2013 ANNUAL REPORT

WCEBP
WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM

THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM
TRUST • INTEGRITY • EQUITY • RESPECT • SERVICE

PROGRAM PROFILE

The *Program* is comprised of:

- *The Winnipeg Civic Employees' Pension Plan*, a registered pension plan under Manitoba's *Pension Benefits Act* and Canada's *Income Tax Act*
- *The Winnipeg Civic Employees' Long Term Disability Plan*
- *The Winnipeg Civic Employees' Early Retirement Benefits Arrangement*

Nine employers participate in the *Program*:

- City of Winnipeg
- Riverview Health Centre
- Manitoba Hydro (former Winnipeg Hydro employees)
- Assiniboine Park Conservancy
- Winnipeg Convention Centre
- St. Boniface Museum
- Transcona Historical Museum
- Canlan Ice Sports Corp. (former Highlander employees only; excluding Disability Plan)
- The Board of Trustees of The Winnipeg Civic Employees' Benefits Program

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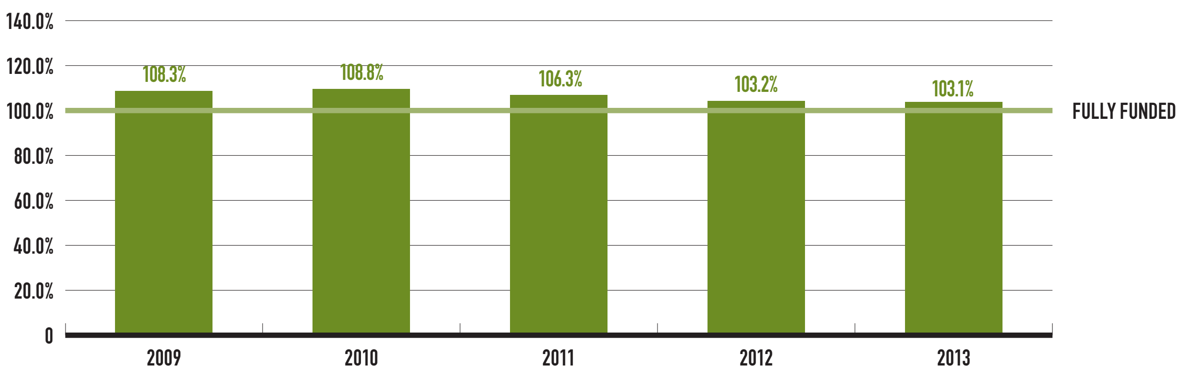
2013 AT A GLANCE

The Winnipeg Civic Employees' Benefits Program currently serves close to 17,000 members with assets under management of over $4 billion.

FUNDED STATUS

The most recent actuarial valuation of The *Winnipeg Civic Employees' Benefits Program* as at December 31, 2013, disclosed that the *Program* was fully funded and had an excess of smoothed value of assets over actuarial liabilities of $116,439,000—a funded ratio of 103.1% on the basis of actuarial values.

FUNDED RATIO BASED ON ACTUARIAL VALUE OF ASSETS

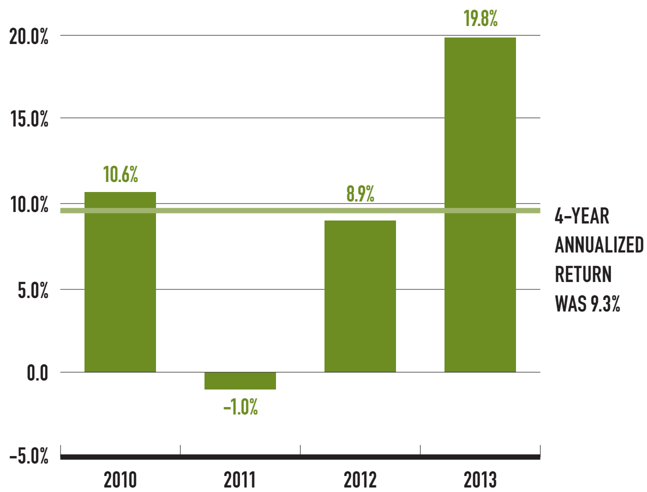


INVESTMENTS

The *Program's* rate of investment return for 2013 was 19.8%, significantly exceeding the assumed rate of investment return for 2013 of 6.0%.

This places the portfolio well above the median Canadian pension fund rate of return of 13.8%, ranking the *Program* in the top 10% of large pension plans in the country for 2013.

ANNUAL INVESTMENT RETURN



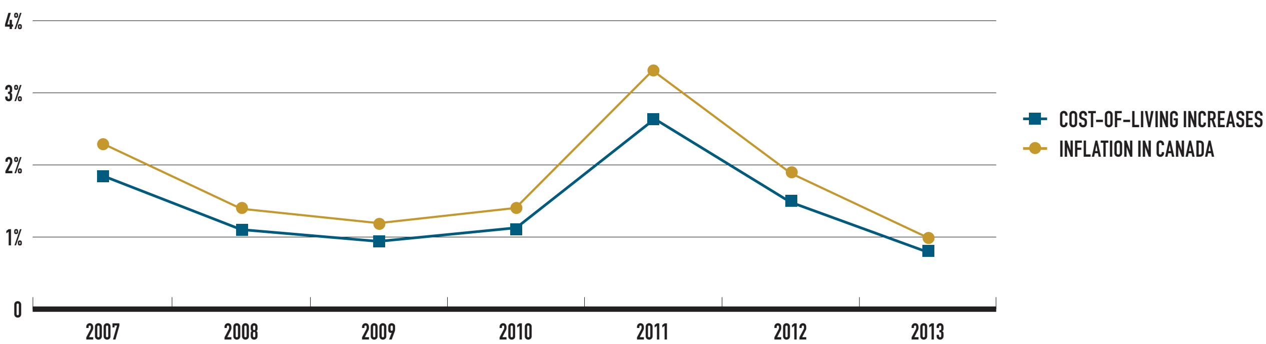
Additional allocations to real estate along with an initial allocation to global infrastructure occurred in 2013, while the *Program's* allocation to fixed income declined during the period. Overall, the *Program* benefitted from very strong performance in all equity markets during the year.

COST-OF-LIVING ADJUSTMENTS

The Winnipeg Civic Employees' Pension Plan provides for annual cost-of-living-adjustments (COLA) to both pensions in payment and deferred pensions. The level of COLA granted in a particular year is tied to the funded status of the *Program*.

In 2013, COLA was granted at a rate of 80% of the annual increase in Canada's Consumer Price Index (CPI) at March 31.

COST OF LIVING INCREASES



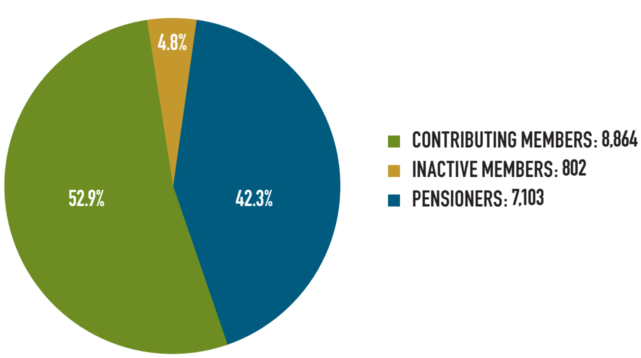
MEMBERSHIP

The demographics of retiring members remains unchanged with the majority of members retiring between the ages of 55 and 59. The average service of members who retired in 2013 was 24.9 years.

MEMBERSHIP PROFILE

AS AT DECEMBER 31, 2013

TOTAL MEMBERS: 16,769



MESSAGE

We are pleased to present the annual report of The *Winnipeg Civic Employees' Benefits Program* for the year ended December 31, 2013.

FINANCIAL STATUS

The most recent actuarial valuation of the *Program*, as at December 31, 2013, showed that on a going-concern basis, the *Program* continues to be fully funded (going-concern funded ratio of 103.1% with respect to all benefits in payment and all benefits earned for service up to the valuation date.

The *Program's* investment portfolio performed exceptionally well in 2013 with a rate of investment return of 19.8%. The "excess" investment returns (those that exceeded the 6.0% net rate of return assumed for actuarial purposes in 2013) served to eliminate remaining investment losses carried forward from 2011, and generated "excess" investment returns of almost $80 million to be recognized in 2013, and an additional $318 million to be recognized for actuarial valuation purposes in future years (through 2017) under the *asset smoothing* technique used by the *Program* for many years.

The demographic assumptions for annual rates of mortality improvements were revised by the *Board of Trustees* (on the recommendation of the *Program's* Actuary), for the December 31, 2013 actuarial valuation, to reflect a change in expected future mortality improvements of Canadian pensioners. This recognition of these mortality improvements in the actuarial valuation assumptions resulted in an increase in *Program* liabilities of approximately $134 million.

The *Program's* going-concern funded status of 103.1% will enable the upcoming cost-of-living adjustment (COLA) to pensions (payable in July 2014) to be maintained at 80% of the increase in the Consumer Price Index (CPI) for Canada (measured as at March 31, 2014). While the *Program* has been able to maintain COLA funding at 80% to date, this level of funding is not expected to be sustainable over the long term. The COLA rate granted to pensions in pay and deferred pensions is expected to gradually decline over time to 50% of the annual percentage increase in CPI.

INVESTMENT PORTFOLIO

The *Program's* investment rate of return of 19.8% in 2013 places the portfolio well above the median Canadian pension fund rate of return of 13.8%, ranking the *Program* in the top 10% of large pension plans in the country for the year 2013.

The *Program's* four-year and ten-year annualized rates of return increased again in 2013 to 9.3% and 7.1%, respectively.

The long term policy asset mix approved by the *Board of Trustees* (back in 2011) incorporates a transition to a higher percentage of the portfolio in alternative investment classes (especially real estate and infrastructure) and to a longer duration bond portfolio. Much progress was made towards this asset re-allocation in 2013, with new allocations to real estate and entry into the infrastructure asset class. Implementation of the *Program's* long term policy asset mix is nearing completion.

GOVERNANCE

The Board of Trustees continues to utilize the important process of strategic planning with its senior executive. We find this process immensely valuable in ensuring that the Board's priorities are cascaded to the *Program Administration* for execution. A number of exciting new projects are underway, in the areas of Communications and Member Services, as a result of the *Board's* strategic planning session in June 2013. These include an enhanced public website and a Member self-service "pension estimator." These initiatives will become visible to our Members upon implementation during 2014.

As part of its ongoing due diligence process relative to the *Program's* service providers, a market review of actuarial services was conducted. This process resulted in a decision to engage Eckler Ltd. as the *Program's* new Actuary. At year-end 2013, the transition to Eckler was well underway. Formal review of other key service providers will take place in the coming four-five year period.

CLOSING

Further detail regarding the activities of the *Board of Trustees*, as well as key operational activities, is provided in the pages that follow. This report also contains the audited financial statements for the *Pension Plan* and the *Long Term Disability Plan*.

We hope that you find this report helpful and informative. As always, we welcome your feedback.

Neil Duboff
CHAIR

Glenda Willis
CHIEF EXECUTIVE OFFICER

GOVERNANCE

The Vision of the *Board of Trustees* is to be considered by Plan members and industry peers as one of the best-managed pension plan organizations in Canada. In pursuit of its Vision, the *Board* has identified member services and trustee education as priorities.

The *Board's* Vision, Mission, and Values as identified in its Governance Manual, have become a guide for the *Program Administration* in delivering upon its mandate in all aspects of *Plan* Administration, including the provision of information and services to members.

The *Board* held strategic planning sessions in 2012 and 2013, and is committed to an annual strategic planning process moving forward. The priorities identified at these sessions resulted in a number of new initiatives in 2013, including a redesign of the member website, and the development of an online pension estimator tool (to be launched in 2014).

VISION: To be considered by *Plan* members and industry peers as one of the best-managed pension plan organizations in Canada.

