inflation of 2.0% (2009 Extrapolation—2.0%) per year and general increases in pay of 3.50% (2009 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. These assumptions were approved by the Winnipeg Police Pension Board for purposes of preparing this note to 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, 2010 disclosed a $13,788,000 funding deficiency to be resolved in accordance with the Plan, by transferring $6,894,000 from the Main Account—Contribution Stabilization Reserve to the Main Account—General Component and by reducing future cost-of-living adjustments from 75% to 71% of inflation, effective January 1, 2011.

The actuarial valuation as at December 31, 2009 disclosed a $21,774,000 funding deficiency to be resolved in accordance with the Plan. Effective January 1, 2010, a transfer of $21,774,000 was made from the Main Account—Contribution Stabilization Reserve to the Main Account—General Component.

The actuarial present value of the Plan's accrued benefits as at December 31, 2010, and as extrapolated to December 31, 2009 and the principal components of changes in actuarial present values during the year, were as follows:

	2010	2009
	(000's)	*(000's)*
Actuarial present value of accrued benefits, beginning of year	$ 846,689	$ 806,245
Experience gains and losses and other factors	6,508	457
Changes in actuarial assumptions	2,763	-
Interest accrued on benefits	52,850	50,103
Benefits accrued	28,359	26,468
Benefits paid	(37,485)	(35,862)
Administrative expenses paid	(761)	(722)
Actuarial present value of accrued benefits, end of year	$ 898,923	$ 846,689

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:

	2010	2009
	(000's)	*(000's)*
Fair value of net assets available for benefits	$ 868,402	$ 775,406
Fair value changes not reflected in actuarial value of assets	16,733	53,361
Actuarial value of net assets available for benefits	$ 885,135	$ 828,767

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, 2010, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $346,597,000 (2009—$348,663,000). The Plan's concentration of credit risk as at December 31, 2010, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	2010 Fair Value	2009 Fair Value
	(000's)	*(000's)*
Government of Canada and Government of Canada guaranteed	$ 29,549	$ 34,840
Provincial and Provincial guaranteed	187,796	189,335
Canadian cities and municipalities	3,283	4,217
Corporations and other institutions	92,408	102,755
	$ 313,036	$ 331,147

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $30,447,000 at December 31, 2010 (2009—$14,407,000).

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

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

	2010		2009	
Credit Rating	Percent of Total Bonds	Percent of Net Assets	Percent of Total Bonds	Percent of Net Assets
	(%)	(%)	(%)	(%)
AAA	19.5	6.6	22.9	8.9
AA	69.1	23.4	66.0	25.5
A	9.4	3.2	9.1	3.5
BBB	1.4	0.5	2.0	0.8
BB	0.6	0.2	-	-
	100.0	33.9	100.0	38.7

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 38% (2009—41%) of its assets invested in fixed income securities as at December 31, 2010. 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, 2010 are as follows:

Term to Maturity	2010 Fair Value	2009 Fair Value
	(000's)	*(000's)*
Less than one year	$ 49,402	$ 38,710
One to five years	125,439	141,780
Greater than five years	138,195	150,657
	$ 313,036	$ 331,147

As at December 31, 2010, had prevailing interest rates raised or lowered by 0.5% (2009—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 $7,075,000 (approximately 0.8% of total net assets) (2009—$7,881,000). 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, 2010. 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.

	2010				2009	
	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	$ 141,025	$ -	$ 141,025	$ 14,103	$ 126,353	$ 12,635
Euro	35,984	-	35,984	3,598	39,732	3,973
United Kingdom	26,539	-	26,539	2,654	22,827	2,283
Japan	15,960	-	15,960	1,596	14,935	1,494
Switzerland	8,874	-	8,874	887	8,864	886
Sweden	7,910	-	7,910	791	4,492	449
Australia	6,759	-	6,759	676	5,447	545
Hong Kong	6,541	-	6,541	654	5,670	567
Other	20,985	-	20,985	2,099	19,696	1,970
	$ 270,577	$ -	$ 270,577	$ 27,058	$ 248,016	$ 24,802

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, 2010, 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 $84,624,000 (approximately 9.2% of total net assets) (2009—$74,803,000). In practice, the actual results may differ and the difference could be material.

The Plan also has exposure to equity valuation risk through it's holdings of private equity investments, for which quoted market prices are not available. As at December 31, 2010, the estimated fair value of private equity investments is $12,058,000 (2009—$7,990,000), approximately 1.3% of total net assets (2009—0.9%), and the related change in fair value of investments recognized for the year ended December 31, 2010 is $2,144,000 (2009—($2,869,000)).