MISSION: To deliver the promised benefits (subject to the terms of the *Pension Trust Agreement* and the *Plan* text) to the *Plan's* members and beneficiaries. In doing so, the *Board*:

- Maintains an effective and transparent governance structure and process encouraging a culture of excellence
- Preserves the level of benefits agreed to by all parties to the extent possible given financial and any other constraints and subject to the requirements of the *Pension Trust Agreement* and applicable law
- Promotes financial management responsibility by weighing risks and returns for each decision
- Provides high quality administration services with a focus on members, beneficiaries and employers
- Complies with all laws, rules, regulations, *Plan* provisions and applicable policies and guidelines
- Provides leadership and communication to *Plan* members and other stakeholders on behalf of the *Plan*
- Recognizes that the *Plan* is jointly governed between participating employers and members and that this joint governance arrangement entails sharing responsibility for costs and unfunded liabilities and sharing the benefit of any actuarial surpluses

VALUES: Trust • Integrity • Equity • Respect • Service

GOVERNANCE STRUCTURE

The *Program* operates under a jointly-trusteed governance structure according to the terms and conditions of the *Pension Trust Agreement* and the *Disability Plan Trust Agreement* entered into by the City of Winnipeg and ten Signatory Unions.

The *Pension Plan* is administered by *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund)*. The City of Winnipeg and the *Program* members have equal representation on this joint board, with the Trustees being appointed equally by the City of Winnipeg and ten Signatory Unions.

The same individuals sit on *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Disability Fund)* (responsible for the administration of the *Disability Plan*), with the exception of one Employer Trustee and the Member Trustee on behalf of pensioners and deferred members.

A listing of the Trustees, as at December 31, 2013, can be found on the inside back cover of this report.

Participating Employers and members share in the surpluses and the risks associated with the *Program*. Benefits are financed entirely by the assets (including investment earnings) of the *Program* and the contributions of the Participating Employers and the active members. *Program* benefits are not guaranteed by the City of Winnipeg or the other Participating Employers.

ROLE OF THE BOARD OF TRUSTEES

The *Board of Trustees* is responsible for the overall operation of the *Program*, including:

- Ensuring the *Program* is administered in accordance with the *Trust Agreement, Program Text*, and applicable legislation
- Adopting and reviewing the investment policy
- Monitoring investment performance
- Adopting and reviewing funding policy

The *Board* is also responsible for ensuring adequate financial records are maintained and for reporting annually on the operations of the *Program* to Participating Employers, unions, and *Program* Members. To discharge its responsibility, the *Board* performs in an oversight capacity with respect to all significant aspects of the management of the *Program's* operations.

BOARD COMMITTEES

The *Board* has established various committees to provide a process to assist in its decisions.

Investment Committee—The Investment Committee is responsible for determining the asset mix of the *Program* (within the parameters of the *Program's* Statement of Investment Policies and Procedures), for recommending the selection or termination of various investment managers, and for monitoring the performance of these investment managers.

The Committee is comprised of three members appointed by Employer Trustees and three members appointed by Member Trustees.

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

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

Administration—The day-to-day administration of the *Program* is carried out under the direction of its Chief Executive Officer.

PENSION PLAN OVERVIEW

FUNDING

The results of the most recent actuarial valuation, as at December 31, 2013, continued to portray a picture of relative health for the *Program* with a funded ratio of 103.1% using the smoothed value of assets (with respect to benefits accrued for all service up to December 31, 2013).

FUNDED STATUS AT DECEMBER 31, 2013

An actuarial valuation performed on a **going-concern basis** assumes that the *Program* will continue to operate indefinitely. Members are assumed to continue to earn pension benefits for future service, and it is assumed that contributions will continue to be made to the *Program*.

The most recent actuarial valuation of *The Winnipeg Civic Employees' Benefits Program* as at December 31, 2013, disclosed that the *Program* was fully funded and had an excess of smoothed value of assets over actuarial liabilities of $116,439,000 – a funded ratio of 103.1% 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 $434,686,000 – which would have resulted in a funded ratio of 111.5% on a fair value basis. The application of an actuarial asset "smoothing" technique has been used by the *Program* for many years.

The *Program's* rate of investment return for 2013 was 19.8%, significantly exceeding the assumed rate of investment return for 2013 of 6.0%. The excess investment return of $475,872,000 in 2013 served to offset the remaining $78,063,000

FINANCIAL POSITION

AS AT DECEMBER 31, 2013

	FAIR VALUE (000's)	ACTUARIAL VALUE (000's)
Net assets available for benefits		
Main Account	$ 4,170,529	$ 3,852,282
Plan Members' Account	3,164	3,164
City Account	54,016	54,016
	$ 4,227,709	$ 3,909,462
Program obligations	$ 3,793,023	$ 3,793,023
Funded ratio	111.5%	103.1%

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

of unrecognized investment losses from 2011, and generate excess investment returns of $79,562,000 in 2013, under the asset smoothing technique.

It is important to note that there is a remaining balance of $318,247,000 of unrecognized investment market gains which occurred in 2013, to be recognized for actuarial valuation purposes in future years. Accordingly, should the *Program* earn exactly the assumed future investment rate of return of 6.0% on the actuarial value of assets over the next four years (see *Key Actuarial Assumptions,* which follows), the remaining $318,247,000 smoothing difference would be expected to emerge as in-year surplus of $79,562,000 per year in each of 2014, 2015, 2016 and 2017. Such an outcome would be beneficial to the financial position of the *Program*.

The above referenced excess of smoothed value of *Program* assets over actuarial liabilities, in the amount of $116,439,000 includes $59,259,000 which remains accounted for within the Main Account. Under the Pension Trust Agreement, any emerging excess or "surplus" related to ongoing *Program* operation is accumulated within the Main Account and retained as a buffer unless it exceeds 5% of *Program* liabilities. If, in the future, the 5% retention threshold is exceeded, an equal allocation of the portion of the excess which exceeds the retention threshold would be transferred to the special-purpose Accounts held within the *Program* (specifically the Plan Members' Account and the City Account). At December 31, 2013, the balance of the Plan Members' Account was $3,164,000 and the balance of the City Account was $54,016,000.

Under the Pension Trust Agreement, the Plan Members' Account may be used to fund improvements in benefits or to reduce member contributions. The City Account is available to finance, through transfers to the Main Account, any reduction in the participating employers' contributions from the amounts needed to match the *Program* members required contributions. Actuarial surpluses and funding deficiencies are dealt with in accordance with the Pension Trust Agreement. The prescribed steps to resolve a funding deficiency generally include revising the actuarial assumptions, reducing the anticipated level of future cost-of-living adjustment, increasing contributions (if agreed upon by the City of Winnipeg and the Signatory Unions), drawing upon available funds within special-purpose Accounts, and if necessary, reducing benefits.

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

The most recent solvency valuation of the *Program*, as at December 31, 2013, revealed a solvency ratio of 82.3%. This indicates that, on a plan termination basis, the *Program's* assets would not be sufficient to cover all the liabilities accrued for benefits under the *Program* as at

GOING CONCERN FINANCIAL STATUS

	DECEMBER 31, 2013 (000's)
1. Actuarial value of assets	
Main Account	$ 3,852,282
Plan Members' Account	3,164
City Account	54,016
	$ 3,909,462
2. Actuarial liabilities	
Pension Plan	$ 3,745,922
Long Term Disability Plan	42,215
Early Retirement Benefits Arrangement	4,886
	$ 3,793,023
3. Excess of actuarial value of *Program* assets over actuarial liabilities	$ 116,439
4. Amounts previously allocated	
Plan Members' Account	3,164
City Account	54,016
	$ 57,180
5. Financial position (*3. minus 4.*)	$ 59,259
6. Actuarial surplus (*1. minus 4. minus (105% x 2.)*, or zero; whichever is greater)	$ 0
7. Funded ratio (*1. divided by 2.*)	
Including Plan Members' and City Accounts	103.1%
Excluding Plan Members' and City Accounts	101.6%

December 31, 2013. No action is required to be taken on the basis of this solvency valuation as the *Board of Trustees* has elected, under the *Solvency Exemption for Public Sector Pension Plans Regulation*, that *The Winnipeg Civic Employees' Pension Plan* be exempt from the solvency and transfer deficiency provisions of Manitoba's *Pension Benefits Act* and *Regulations*.

KEY ACTUARIAL ASSUMPTIONS— DECEMBER 31, 2013 ACTUARIAL VALUATION

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 6.00% per year in the 2013 actuarial valuation (unchanged from the 2012 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 *Program*, and after assuming an equity premium that was considered relatively normal by historical standards.

Other key economic assumptions in the 2013 actuarial valuation include future inflation at 2.00% per year (unchanged from the 2012 actuarial valuation), resulting in an assumed real rate of investment return of 4.00% per year and future general increases in pay of 3.50% per year (unchanged from the 2012 actuarial valuation). The economic assumptions with respect to commuted values were revised, decreasing *Program* obligations by $19,950,000.

On the recommendation of the *Program's* actuary the demographic assumptions for annual rates of mortality improvements were revised to utilize the Canadian Pensioners' Mortality Improvement Scale B (CPM–B), increasing *Program* obligations by $133,592,000.

Although these assumptions were considered appropriate both for funding and accounting purposes in 2013, there nonetheless is measurement uncertainty associated with these estimates versus actual future investment returns, salary escalation and demographics that will impact on the future financial position of the *Program*, possibly in a material way.

COST-OF-LIVING ADJUSTMENTS

The *Winnipeg Civic Employees' Pension Plan* provides for annual cost-of-living-adjustments (COLA) to both pensions in payment and deferred pensions. The level of COLA granted in a particular year is tied to the funded status of the *Winnipeg Civic Employees' Benefits Program*.

As at December 31, 2013, the *Program* was fully funded with respect to all pensions currently in payment and pension benefits earned for service to date by current and former employees, assuming such pensions are indexed at a rate equal to 80% of the annual percentage change in Canada's Consumer Price Index (CPI) measured at March 31 each year. The inflation assumption used was reflective of the current inflation environment.

The level of funding within the *Program* which supports COLA is expected to vary over time, and will be affected by both future *Program* experience (especially investment experience) and future contributions which support COLA.

It is important to note that commencing September 1, 2011, when the *Program* was restructured, contributions are expected to fund COLAs related to pensions derived from service on/after September 1, 2011 at a rate equal to 50% of the annual percentage change in CPI. Accordingly, in the absence of emerging surplus or other positive *Program* experience, the level of funding within the *Program* to support COLA will dilute and the level of COLA granted can be expected to gradually decline over time to 50% of the annual percentage change in CPI. However, should the *Program's* investments perform better than expected, some actuarial surplus may be used to supplement COLA at a rate higher than 50% of the annual percentage change in CPI.

The *Program* has been able to maintain COLA funding to support 80% of the annual percentage change in CPI to date. However, this level of funding is not expected to be sustainable over the long term.

LONG TERM OUTLOOK

Over the last ten years, the *Program* achieved an average rate of return of 7.1% per year, ranking second quartile (42nd percentile) among larger pension plans in Canada. The long-term goal of the *Program* during this ten year period was to achieve a rate of return that exceeded inflation by 4.0% per year commencing in 2013 and 5.0% per year for the nine years prior to 2013. With the ten-year annualized inflation rate being 1.7%, the *Program* exceeded its goal over the last ten years by a margin of 0.5% per year. It should be noted that such measurements are end date sensitive, and in particular, the strong investment performance in 2013 has contributed significantly to this outperformance.

Based on the funding assumption, adopted by the Actuary and the *Board* as at December 31, 2013, of an average 4.00% per annum real rate of investment return, net of investment expenses, the *Program* is fully funded with respect to all pensions currently in payment and pension benefits earned for service to date by current and former employees.

Notwithstanding the assumed 4.00% per year real investment return used for the actuarial valuation at December 31, 2013, it remains desirable to strive for a real rate of return in excess of 4% per year over the long-term in order to: i) finance any contribution shortfalls relative to the cost of benefits that may arise from time to time, ii) strengthen the existing surplus position, and iii) in as far as possible, maintain COLA at a rate higher than the 50% of Consumer Price Index increases at which it is being funded, as long as the current level of investment risk does not significantly increase. Given the above considerations, a 4% long term real rate of investment return objective is reflected in the *Program's* Statement of Investment Policies and Procedures for 2014.

As the *Program* is presently constituted, it is the achievement of sufficient investment returns in the future which will have the most significant bearing on the ultimate sustainability of current benefits and contribution levels.

As noted in the prior year's report, the *Board's* long term investment policy includes a transition to a higher weight in alternative investment classes, in particular real estate and infrastructure, and to longer duration bonds. During 2013, the *Program* continued funding its allocation to the real estate asset class, with the *Program* holding approximately $332.2 million of real estate assets at year-end 2013. The *Program* commenced funding its allocation to the infrastructure asset class during 2013, with the *Program* holding approximately $99.6 million of infrastructure assets at year-end 2013. In addition the *Program's* bond investments include $335.3 million in a long duration bond mandate at year-end 2013. The *Board*, and its Investment Committee, will continue to prudently manage the *Program's* assets towards this 4% real return objective.

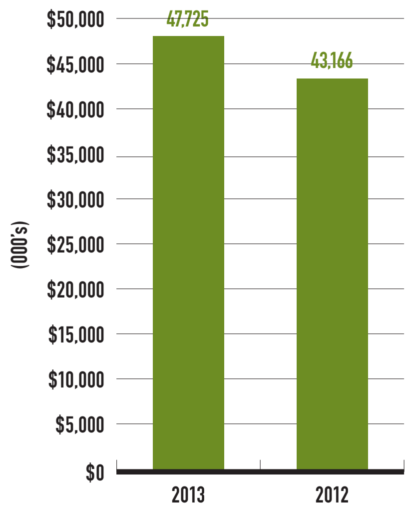
CONTRIBUTIONS

As approved by the City of Winnipeg and the Signatory Unions, the rate of contribution to the *Program* increased an average of 0.5% of pensionable earnings for both employees and employers effective the first pay period in January 2013.

For the *Program* as a whole, this resulted in an average contribution rate of 9.5% of pensionable earnings for both employees and employers.

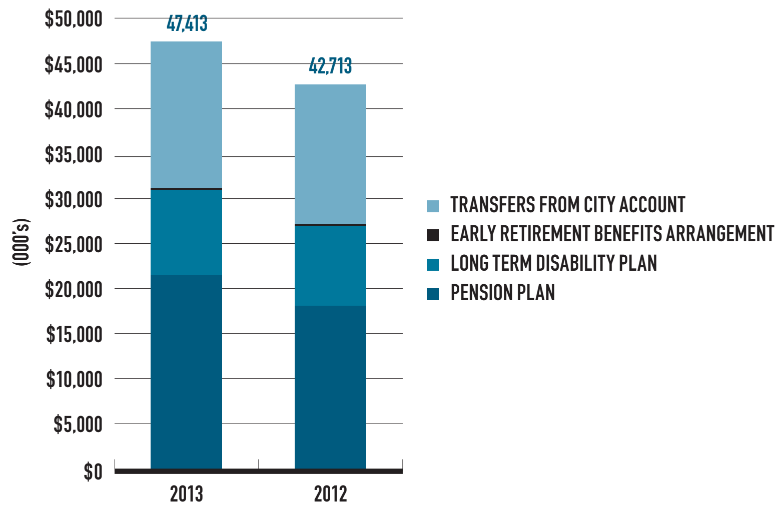
Employees are required to make regular contributions to the Pension Plan each pay period. Employers contribute to the Pension Plan as well—and also to cover the costs of the Disability Plan and Early Retirement Benefits Arrangement. Employers match employee contributions either in cash or cash in combination with a transfer from the City Account.

EMPLOYEE CONTRIBUTIONS*



* Employee contributions also include such items as voluntary Employee Additional Contributions and past service contributions for which there are no required Employer contributions.

EMPLOYER CONTRIBUTIONS AND TRANSFERS*



* Includes amounts transferred from City Account within the *Program*.

Contributions are lower on earnings up to the Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan, and higher on earnings above the YMPE. The breakdown for 2013 was as follows:

Member Contribution Rate in 2013

Earnings up to the 2013 CPP earnings ceiling[1] of $51,100	9.0%
Earnings over the 2013 CPP earnings ceiling[2] up to $157,563	11.2%

1. The Yearly Maximum Pensionable Earnings (YMPE) is the maximum pensionable earnings under the Canada Pension Plan, which was $51,100 for 2013.
2. Contributions are only required on salary up to the maximum salary for which a benefit can be accrued under the *Income Tax Act*, which was $157,563 for 2013.

Effective January 1, 2014, the average contribution rate increased to 10% of pensionable earnings for both employees and employers.

COST OF BENEFITS FOR SERVICE IN 2013

	EMPLOYEE CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS*	ALLOCATION FROM SURPLUS	TOTAL COST
As a percentage of contributory earnings September 1, 2011 benefits level	9.45%	9.45%	2.40%	21.30%

* Includes amounts transferred from City Account within the *Program*.

REPORT ON INVESTMENTS

The portfolio's asset mix continued to shift during 2013. The transition to the *Program's* new long term policy asset mix resulted in an initial allocation to global infrastructure and a continued increase in the *Program's* exposure to real estate. Exposure to both bonds and Canadian equities declined during the year.

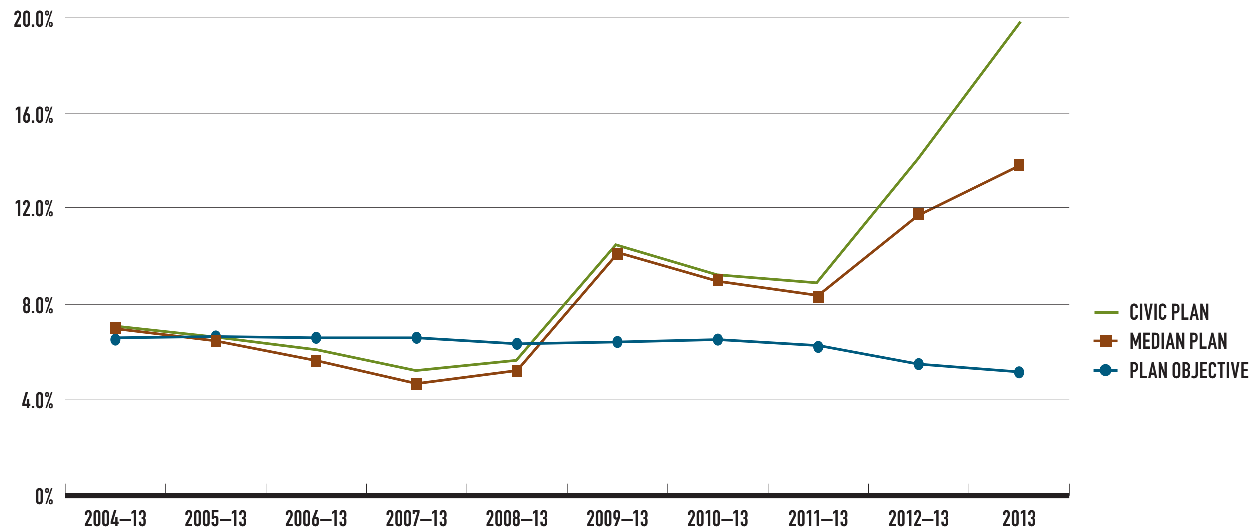
Currently, the *Program* utilizes external investment managers to manage all asset classes and portfolios. There were several new additions to the *Program's* investment manager line up during 2013, including TD Asset Management and Fiera Capital in the fixed income sector, Bentall Kennedy in the real estate sector, and OMERS Investment Management in the global infrastructure sector. At year end, searches continued for additional asset managers in the real estate and infrastructure sectors.

PORTFOLIO PERFORMANCE SUMMARY

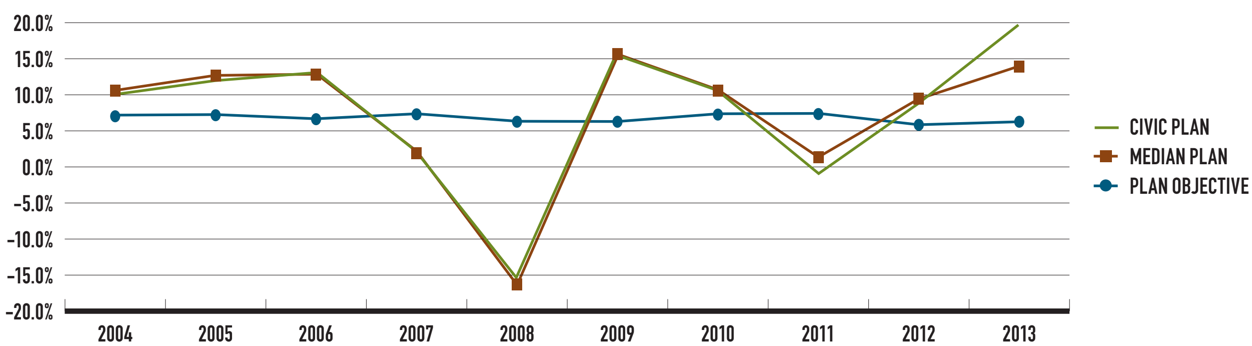
For the year 2013, the investment portfolio recorded a positive return of 19.8%. This was considerably better than the median Canadian pension fund return of 13.8% as measured by RBC Investor Services, an independent measurement service. The outperformance can be attributed to a couple of factors. First, fixed income markets had a difficult year and the *Program's* fixed income portfolio was conservatively positioned and had a lower allocation than the median plan. Second, global equity markets were very strong and the *Program's* aggregate equity allocation was higher than the median plan. All of the *Program's* active equity managers outperformed their respective benchmarks in 2013.

On a ten-year basis, the portfolio's return was above the *Program's* "CPI+4%" objective of 6.6%. Positive returns in years 2004–2006, 2009–2010, and 2012-2013 offset negative returns in 2007, 2008, and 2011. The *Program's* four-year and ten-year annualized rates of return were 9.3% and 7.1%, placing the *Program* at the 36th percentile and 42nd percentile ranking, respectively, of Canadian pension funds. The better-than-median ten-year performance (median return of 7.0%) can be mainly attributed to the strong performance experienced by the portfolio in 2013.

ANNUALIZED RATES OF RETURN



ANNUAL RATES OF RETURN



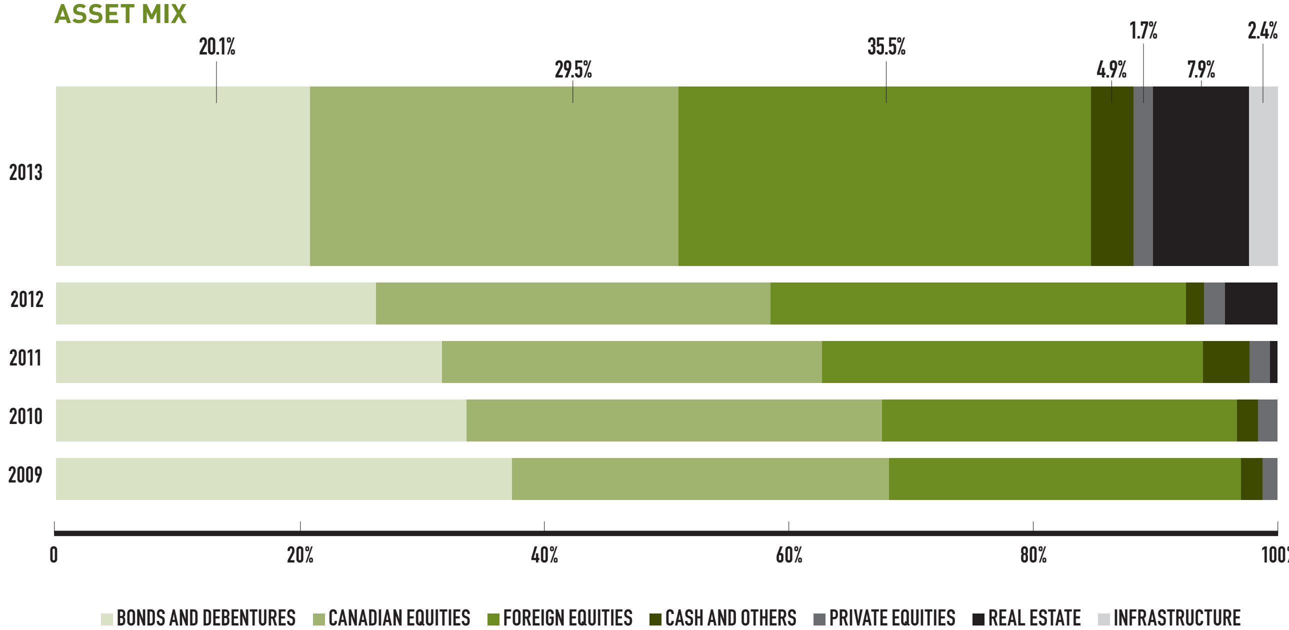
ASSET MIX

The *Program* continued to move towards its new long-term policy asset mix by shifting assets from Canadian fixed income and equities into real estate and global infrastructure. As a result, the *Program's* allocation to Canadian fixed income declined to 20.1% from 26.2% the previous year, and its allocation to Canadian equities declined to 29.5% from 32.3% the previous year. Real estate and global infrastructure now represent 7.9% and 2.4% of the *Program's* investment portfolio, respectively. Cash also increased during the year to 4.9% (from 1.5%) as funds were raised to finance new investments.