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 tables present the investment assets recorded at fair value in the Consolidated Statement of Net Assets Available for Benefits as at December 31, 2010 and December 31, 2009, classified using the fair value hierarchy described above:

	Level 1	Level 2	Level 3	**2010 Total Investment Assets at Fair Value**
	(000's)	*(000's)*	*(000's)*	*(000's)*
Bonds and debentures	$ 1,757	$ 311,279	$ -	$ 313,036
Canadian equities	302,855	-	-	302,855
Foreign equities	258,632	2,673	-	261,305
Cash and short-term deposits	32,427	-	-	32,427
Private equities	-	-	12,058	12,058
	$ 595,671	$ 313,952	$ 12,058	$ 921,681

	Level 1	Level 2	Level 3	**2009 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	2010	2009
	(000's)	*(000's)*
Fair value, beginning of year	$ 7,990	$ 9,241
(Losses) gains recognized in increase (decrease) in net assets	2,144	(2,869)
Purchases	2,999	2,242
Sales	(1,075)	(624)
	$ 12,058	$ 7,990

5. Investment Income

	2010	2009
	(000's)	*(000's)*
Bonds and debentures	$ 17,330	$ 17,003
Canadian equities	6,449	6,290
Foreign equities	4,987	5,768
Cash and short-term deposits	337	356
	$ 29,103	$ 29,417
Allocated to:		
Main Account—General Component	$ 27,278	$ 26,578
Main Account—Contribution Stabilization Reserve	1,588	2,605
Plan Members' Account	237	234
	$ 29,103	$ 29,417

6. Investment Transaction Costs

During 2010, the Plan incurred investment transaction costs in the form of brokerage commissions, in the amount of $296,000 (2009—$309,000). Investment transaction costs are included in the current period change in fair value of investments.

7. Administrative Expenses

	2010	2009
	(000's)	*(000's)*
Winnipeg Civic Employees' Benefits Program	$ 576	$ 603
Actuarial fees	142	219
Meetings and seminars	-	1
Consulting and professional fees	14	12
Legal fees	21	12
General and administrative expenses	14	9
	$ 767	$ 856

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, 2010, $12,282,000 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, 2010

		Pension Plan Market Value (000's)			Pension Plan Market Value (000's)
1	Royal Bank of Canada	$ 15,881	26	Loblaw Companies Limited	$ 3,887
2	Bank of Nova Scotia	12,586	27	Apple Inc.	3,796
3	Toronto-Dominion Bank	10,515	28	Alimentation Couche-Tard Inc., Class B, SV	3,732
4	Canadian Natural Resources Limited	8,858	29	ShawCor Ltd., Class "A" SV	3,435
5	Suncor Energy Inc.	7,934	30	Gildan Activewear Inc.	3,164
6	Potash Corporation of Saskatchewan Inc.	6,792	31	Barrick Gold Corporation	3,127
7	Research in Motion Limited	6,694	32	Atlas Copco, Class "A"	3,010
8	Goldcorp Inc.	6,589	33	Bhp Billiton Plc (Gbp)	2,963
9	Cenovus Energy Inc.	6,364	34	Agnico-Eagle Mines Limited	2,929
10	Intact Financial Corporation	6,036	35	Microsoft Corp.	2,838
11	Tim Hortons Inc.	5,747	36	Ensign Energy Services Inc.	2,796
12	Thompson Reuters Corporation	5,678	37	ARC Energy Trust	2,757
13	EnCana Corporation	5,432	38	Peyto Energy Trust	2,708
14	TransCanada Corporation	5,177	39	Agrium Inc.	2,633
15	Bank of Montreal	4,966	40	Consolidated Thompson Iron Mines Limited	2,612
16	Rogers Communications Inc., Class "B" NV	4,568	41	Imperial Oil Limited	2,592
17	Cameco Corp.	4,417	42	Groupe Aeroplan Inc.	2,505
18	MacDonald Dettwiler & Associates Ltd.	4,367	43	Nintendo Co LTD ORD	2,501
19	Sun Life Financial Inc.	4,333	44	Celestica Inc., SV	2,414
20	SNC-Lavalin Group Inc.	4,325	45	Procter & Gamble Co.	2,402
21	Canadian Imperial Bank of Commerce	4,155	46	Osisko Mining	2,351
22	TELUS Corporation	3,989	47	Teck Cominco Limited, Class B, SV	2,335
23	Canadian National Railway Company	3,970	48	Chevron Corporation	2,325
24	Finning International Inc.	3,941	49	Manulife Financial Corporation	2,316
25	Exxon Mobil Corporation Common	3,908	50	Niko Resources Ltd.	2,295

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

APPENDIX B
INVESTMENT MANAGERS

As at December 31, 2010

Fixed Income

Kirk Merlevede, Manager of Fixed Income Investments

Canadian Equities

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

US Equities

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

Non-North American Equities

Baillie Gifford Overseas Ltd.
Franklin Templeton Investments Corp.

Private Equities

Hamilton Lane Advisors LLC
Richardson Capital Limited

2010 DIRECTORY
WINNIPEG POLICE PENSION BOARD
as at December 31, 2010

BOARD MEMBERS

Appointed by Winnipeg City Council

SHELLEY HART (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

KIRK MERLEVEDE
Manager, Fixed Income Investments

BILL BATTERSHILL
Manager, Information Systems

AMANDA JENINGA
Manager, Communications

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
Taylor McCaffrey

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