ASSET MIX

	2013	2012	2011	2010	2009
Bonds and debentures	20.1%	26.2%	31.6%	33.6%	37.3%
Canadian equities	29.5%	32.3%	31.1%	34.0%	30.9%
Foreign equities	35.5%	34.0%	31.2%	29.1%	28.8%
Cash and other	4.9%	1.5%	3.8%	1.7%	1.8%
Private equities	1.7%	1.7%	1.7%	1.6%	1.2%
Real estate	7.9%	4.3%	0.6%	0.0%	0.0%
Infrastructure	2.4%	0.0%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

ASSET MIX



EQUITY INVESTMENTS

In 2013, the *Program's* Canadian equity managers posted a combined return of 19.8%, ahead of the median pension fund return of 19.2% and well ahead of the S&P/TSX Composite Index return of 13.0%.

The *Program's* foreign equity managers, collectively, reported a return of 40.4% in Canadian dollar terms for 2013, placing the group at the 5th percentile ranking of Canadian pension funds, and well ahead of the benchmark (50% S&P 500 [CAD], 50% MSCI Europe, Australasia, Far East [CAD] Index) return of 36.2%. Foreign equity markets had a very strong year in 2013.

More specifically, the *Program's* US equity managers registered a return of 44.1%, in Canadian dollars, outperforming both the median pension fund return of 42.5%, and the S&P 500 (CAD) Index return of 41.3%.

The *Program's* Non-North American equity managers reported a collective return of 37.5%, much better than the MSCI Europe, Australasia, Far East (CAD) Index return of 31.0%, and the median pension fund return of 27.6%.

FIXED INCOME INVESTMENTS

The *Program's* bond portfolio reported a negative return of 1.4% in 2013, outperforming both the median pension fund return of negative 2.4%, and the benchmark (90% DEX Universe Bond Index, 10% DEX Long Bond Index) return of negative 1.8%. The outperformance was due to the bond portfolio's lower duration (interest rate sensitivity) in a rising interest rate environment.

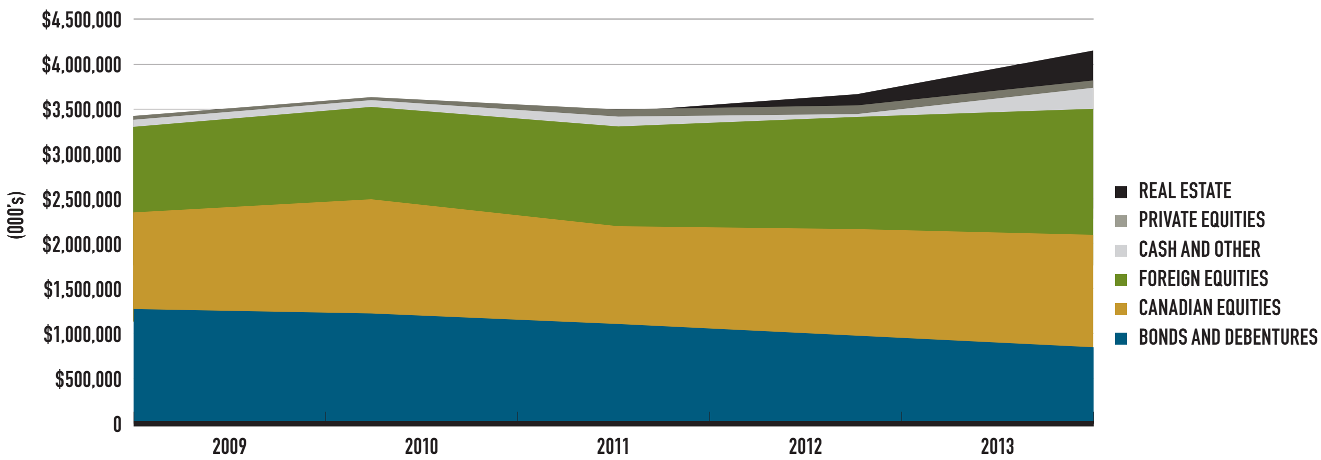
For the four- and ten-year periods ended December 31, 2013, the bond portfolio returned 4.0% and 5.0%, respectively. For the ten-year period, the portfolio has underperformed both the benchmark (5.1%) and the median pension fund (5.6%).

FIXED INCOME INVESTMENTS SUMMARY

AS AT DECEMBER 31, 2013

DESCRIPTION	PENSION PLAN MARKET VALUE (000's)
Government of Canada bonds	$ 220,282
Provincial bonds	252,373
Canadian cities and municipalities	15,042
Corporate and other institutions bonds	364,022
Total bonds and debentures	$ 851,719
Call funds—City of Winnipeg	$ 147,658
Cash	61,644
Total short-term investments	$ 209,502

INVESTMENTS



TOTAL RETURNS

	ONE YEAR	FOUR YEARS	TEN YEARS
Total Fund	**19.8%**	**9.3%**	**7.1%**
Bonds and debentures	-1.4%	4.0%	5.0%
Canadian equities	19.8%	9.2%	9.0%
Foreign equities	40.4%	13.7%	5.7%
Real estate	12.9%	n/a	n/a
Infrastructure	12.9%	n/a	n/a
Benchmarks			
DEX Universe Bond Index	-1.2%	4.6%	5.2%
S&P / TSX Composite Index	13.0%	6.8%	8.0%
S&P 500 (CAD)	41.3%	16.3%	5.3%
Europe, Australasia, Far East Stock Market Index (CAD)	31.0%	8.4%	4.8%
IPD Canadian Property Index	10.6%	12.7%	11.6%
Consumer Price Index (CPI)	1.2%	1.7%	1.7%

ASSET MIX STRATEGY FOR 2014

In 2010, the *Program* conducted a comprehensive asset-liability study, on the basis of which, the Board of Trustees adopted a new long term policy asset mix. The new policy asset mix is expected, over the long term, to achieve a revised objective of CPI+4% with an acceptable level of risk exposure to the *Program*.

Among the notable changes arising from the study were new allocations to real estate and infrastructure, offset by reductions in equities and fixed income. These changes are being implemented over a four-year period. Over the course of 2013, the *Program* continued to re-allocate capital to Greystone Managed Investments Inc. (real estate mandate), while initiating investments with Bentall Kennedy (real estate mandate) and OMERS Investment Management (global infrastructure mandate). Finally, the transition of the *Program's* fixed income assets to Fiera Capital and TD Asset Management took place during the first half of the year.

Looking forward to 2014, it is expected that a third real estate manager and two more global infrastructure managers will be added.

MEMBER SERVICES

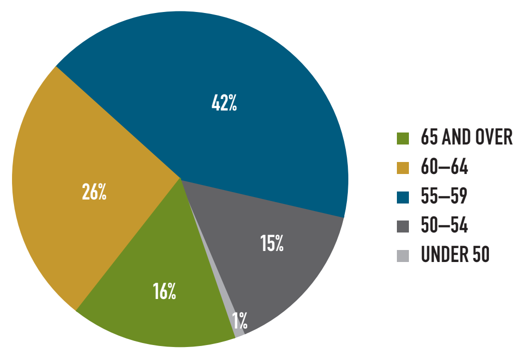
The Member Services area is committed to providing a strong, consistent service experience to members, beneficiaries and the Participating Employers.

The *Program* processes approximately 800 retirement estimates annually, and meets face-to-face with over 50 members each month. The *Program* is also responsible for an in-house biweekly payroll for approximately 7,500 pensioners and survivors.

Member Services staff work diligently to ensure that members have access to timely and comprehensive information that is accurate and relevant to them at each stage of their membership in the *Program*, from active employment through retirement.

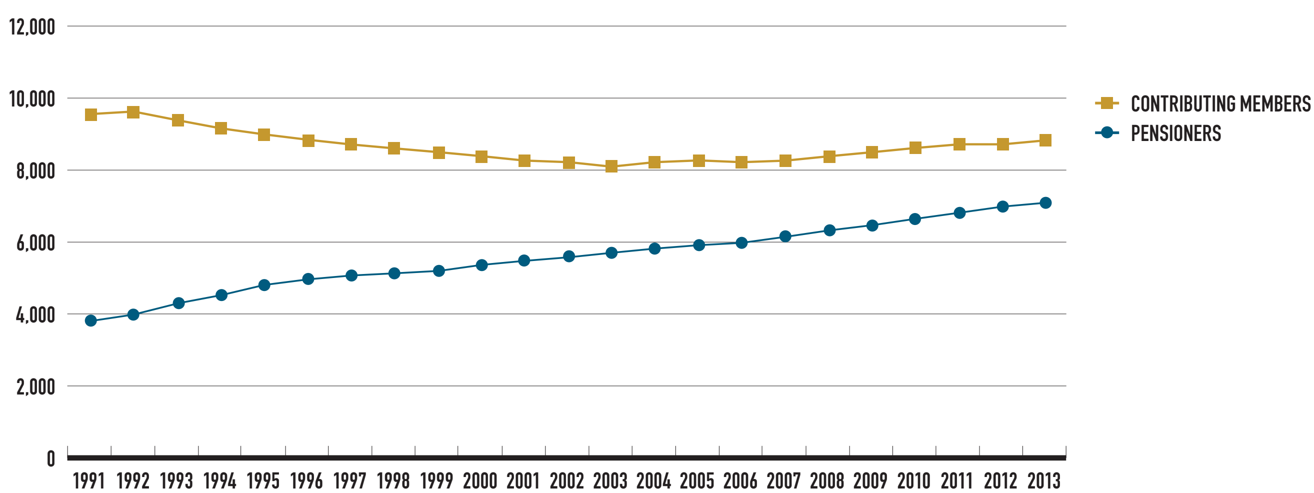
AGE AT RETIREMENT

AS AT DECEMBER 31, 2013



NUMBER OF CONTRIBUTING MEMBERS VS. PENSIONERS

The ratio of contributing Members to pensioners has remained fairly constant over the last decade.



MEMBERSHIP ACTIVITY DURING THE YEAR

	2013	2012	2011	2010	2009
Retirements	309	332	345	314	345
Deaths in service	14	20	16	18	15
Pensioner deaths	236	249	241	249	218
New disabilities	76	71	66	64	63
New members	822	799	778	723	826
Terminations	444	477	401	350	420

Providing clear and concise communication is a critical component to member services as decisions made by individuals can have ramifications not only for their lifetime but for their survivors' lifetime as well. With emphasis placed on individual needs and preferences, services are provided by telephone, on-line and in person.

In 2013, the Member Services team consisted of a pension and benefits manager, two pension officers, payroll coordinator and additional administrative staff. Over one quarter of the Program's staff are dedicated to the Member Services area. It is anticipated that, through a reorganization of staff, this will increase to about one third in 2014, to encompass the full spectrum of services (including life change events such as termination of employment and maintaining benefits while on leave), and to place an emphasis on delivery of quality, consistent service.

New initiatives undertaken in 2013 included incorporating an analysis and overview of the member Annual Statements of Benefits into the Pre-Retirement Seminars, and the redevelopment of the *Program's* website.

The new website's structure makes it easier for members to access information. Plan summary information is more reader-friendly and comprehensive, popular content is featured on a *Quick Links* menu, and the entire site is searchable.

Development of an online pension estimator tool also began in 2013, with completion anticipated for late-2014.

FIVE YEAR FINANCIAL SUMMARY

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

	2013 (000's)	2012 (000's)	2011 (000's)	2010 (000's)	2009 (000's)
FINANCIAL POSITION					
Investments at fair value:					
Bonds and debentures	$ 851,719	$ 934,944	$ 1,078,947	$ 1,201,536	$ 1,247,735
Real return bonds	-	22,132	22,221	20,325	19,425
Canadian equities	1,252,195	1,181,201	1,084,250	1,237,028	1,049,583
Foreign equities	1,419,084	1,244,725	1,085,645	1,058,070	978,479
Cash and short-term deposits	209,302	55,099	131,564	61,704	61,126
Private equities	73,719	62,680	61,071	56,888	39,638
Real estate	332,185	155,957	20,741	-	-
Infrastructure	99,551	-	-	-	-
Other liabilities	(10,046)	(10,023)	(7,300)	(9,210)	(8,835)
Net assets available for benefits	4,227,709	3,646,715	3,477,139	3,626,341	3,387,151
Pension obligations	3,793,023	3,609,182	3,443,897	3,357,855	3,236,533
Surplus	$ 434,686	$ 37,533	$ 33,242	$ 268,486	$ 150,618
Surplus (deficit) comprised of:					
Main Account	$ 377,506	$ (25,247)	$ (39,409)	$ 176,635	$ 45,491
Plan Members' Account	3,164	2,645	2,434	9,772	19,799
City Account	54,016	60,135	70,217	82,079	85,328
	$ 434,686	$ 37,533	$ 33,242	$ 268,486	$ 150,618
CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS					
Contributions:					
Employees	$ 47,725	$ 43,166	$ 38,444	$ 36,712	$ 30,235
City of Winnipeg and Participating Employers	21,480	18,089	18,130	15,771	5,784
Reciprocal transfers	1,160	845	417	375	1,048
Net investment income (loss)	703,176	296,272	(35,850)	348,155	455,158
	773,541	358,372	21,141	401,013	492,225
Pension payments	169,270	162,149	152,907	144,169	137,758
Lump sum benefits	19,955	23,421	14,389	14,330	17,568
Administration	3,322	3,226	3,047	3,324	3,623
	192,547	188,796	170,343	161,823	158,949
Increase (decrease) in net assets available for benefits	$ 580,994	$ 169,576	$ (149,202)	$ 239,190	$ 333,276
Annual rates of return	19.8%	8.9%	-1.0%	10.6%	15.5%

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

	2013 (000's)	2012 (000's)	2011 (000's)	2010 (000's)	2009 (000's)
CHANGES IN PENSION OBLIGATIONS					
Accrued pension benefits, beginning of year	$ 3,609,182	$ 3,443,897	$ 3,357,855	$ 3,236,533	$ 3,127,570
Increase in accrued pension benefits:					
Interest on accrued pension benefits	213,907	211,633	204,767	199,229	192,070
Benefits accrued	113,987	98,883	104,574	112,186	110,587
Change in actuarial assumptions	113,642	82,931	-	-	2,984
	441,536	393,447	309,341	311,415	305,641
Decrease in accrued pension benefits:					
Benefits paid	197,746	193,616	175,068	166,365	164,025
Experience gains and losses and other factors	55,586	30,411	41,723	19,821	28,780
Change in actuarial assumptions	-	-	2,705	-	-
Administration	4,363	4,135	3,803	3,907	3,873
	257,695	228,162	223,299	190,093	196,678
Net increase(decrease) in accrued pension benefits for the year	183,841	165,285	86,042	121,322	108,963
Accrued pension benefits, end of year	$ 3,793,023	$ 3,609,182	$ 3,443,897	$ 3,357,855	$ 3,236,533
CHANGES IN SURPLUS (DEFICIT)					
Surplus (deficit), beginning of year	$ 37,533	$ 33,242	$ 268,486	$ 150,618	$ (73,695)
Increase (decrease) in net assets available for benefits	580,994	169,576	(149,202)	239,190	333,276
Net increase(decrease) in accrued pension benefits for the year	(183,841)	(165,285)	(86,042)	(121,322)	(108,963)
Surplus (deficit), end of year	$ 434,686	$ 37,533	$ 33,242	$ 268,486	$ 150,618
Surplus (deficit) comprised of:					
Main Account	$ 377,506	$ (25,247)	$ (39,409)	$ 176,635	$ 45,491
Plan Members' Account	3,164	2,645	2,434	9,772	19,799
City Account	54,016	60,135	70,217	82,079	85,328
	$ 434,686	$ 37,533	$ 33,242	$ 268,486	$ 150,618

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

	2013 (000's)	2012 (000's)	2011 (000's)	2010 (000's)	2009 (000's)
RECONCILIATION OF SURPLUS (DEFICIT) FOR FINANCIAL STATEMENT REPORTING PURPOSES TO ACTUARIAL VALUATION POSITION					
Surplus (deficit) for financial statement reporting purposes—Main Account	$ 377,506	$ (25,247)	$ (39,409)	$ 176,635	$ 45,491
Fair value change not reflected in actuarial value of assets	(318,247)	78,063	174,461	(22,601)	141,970
Surplus for actuarial valuation purposes—Main Account (2009–2011, as estimated)	59,259	52,816	135,052	154,034*	187,461*
Add: special purpose accounts					
Plan Members' Account (2009–2010, *Plan Members' Account—Enhancement Cost Reserve*)	3,164	2,645	2,434	9,772	19,799
City Account	54,016	60,135	70,217	82,079	85,328
Surplus for actuarial valuation purposes—including special purpose accounts (2009–2011, as estimated)	$ 116,439	$ 115,596	$ 207,703	$ 245,885	$ 292,588

* *Main Account—General Component* and *Main Account—Future Contribution Reserve* were combined September 1, 2011. Comparative figures for 2009 to 2010 include the former *Main Account—Future Contribution Reserve* in the following amounts: 2010—$148,908,000, 2009—$239,531,000.

EARLY RETIREMENT BENEFITS ARRANGEMENT

As the *Program* allows for retirement at or after age 55 without a minimum service requirement, there are some situations where *Program* benefits earned prior to September 1, 2011 exceed the maximum early retirement benefits permitted for registered pension plans under the *Income Tax Act*. Accordingly, *The Winnipeg Civic Employees' Benefits Program* includes an Early Retirement Benefits Arrangement to pay any early retirement pension benefits that cannot be paid by *The Winnipeg Civic Employees' Pension Plan*, as a registered pension plan. No contributions are made to fund these benefits in advance of their payment, so as not to incur a tax liability, but rather a portion of the employer contributions to the *Program* are used to pay these benefits as they fall due.

Although the Early Retirement Benefits Arrangement has been in existence for quite some time, 1999 was the first year that benefits were paid under the Arrangement. The amount paid out in 2013 was $82,677 (2012—$72,795). Payments will continue to be reported in future years, but financial statements will not be published until the amounts are somewhat significant.

ACTUARIAL OPINION

ACTUARIAL OPINION AS AT DECEMBER 31, 2013

Eckler Ltd. has conducted an actuarial valuation of *The Winnipeg Civic Employees' Benefits Program* as at December 31, 2013. We have relied on data and other information provided to us by the *Board of Trustees* of the *Program*. The results of our valuation and a summary of the data and assumptions used are contained in our Report on the Actuarial Valuation of The Winnipeg Civic Employees' Benefits Program as at December 31, 2013, dated June 19, 2014.

The principal results of the valuation are as follows:

ACTUARIAL POSITION

The *Program* is fully funded on a going concern basis in respect of benefits earned for service up to December 31, 2013 and has an excess of smoothed value of assets over the actuarial liabilities of $116,439,000 as at that date, on the basis of the assumptions and methods described in our report and including a future provision for COLAs equal to 80% of assumed inflation. Of this excess, $3,164,000 has been previously allocated to the Plan Members' Account and $54,016,000 to the City Account. The actuarial liabilities in the *Program* are comprised of *Pension Plan* liabilities equal to $3,745,922,000, *Disability Plan* liabilities equal to $42,215,000, and *Early Retirement Benefits Arrangement* liabilities equal to $4,886,000.

Since the remaining excess of $59,259,000 is greater than zero and less than 5% of the actuarial liabilities at December 31, 2013, there is no actuarial surplus or funding deficiency at that date in accordance with the terms of the *Pension Trust Agreement*. The *Program* has a solvency shortfall of $838,458,000 as at December 31, 2013, based on a smoothed value of assets. The *Board of Trustees* has elected to have *The Winnipeg Civic Employees' Pension Plan* exempted from the solvency provisions and the transfer deficiency provisions of *The Pension Benefits Act* (Manitoba) and *Regulations*, pursuant to the *Solvency Exemption for Public Sector Pension Plans Regulation*. As a result, there is no requirement to fund any solvency deficiency.

COST OF BENEFITS FOR SERVICE IN 2014

The current service cost of the benefits expected to be earned under the *Program* for service in 2014 including future provision for COLAs equal to 50% of assumed inflation is 20.74% of contributory earnings. The cost of benefits accruing in the *Program* as a percent of contributory earnings is comprised of non-indexed pension benefits equal to 16.92%, COLAs equal to 1.82%, and disability benefits equal to 2.00%.This cost is expected to be financed by employee contributions averaging 9.99% of contributory earnings, and employer contributions and transfers from the City Account of 9.99% of contributory earnings. The remaining 0.76% of contributory earnings would be drawn from the funding excess.

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

- the data on which the valuation is based are sufficient and reliable for the purposes of the valuations,
- the assumptions are appropriate for the purposes of the valuations,
- the methods employed in the valuation are appropriate for the purposes of the valuations, and
- our report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

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

FOR THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

Charly Pazdor
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

Andrew Kulyk
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

FOR THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

Ellen Whelan
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

Kwame Smart
FELLOW, CANADIAN INSTITUTE OF ACTUARIES

INDEPENDENT AUDITOR'S REPORT
THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

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

We have audited the accompanying financial statements of The Winnipeg Civic Employees' Pension Plan, which comprise the statement of financial position as at December 31, 2013, and the statement of changes in net assets available for benefits, changes in pension obligations and changes in surplus (deficit) for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Winnipeg Civic Employees' Pension Plan as at December 31, 2013, and the changes in its net assets available for benefits, changes in its pension obligations and changes in surplus (deficit) for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Accountants

JUNE 20, 2014

WINNIPEG, MANITOBA

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31	2013 (000's)	2012 (000's)
ASSETS		
Investments, at fair value		
Bonds and debentures	$ 851,719	$ 953,632
Canadian equities	1,252,195	1,181,201
Foreign equities	1,419,084	1,244,725
Cash and short-term deposits	209,302	55,099
Private equities	73,719	62,680
Real estate	332,185	155,957
Infrastructure	99,551	-
	4,237,755	3,653,294
Accrued interest	-	3,444
Participants' contributions receivable	-	31
Employers' contributions receivable	8	5
Accounts receivable	1,471	1,074
Total assets	4,239,234	3,657,848
LIABILITIES		
Accounts payable	11,480	11,045
Due to other plans	45	88
Total liabilities	11,525	11,133
NET ASSETS AVAILABLE FOR BENEFITS	4,227,709	3,646,715
PENSION OBLIGATIONS	3,793,023	3,609,182
SURPLUS	$ 434,686	$ 37,533
SURPLUS (DEFICIT) COMPRISED OF:		
Main Account	$ 377,506	$ (25,247)
Plan Members' Account	3,164	2,645
City Account	54,016	60,135
	$ 434,686	$ 37,533

See accompanying *Notes to the Financial Statements*.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEARS ENDED DECEMBER 31	2013 (000's)	2012 (000's)
INCREASE IN ASSETS		
Contributions		
Employees	$ 47,725	$ 43,166
City of Winnipeg and Participating Employers	21,480	18,089
Reciprocal transfers from other plans	1,160	845
	70,365	62,100
Investment income (note 5)	100,652	112,140
Current period change in fair value of investments	613,608	192,368
Total increase in assets	784,625	366,608
DECREASE IN ASSETS		
Pension payments	169,270	162,149
Lump sum benefits (note 7)	19,955	23,421
Administrative expenses (note 8)	3,322	3,226
Investment management and custodial fees	11,084	8,236
Total decrease in assets	203,631	197,032
Increase in net assets	580,994	169,576
Net assets available for benefits at beginning of year	3,646,715	3,477,139
Net assets available for benefits at end of year	$ 4,227,709	$ 3,646,715

See accompanying *Notes to the Financial Statements*.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

FOR THE YEARS ENDED DECEMBER 31	2013 (000's)	2012 (000's)
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	$ 3,609,182	$ 3,443,897
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued pension benefits	213,907	211,633
Benefits accrued	113,987	98,883
Changes in actuarial assumptions	113,642	82,931
Total increase in accrued pension benefits	441,536	393,447
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits paid	197,746	193,616
Experience gains and losses and other factors	55,586	30,411
Administration expenses	4,363	4,135
Total decrease in accrued pension benefits	257,695	228,162
NET INCREASE IN ACCRUED PENSION BENEFITS FOR THE YEAR	183,841	165,285
ACCRUED PENSION BENEFITS, END OF YEAR	$ 3,793,023	$ 3,609,182

See accompanying *Notes to the Financial Statements.*

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN SURPLUS (DEFICIT)

FOR THE YEARS ENDED DECEMBER 31	2013 (000's)	2012 (000's)
SURPLUS, BEGINNING OF YEAR	$ 37,533	$ 33,242
Increase in net assets available for benefits for the year	580,994	169,576
Net increase in accrued pension benefits for the year	(183,841)	(165,285)
SURPLUS, END OF YEAR	$ 434,686	$ 37,533

See accompanying *Notes to the Financial Statements.*

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

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

	2013			
FOR THE YEAR ENDED DECEMBER 31	MAIN ACCOUNT (000's)	PLAN MEMBERS' ACCOUNT (000's)	CITY ACCOUNT (000's)	TOTAL (000's)
INCREASE IN ASSETS				
Contributions				
Employees	$ 47,725	$ -	$ -	$ 47,725
City of Winnipeg and Participating Employers	21,480	-	-	21,480
Reciprocal transfers from other plans	1,160	-	-	1,160
	70,365	-	-	70,365
Transfers from/to other accounts (note 1)				
City Account	16,313	-	(16,313)	-
	86,678	-	(16,313)	70,365
Investment income (note 5)	99,119	74	1,459	100,652
Current period change in fair value of investments	604,259	453	8,896	613,608
Total increase (decrease) in assets	790,056	527	(5,958)	784,625
DECREASE IN ASSETS				
Pension payments	169,270	-	-	169,270
Lump sum benefits (note 7)	19,955	-	-	19,955
Administrative expenses (note 8)	3,322	-	-	3,322
Investment management and custodial fees	10,915	8	161	11,084
Total decrease in assets	203,462	8	161	203,631
Increase (decrease) in net assets	586,594	519	(6,119)	580,994
Net assets available for benefits at beginning of year				
Main Account	3,583,935	-	-	3,583,935
Plan Members' Account	-	2,645	-	2,645
City Account	-	-	60,135	60,135
	3,583,935	2,645	60,135	3,646,715
Net assets available for benefits at end of year	$ 4,170,529	$ 3,164	$ 54,016	$ 4,227,709

See accompanying *Notes to the Financial Statements*.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

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

		2012		
FOR THE YEAR ENDED DECEMBER 31	MAIN ACCOUNT (000's)	PLAN MEMBERS' ACCOUNT (000's)	CITY ACCOUNT (000's)	TOTAL (000's)
INCREASE IN ASSETS				
Contributions				
Employees	$ 43,166	$ -	$ -	$ 43,166
City of Winnipeg and Participating Employers	18,089	-	-	18,089
Reciprocal transfers from other plans	845	-	-	845
	62,100	-	-	62,100
Transfers from/to other accounts (note 1)				
City Account	15,503	-	(15,503)	-
	77,603	-	(15,503)	62,100
Investment income (note 5)	110,008	80	2,052	112,140
Current period change in fair value of investments	188,711	137	3,520	192,368
Total increase (decrease) in assets	376,322	217	(9,931)	366,608
DECREASE IN ASSETS				
Pension payments	162,149	-	-	162,149
Lump sum benefits (note 7)	23,421	-	-	23,421
Administrative expenses (note 8)	3,226	-	-	3,226
Investment management and custodial fees	8,079	6	151	8,236
Total decrease in assets	196,875	6	151	197,032
Increase (decrease) in net assets	179,447	211	(10,082)	169,576
Net assets available for benefits at beginning of year				
Main Account	3,404,488	-	-	3,404,488
Plan Members' Account	-	2,434	-	2,434
City Account	-	-	70,217	70,217
	3,404,488	2,434	70,217	3,477,139
Net assets available for benefits at end of year	$ 3,583,935	$ 2,645	$ 60,135	$ 3,646,715

See accompanying *Notes to the Financial Statements*.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

SCHEDULE 3: SCHEDULE OF CHANGES IN SURPLUS (DEFICIT) BY ACCOUNT

2013 FOR THE YEAR ENDED DECEMBER 31	MAIN ACCOUNT (000's)	PLAN MEMBERS' ACCOUNT (000's)	CITY ACCOUNT (000's)	TOTAL (000's)
SURPLUS (DEFICIT), BEGINNING OF YEAR	$ (25,247)	$ 2,645	$ 60,135	$ 37,533
Increase (decrease) in net assets available for benefits for the year	586,594	519	(6,119)	580,994
Net increase in accrued pension benefits for the year	(183,841)	-	-	(183,841)
SURPLUS (DEFICIT), END OF YEAR	$ 377,506	$ 3,164	$ 54,016	$ 434,686

2012 FOR THE YEAR ENDED DECEMBER 31	MAIN ACCOUNT (000's)	PLAN MEMBERS' ACCOUNT (000's)	CITY ACCOUNT (000's)	TOTAL (000's)
SURPLUS (DEFICIT), BEGINNING OF YEAR	$ (39,409)	$ 2,434	$ 70,217	$ 33,242
Increase (decrease) in net assets available for benefits for the year	179,447	211	(10,082)	169,576
Net increase in accrued pension benefits for the year	(165,285)	-	-	(165,285)
SURPLUS (DEFICIT), END OF YEAR	$ (25,247)	$ 2,645	$ 60,135	$ 37,533

See accompanying *Notes to the Financial Statements*.

THE WINNIPEG CIVIC EMPLOYEES' PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

1. DESCRIPTION OF PLAN

a) General

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

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

b) Administration

The *Plan* is administered by *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund)*. The *Board of Trustees* is comprised of seven employer appointed Trustees and seven member appointed Trustees, of whom one member Trustee is a retired member.

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

c) Financial structure

The Winnipeg Civic Employees' Pension Plan is comprised of three accounts, namely the Main Account, the Plan Members' Account and the City Account. The account structure is in accordance with the requirements of a Pension Trust Agreement entered into by the City and ten Signatory Unions, as amended effective September 1, 2011

i) Main Account

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

During 2013, members contributed 9.0% of their Canada Pension Plan earnings plus 11.2% of any pensionable earnings in excess of Canada Pension Plan earnings to the *Program*. During 2011, the City and the Signatory Unions agreed to increase contribution rates by a total of 4% of pensionable earnings, to be phased in gradually from 2011 to 2014. Contribution rates will increase an average of 0.5% of pensionable earnings for both employees and participating employers on January 1, 2014, at which time scheduled increases will be fully implemented and the average contribution rate will be 10% of pensionable earnings for both employees and participating employers.

All *Program* member contributions and employer contributions, other than those directed to *The Winnipeg Civic Employees' Long Term Disability Plan* or *The Winnipeg Civic Employees' Early Retirement Benefits Arrangement*, are credited to the Main Account. The City and participating employers are required to match the members' contributions to the *Program*, but may contribute at less than matching levels for any year provided that an amount equal to the difference is transferred from the City Account to the Main Account.

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

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

ii) Plan Members' Account

The Plan Members' Account is credited with the share of all actuarial surpluses that are allocated to the *Program* members. The *Pension Trust Agreement* provides that the Plan Members' Account may be used to fund improvements in benefits or to reduce member contributions.

iii) City Account

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

d) Retirement pensions

The *Plan* allows for retirement at or after age 55 or following completion of 30 years of service (if hired before September 1, 2011) or when the sum of a member's age plus service equals 80. If hired after September 1, 2011, the minimum retirement age is age 50. The pension formula prior to age 65 is equal to 2% of the best 5-year average earnings for each year of credited service. The pension formula after age 65 is equal to 1.5% of the 5-year average Canada Pension Plan earnings plus 2% of the best 5-year average non-Canada Pension Plan earnings for each year of credited service. Early retirement reductions apply to pensions derived from service on and after September 1, 2011 if certain service thresholds are not met. Reductions apply to members' pensions to provide for post-retirement survivor benefits, with higher reductions to members' pensions derived from service on and after September 1, 2011. Pensions are subject to the maximum benefit limits prescribed for registered pension plans under the *Income Tax Act*.

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

e) Disability benefits

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

f) Survivor's benefits

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

g) Termination benefits

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

h) Funding deficiencies

Funding deficiencies are dealt with in accordance with the terms of the *Pension Trust Agreement*. Remedies available under the *Pension Trust Agreement* generally include revising the actuarial assumptions, reducing the anticipated level of future cost-of-living adjustment, increasing contributions (if agreed upon by the City and the Signatory Unions), drawing upon available reserves, and if necessary, reducing benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

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

These financial statements include the financial statements of the *Plan* and its wholly-owned subsidiary, 5332657 Manitoba Ltd., which was incorporated on July 14, 2006. The *Plan* accounts for its investment in its subsidiary on a non-consolidated basis and presents it at fair value. The purpose of the subsidiary corporation is to invest in and hold certain private equity investments on behalf of the *Plan*.

b) Investments and investment income

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

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

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

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

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

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

c) Foreign currency translation

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

d) Use of estimates

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

e) Accounting change

In accordance with the Accounting Standards for Pension Plans, the *Plan* is applying International Financial Reporting Standard ("IFRS") 13, Fair Value Measurement, for the first time in the current year for the measurement of its investment assets. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instruments and non-financial instruments for which other IFRSs and accounting standards require or permit fair value measurements and disclosures about fair value measurements.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions. In some instances, the disclosure requirements in IFRS 13 are more extensive than those previously required by the Standards.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the new disclosure requirements set out in IFRS 13 in the comparative information provided for periods before the initial application of the standard. In accordance with theses transitional provisions, the *Plan* has not made any new disclosures required by IFRS 13 for the 2012 comparative period. The application of IFRS 13 has not had any material impact on the amounts recognized or disclosures made in the financial statements.

3. OBLIGATIONS FOR PENSION BENEFITS

An actuarial valuation of *The Winnipeg Civic Employees' Benefits Program* was performed as of December 31, 2013 by Eckler Ltd. This valuation was used to determine the actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2013. For the comparative 2012 figures, the actuarial present value of accrued benefits at December 31, 2012 is based on the December 31, 2012 actuarial valuation performed by Mercer (Canada) Limited. 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 6.0% (2012—6.0%) per year, inflation of 2.0% (2012—2.0%) per year and general increases in pay of 3.50% (2012—3.50%) per year. The economic assumptions with respect to commuted values were revised, decreasing obligations for pension benefits by $19,950,000. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The demographic assumptions for annual rates of mortality improvements were revised to utilize the Canadian Pensioners' Mortality Improvement Scale B (CPM-B), increasing obligations for pension benefits by $133,592,000. The assumptions used were approved by the *Board of Trustees* for purposes of preparing the financial statements. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2013 disclosed an excess of smoothed value of *Program* assets over going concern obligations of $116,439,000, of which $59,259,000 remains accounted for within the Main Account. In accordance with the *Pension Trust Agreement*, the excess was retained within the Main Account as it did not exceed 5% of pension obligations. The actuarial valuation as at December 31, 2012 disclosed an excess of smoothed value of *Program* assets over going concern obligations of $115,596,000, of which $52,816,000 was accounted for within the Main Account.

The actuarial present value of accrued benefits disclosed in the Statement of Financial Position as at December 31, 2013 includes the obligations of *The Winnipeg Civic Employees' Long Term Disability Plan* and *The Winnipeg Civic Employees' Early Retirement Benefits Arrangement* in the amounts of $42,215,000 (2012—$43,603,000) and $4,886,000 (2012—$4,288,000) respectively. These obligations are included because the *Pension Trust Agreement* requires that all *Program* obligations be taken into account in determining the periodic actuarial surplus or funding deficiency.

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

The effect of using a smoothed value of assets for the Main Account in determining the actuarial surplus or deficiency is as follows

	2013 (000's)	2012 (000's)
Surplus (deficit) for financial statement reporting purposes		
—Main Account	$ 377,506	$ (25,247)
Fair value changes not reflected in actuarial value of assets	(318,247)	78,063
Surplus, for actuarial valuation purposes—Main Account	59,259	52,816
Add: special purpose accounts		
Plan Members' Account	3,164	2,645
City Account	54,016	60,135
Surplus, for actuarial valuation purposes		
including special purpose accounts	$ 116,439	$ 115,596

4. MANAGEMENT OF FINANCIAL RISK

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

a) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the *Plan*, and is concentrated in the *Plan's* investment in bonds and debentures and short-term deposits. At December 31, 2013, the *Plan's* credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $1,061,022,000 (2012—$1,012,175,000).

The *Plan's* concentration of credit risk as at December 31, 2013, related to bonds and debentures, is categorized amongst the following types of issuers:

TYPE OF ISSUER	2013 FAIR VALUE (000's)	2012 FAIR VALUE (000's)
Government of Canada and Government		
of Canada guaranteed	$ 220,282	$ 181,583
Provincial and Provincial guaranteed	252,373	487,358
Canadian cities and municipalities	15,042	4,031
Corporations and other institutions	364,022	280,660
	$ 851,719	$ 953,632

The *Plan's* investments include short-term deposits with the City of Winnipeg which have a fair value of $147,658,000 at December 31, 2013 (2012—$54,468,000).

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.

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

	2013		2012	
CREDIT RATING	PERCENT OF TOTAL BONDS	PERCENT OF NET ASSETS	PERCENT OF TOTAL BONDS	PERCENT OF NET ASSETS
AAA	33.4	6.7	29.3	7.7
AA	28.7	5.8	60.1	15.8
A	27.9	5.6	8.1	2.1
BBB	8.7	1.8	2.0	0.5
BB	1.3	0.3	0.5	0.1
	100.0	20.2	100.0	26.2

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

b) Liquidity risk

Liquidity risk is the risk that the *Plan* will encounter difficulty in meeting obligations associated with financial liabilities. The *Plan* ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund the pensioner payroll costs and to fund investment commitments. The *Plan* primarily invests in securities that are traded in active markets and can be readily disposed. The *Plan* may invest in private equity, which is not traded in an organized market and may be illiquid, but only up to a maximum of 5% of the *Plan's* assets, as stipulated in the P*lan's* Statement of Investment Policies and Procedures. The *Plan* may also invest in real estate, which is not traded in an organized market and may be illiquid, but only up to a maximum of 16% of the *Plan's* assets, as stipulated in the *Plan's* Statement of Investment Policies and Procedures. Finally, the *Plan* may also invest in infrastructure, which is not traded in an organized market and may be illiquid, but only up to a maximum of 8% 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 25% (2012—28%) of its assets invested in fixed income securities as at December 31, 2013. 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, 2013 are as follows:

TERM TO MATURITY	2013 FAIR VALUE (000's)	2012 FAIR VALUE (000's)
Less than one year	$ 14,629	$ 139,597
One to five years	230,380	413,679
Greater than five years	606,710	400,356
	$ 851,719	$ 953,632

As at December 31, 2013, had prevailing interest rates raised or lowered by 0.5% (2012—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 $39,051,000 (2012—$20,312,000), approximately 0.9% of total net assets (2012—0.6%). 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, 2013. 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.

	2013				2012	
	GROSS EXPOSURE (000's)	NET FOREIGN CURRENCY HEDGE (000's)	NET EXPOSURE (000's)	IMPACT ON NET ASSETS (000's)	NET EXPOSURE (000's)	IMPACT ON NET ASSETS (000's)
United States	$ 849,227	$ -	$ 849,227	$ 84,923	$ 749,125	$ 74,913
Euro countries	211,443	69	211,374	21,137	170,371	17,037
United Kingdom	113,566	139	113,427	11,343	110,596	11,060
Japan	64,248	-	64,248	6,425	42,575	4,257
Switzerland	42,025	-	42,025	4,203	46,604	4,660
Hong Kong	39,264	-	39,264	3,926	30,360	3,036
Sweden	37,155	-	37,155	3,715	34,977	3,498
China	20,051	-	20,051	2,005	6,969	697
Other	87,141		87,141	8,714	96,101	9,610
	$ 1,464,120	$ 208	$ 1,463,912	$ 146,391	$ 1,287,678	$ 128,768

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, 2013, 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 $400,692,000 (2012—$363,889,000), approximately 9.5% of total net assets (2012—10.0%). In practice, the actual results may differ and the difference could be material.

The *Plan* also has exposure to valuation risk through its holdings of private equity and real estate investments, for which quoted market prices are not available. As at December 31, 2013, the estimated fair value of private equity investments is $73,719,000 (2012—$62,680,000), approximately 1.7% of total net assets (2012—1.7%), and the related change in fair value of investments recognized for the year ended December 31, 2013 is $19,346,000 (2012—$10,715,000). As at December 31, 2013, the estimated fair value of real estate investments is $332,185,000 (2012—$155,957,000), approximately 7.9% of total net assets (2012—4.3%), and the related change in fair value of investments recognized for the year ended December 31, 2013 is $23,646,000 (2012—$10,139,000).

The *Plan* also has exposure to valuation risk through its holdings of infrastructure investments, for which quoted market prices are not available. In 2013, the *Plan* became a client of OMERS Investment Management, and has made a payment of $98,370,000 in a Contractual Return Arrangement. The Contractual Return Arrangement provides the *Plan* with the annual rate of return (which may be positive or negative) based on the total investment return reported in the OMERS Annual Report for the assets and related liabilities allocable to the OMERS Primary Pension Plan fund that are directly or indirectly owned by OMERS Administration Corporation ("OAC") and managed by Borealis Infrastructure (the "Borealis Assets). Under this arrangement the *Plan* is the sole limited partner in an Ontario limited partnership (OIM B3 2013 L.P.), and it has entered into a derivative contract with that limited partnership, which provides the return described above each year on the outstanding value of the contract. The arrangement provides for annual cash distributions to the *Plan* to the extent that cash distributions are received by OAC in respect of the operations of any investment forming part of the Borealis Assets. In addition, further cash distributions may be made under the arrangement, to the extent that cash distributions are received by OAC and distributed to the partnership in respect of the full or partial disposition of any investment forming part of the Borealis Assets. As at December 31, 2013, the estimated fair value of the infrastructure investments is $99,551,000 (2012—$Nil), approximately 2.4% of total net assets (2012—Nil), and the related change in fair value of investments recognized for the year ended December 31, 2013 is $1,180,000 (2012—$Nil).

f) Fair value hierarchy

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

The following tables present the investment assets recorded at fair value in the Statement of Financial Position as at December 31, 2013 and December 31, 2012, classified using the fair value hierarchy described above:

	LEVEL 1 (000's)	LEVEL 2 (000's)	LEVEL 3 (000's)	2013 TOTAL INVESTMENT ASSETS AT FAIR VALUE (000's)
Bonds and debentures	$ -	$ 851,719	$ -	$ 851,719
Canadian equities	1,252,195	-	-	1,252,195
Foreign equities	1,407,715	11,369	-	1,419,084
Cash and short term deposits	179,196	30,106	-	209,302
Private equities	-	-	73,719	73,719
Real estate	-	-	332,185	332,185
Infrastructure	-		99,551	99,551
	$ 2,839,106	$ 893,194	$ 505,455	$ 4,237,755

	LEVEL 1 (000's)	LEVEL 2 (000's)	LEVEL 3 (000's)	2012 TOTAL INVESTMENT ASSETS AT FAIR VALUE (000's)
Bonds and debentures	$ 13,203	$ 940,429	$ -	$ 953,632
Canadian equities	1,170,098	11,103	-	1,181,201
Foreign equities	1,239,758	4,967	-	1,244,725
Cash and short term deposits	55,099	-	-	55,099
Private equities	-	-	62,680	62,680
Real estate	-	-	155,957	155,957
	$ 2,478,158	$ 956,499	$ 218,637	$ 3,653,294

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

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

PRIVATE EQUITIES	2013 (000's)	2012 (000's)
Fair value, beginning of year	$ 62,680	$ 61,071
Gains recognized in increase in net assets	19,346	10,715
Purchases	3,064	4,875
Sales	(11,371)	(13,981)
	$ 73,719	$ 62,680

REAL ESTATE	2013 (000's)	2012 (000's)
Fair value, beginning of year	$ 155,957	$ 20,741
Gains recognized in increase in net assets	23,646	10,139
Purchases	155,133	125,077
Sales	(2,551)	-
	$ 332,185	$ 155,957

INFRASTRUCTURE	2013 (000's)	2012 (000's)
Fair value, beginning of year	$ -	$ -
Gains recognized in increase in net assets	1,181	-
Purchases	98,370	-
	$ 99,551	$ -

Section 3.29 of *The Pension Benefits Act Regulations* requires disclosure of each investment asset that has a fair value greater than one percent of the of the fair value of the investment assets of the Fund. As at December 31, 2013, the Fund held the following investments that met this classification:

	2013 (000's)
Bonds and debentures	
TD Emerald Long Bond Broad Market Pooled Fund Trust	$ 335,274
TD Lancaster Fixed Income Fund II	262,934
Fiera Active Fixed Income Fund	253,511
Canadian equities	
TD Emerald Canadian Equity Index Fund	394,082
Bank of Nova Scotia	54,815
Royal Bank of Canada	50,711
Toronto-Dominion Bank	50,568
Foreign equities	
State Street S&P 500 Index Common Trust Fund	318,975
Templeton Global Smaller Companies Fund	83,205
Cash and short term deposits	
City of Winnipeg short term deposit	147,658
Private equities	
5332657 Manitoba Ltd. common shares	68,669
Real Estate	
Greystone Real Estate Fund Inc.	179,737
Bentall Kennedy Prime Canadian Property Fund Ltd.	152,448
Infrastructure.	
OIM B3 2013 L.P.	99,551

5. INVESTMENT INCOME

	2013 (000's)	2012 (000's)
Bonds and debentures	$ 41,751	$ 59,414
Canadian equities	32,484	28,057
Foreign equities	21,686	22,622
Cash and short-term deposits	2,180	2,047
Real estate	2,551	-
	$ 100,652	$ 112,140

Allocated to:

Main Account	$ 99,119	$ 110,008
Plan Members' Account	74	80
City Account	1,459	2,052
	$ 100,652	$ 112,140

6. INVESTMENT TRANSACTION COSTS

During 2013, the *Plan* incurred investment transaction costs in the form of brokerage commissions, in the amount of $1,076,000 (2012—$1,023,000). Investment transaction costs are included in the current period change in fair value of investments.

7. LUMP SUM BENEFITS

	2013 (000's)	2012 (000's)
Termination benefits	$ 11,975	$ 15,138
Death benefits	4,008	3,049
Payments on relationship breakdown	2,554	3,877
Other	1,418	1,357
	$ 19,955	$ 23,421

8. ADMINISTRATIVE EXPENSES

	2013 (000's)	2012 (000's)
Salaries and benefits	$ 1,937	$ 1,770
Actuarial fees	466	462
Other professional services	287	308
Office and administration	596	646
Capital expenditures	45	49
Less: recoveries from other plans	(9)	(9)
	$ 3,322	$ 3,226

Certain of the above administrative expenses, including salaries and benefits, represent the reimbursement by the *Plan* to the City of Winnipeg for the cost of supplying such services.

9. COMMITMENTS

The *Plan's* wholly-owned subsidiary, 5332657 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 $80,000,000. Commitments will be funded over the next several years. As at December 31, 2013, $66,170,000 had been funded.

10. COMPARATIVE FIGURES

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

DISABILITY PLAN OVERVIEW

The goal of the Disability area is to deliver excellent service to *Program* members and positive results in the *Plan* experience.

The *Program* strives to manage long term disability claims in a manner that is service oriented, responsible, cost-effective, and fair to all *Program* members. Diligent claims adjudication and active case management has again resulted in decreasing claim volumes and a significant percentage of members successfully returned to their own duties, or to alternate duty accommodation if required.

The professional case management team comprised of a disability benefits manager, three case management consultants, two physician medical consultants, and administrative staff, is dedicated to efficient disability claim management and disability payroll services to *Program* members.

The *Program's* integrated case management process continues to be a successful service delivery model. A case management team works directly with members, unions and all Participating Employers to provide rehabilitation and return-to-work assistance. The case management team engages external resources and allied health services such as specialists, psychologists, physiotherapists, and occupational therapists, as required, to facilitate successful return-to-work plans.

REVISED CLAIMS ADJUDICATION AND APPEAL PROCESS

The *Program* has implemented a revised Disability Claims Adjudication and Appeal Process. Effective January 2014, as approved by the *Program's* Board of Trustees (Disability Fund), the Case Manager makes all claim decisions, including approving or denying claims, and partially rating or terminating benefits. If a Member disagrees with the final decision of the Case Manager, the Member may appeal the decision—first to the Manager of Disability Benefits (or designate) and finally to an independent Appeal Panel. A detailed overview of the new process was communicated via a bulletin to key stakeholders, and has been posted to the *Program's* website: wcebp.ca.

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN ACTIVITY SUMMARY

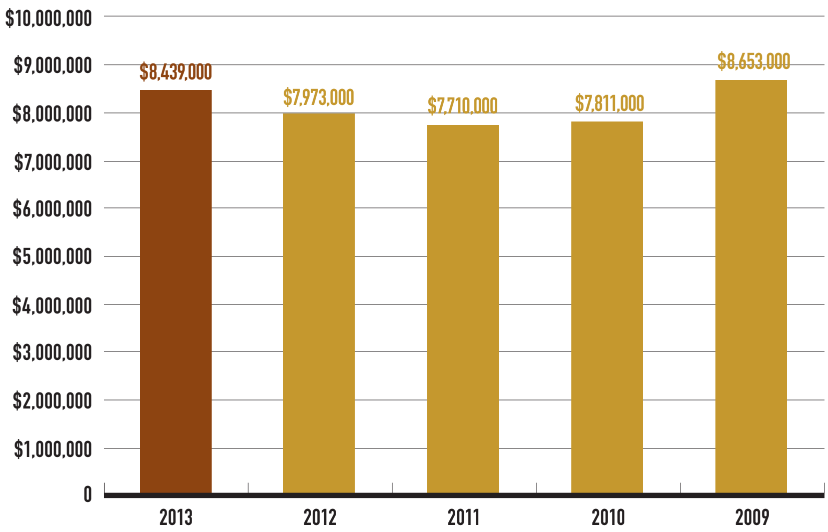
FOR THE YEARS ENDED DECEMBER 31	2013	2012	2011	2010	2009
Employees receiving disability benefits	364	382	380	400	424
Employees returning to pre-disability duties	35	35	36	44	36
Employees working in alternate duties	71	88	80	105	113

PLAN EXPERIENCE

Orthopaedic and psychological related illnesses continue to make up the majority of claims being processed. In 2013, there was a decrease in volume of open claims for these conditions and increase in claims for cancer and internal disease conditions.

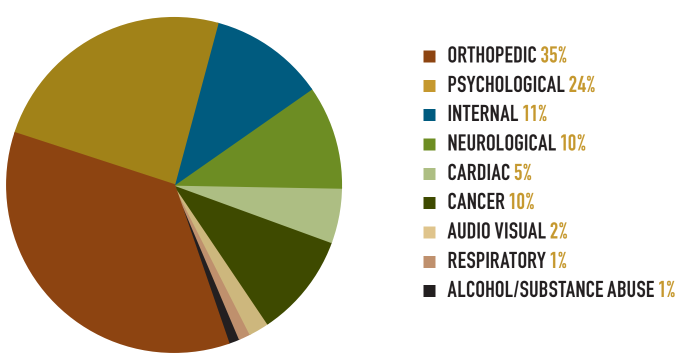
The case management team and administrative staff continue to assist members to identify and apply for other income they may be entitled to, such as Canada Pension Plan Disability benefits. This can provide additional important benefits to members and also positively affect *Plan* experience.

DISABILITY BENEFITS PAID



DIAGNOSIS AS A PERCENTAGE OF CLAIMS

AS AT DECEMBER 31, 2012



INDEPENDENT AUDITOR'S REPORT

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

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

We have audited the accompanying statement of contributions and expenses of The Winnipeg Civic Employees' Long Term Disability Plan for the year ended December 31, 2013, and a summary of significant accounting policies and other explanatory information (together "the financial statement").

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of this financial statement in accordance with those requirements of The Winnipeg Civic Employees' Benefits Program – Disability Plan Trust Agreement relevant to preparing such financial statement, and for such internal controls as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statement, 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 statement 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, if any, made by management, as well as evaluating the overall presentation of the financial statement.

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

OPINION

In our opinion, the financial statement presents fairly, in all material respects, the contributions and expenses of The Winnipeg Civic Employees' Long Term Disability Plan for the year ended December 31, 2013 in accordance with those requirements of The Winnipeg Civic Employees' Benefits Program – Disability Plan Trust Agreement relevant to preparing such a financial statement.

Deloitte LLP

Chartered Accountants
JUNE 20, 2014
WINNIPEG, MANITOBA

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

STATEMENT OF CONTRIBUTIONS AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31	2013 (000's)	2012 (000's)
CONTRIBUTIONS		
City of Winnipeg and Participating Employers	$ 9,537	$ 9,048
Total contributions	9,537	9,048
EXPENSES		
Administration	1,098	1,075
Disability payments	8,439	7,973
Total expenses	9,537	9,048
	$ -	$ -

See accompanying *Notes to the Financial Statement*.

THE WINNIPEG CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

1. DESCRIPTION OF PLAN

a) General

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

b) Administration

The Plan is administered by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Disability Fund) in accordance with the terms of The Winnipeg Civic Employees' Benefits Program Disability Plan Trust Agreement. The Board of Trustees is comprised of six employer appointed Trustees and six member appointed Trustees.

c) Contributions

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

d) Disability benefits

The Plan provides long term disability benefits, following a 26-week waiting period, for employees who become totally or partially disabled after December 31, 1991. If an employee is totally disabled, the disability benefits payable from the Plan, together with the disability benefits from the Canada Pension Plan, will equal at least 66 2/3% of the employee's average bi-weekly earnings prior to disability. Disability benefits are increased annually, based on either the percentage increase in the pay rate for the position regularly occupied (for disabilities occurring before September 1, 2011) or the cost-of-living adjustment rate for The Winnipeg Civic Employees' Pension Plan (for disabilities occurring on or after September 1, 2011).

If a member has at least two years of credited service, disability benefits are payable as long as the member is totally or partially disabled and under the personal care of a medical doctor until the maximum duration of benefits ends, at which time the member is eligible to commence receiving a retirement pension under the Pension Plan. The maximum duration of benefits ends between age 60 and age 65, depending on the member's length of service and date of commencement of disability.

If a member has less than two years of credited service, then benefits are payable for a maximum of two years.

The Program provides that Plan benefits can be reduced if Program funding is insufficient.

2. OBLIGATIONS FOR LONG TERM DISABILITY BENEFITS

An actuarial valuation of The Winnipeg Civic Employees' Benefits Program was made as of December 31, 2013 by Eckler Ltd. The valuation disclosed obligations related to The Winnipeg Civic Employees' Long Term Disability Plan in the amount of $42,215,000. The assumptions used by the actuary were approved by the Board of Trustees for purposes of preparing the notes to the financial statement.

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

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

APPENDICES

APPENDIX A

TOP 50 CORPORATE SHARE HOLDINGS* AS AT DECEMBER 31, 2013

		PENSION PLAN MARKET VALUE (000's)
1	Royal Bank of Canada	$ 75,205
2	Bank of Nova Scotia	73,926
3	Toronto—Dominion Bank	72,482
4	Canadian Natural Resources Limited	48,596
5	Canadian National Railway Company	32,642
6	Suncor Energy Inc.	26,494
7	Potash Corporation of Saskatchewan Inc.	25,477
8	Cenovus Energy Inc.	24,594
9	Thomson Reuters Corporation	23,894
10	Canadian Imperial Bank of Commerce	23,689
11	Magna International Inc., Class A, SV	22,473
12	Johnson & Johnson	22,139
13	Apple Inc.	21,688
14	Manulife Financial Corporation	21,510
15	Power Corporation of Canada, SV	21,248
16	Loblaw Companies Limited	20,404
17	Exxon Mobil Corporation Common	19,923
18	Imperial Oil Limited	19,904
19	Enbridge Inc.	19,143
20	MEG Energy Corp	18,664
21	Google Inc., Class A Common	18,471
22	IGM Financial Inc.	18,181
23	Intact Financial Corporation	17,761
24	Baidu Inc.	16,875
25	Rogers Communications Inc., Class "B" NV	16,442

		PENSION PLAN MARKET VALUE (000's)
26	Open Text Corp	16,388
27	Shaw Communications Inc, Class B, NV	16,231
28	Tourmaline Oil Corp.	15,950
29	Wells Fargo & Co.	15,227
30	Microsoft Corp.	15,053
31	Ritchie Bros. Auctioneers Inc	13,875
32	Shoppers Drug Mart Corporation	13,470
33	Gildan Activewear Inc.	13,068
34	First Quantum Minerals Ltd.	12,944
35	SoftBank Corp.	12,646
36	Tencent Holdings	12,616
37	Alimentation Couche-Tard Inc., Class B, SV	12,577
38	CGI Group Inc., Class A, SV	12,393
39	SNC—Lavalin Group Inc.	12,239
40	Goldcorp Inc.	11,070
41	Dollarama Inc.	10,895
42	Bank of Montreal	10,858
43	UniCredit	10,854
44	Sun Life Financial Inc.	10,693
45	Prudential	10,348
46	Inditex	10,128
47	Finning International Inc.	9,775
48	ARM Holdings PLC	9,768
49	Rakuten Inc.	9,618
50	Constellation Software Inc.	9,435

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

APPENDIX B

INVESTMENT MANAGERS AS AT DECEMBER 31, 2013

Fixed Income
TD Asset Management Inc.
Fiera Capital Corporation

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

Real Estate
Greystone Managed Investments Inc.
Bentall Kennedy

Infrastructure
OMERS Borealis Infrastructure

2013 DIRECTORY

THE BOARD OF TRUSTEES OF THE WINNIPEG CIVIC EMPLOYEES' BENEFITS PROGRAM AS AT DECEMBER 31, 2013

BOARD OF TRUSTEES

Employer Trustees
(appointed by City of Winnipeg)

Neil Duboff (Chair)
DUBOFF EDWARDS HAIGHT & SCHACTER LAW CORP.

Linda Burch
DIRECTOR, CORPORATE SUPPORT SERVICES

Deepak Joshi
CHIEF OPERATING OFFICER

Mike Ruta
CHIEF FINANCIAL OFFICER

Brad Sacher
DIRECTOR, PUBLIC WORKS
(PENSION FUND BOARD ONLY)

Dave Wardrop
DIRECTOR, TRANSIT

Vacant

Member Trustees
(appointed by Signatory Unions)

Brian Ellis (Vice-Chair)
CUPE, LOCAL 500

Rick Borland
PENSIONERS AND DEFERRED MEMBERS
(PENSION FUND BOARD ONLY)

James Girden
AMALGAMATED TRANSIT UNION

Rob Labossiere
UNITED FIRE FIGHTERS OF WINNIPEG

Bob Ripley
CUPE, LOCAL 500

Bob Romphf
OTHER UNIONIZED AND NON-UNIONIZED EMPLOYEES

Robert Young
WINNIPEG ASSOCIATION OF PUBLIC SERVICE OFFICERS

COMMITTEES

Investment Committee

Appointed by Employer Trustees

Eric Stefanson, F.C.A. (Chair)

Sam Pellettieri, CFA

Vacant

Appointed by Member Trustees

Jon Holeman
RBC DOMINION SECURITIES

Bob Romphf
MEMBER TRUSTEE

Gary Timlick
WAWANESA INSURANCE

Audit Committee
(Pension Fund)

Mike Ruta (Chair)

Rick Borland

Bob Romphf

Dave Wardrop

Neil Duboff (ex-officio)

Brian Ellis (ex-officio)

Audit Committee
(Disability Fund)

Mike Ruta (Chair)

Jim Girden

Bob Romphf

Dave Wardrop

Linda Burch (ex-officio)

Bob Ripley (ex-officio)

Benefits Committee

Bob Ripley (Chair)

Dave Wardrop (Vice-Chair)

James Girden

Rob Labossiere

Mike Ruta

Linda Burch (ex-officio)

Governance Committee

Neil Duboff

Brian Ellis

Deepak Joshi

Rob Labossiere

Robert Young

Vacant

MANAGEMENT

Glenda Willis
CHIEF EXECUTIVE OFFICER

Nestor Theodorou
CHIEF INVESTMENT OFFICER

Bill Battershill
MANAGER, INFORMATION SYSTEMS

E. Merrill Clark
MANAGER, PENSION AND INSURANCE BENEFITS (ACTING)

Amanda Jeninga
MANAGER, COMMUNICATIONS

Cathie Langdon
MANAGER, DISABILITY BENEFITS

Rob Sutherland
MANAGER, FINANCE AND ADMINISTRATION

EXTERNAL ADVISORS

Actuaries
Eckler Limited
Mercer (Canada) Limited

Consulting Actuary
Western Compensation & Benefits Consultants

Auditor
Deloitte LLP

Custodian
RBC Investor Services

Investment Consultant
Aon Hewitt

Legal Counsel
Koskie Minsky
Taylor McCaffrey

Medical Consultants

Dr. R. Bruce Boyd
Dr. Lori Koz

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