Combined Financial Statements of

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

(As of August 1, 2015, the Plans are the responsibility of The Civic and Police Employees' Group Life Insurance Plans Corporation, a wholly owned City of Winnipeg municipal corporation)

For the five month period ended December 31, 2015

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: (204) 942-0051
Fax: (204) 947-9390
www.deloitte.ca

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

(As of August 1, 2015, the Plans are the responsibility of The Civic and Police Employees' Group Life Insurance Plans Corporation, a wholly owned City of Winnipeg municipal corporation)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the City of Winnipeg Civic Employees' Group Life Insurance Plan and Police Employees' Group Life Insurance Plan

We have audited the accompanying combined financial statements of the City of Winnipeg Civic Employees' Group Life Insurance Plan and Police Employees' Group Life Insurance Plan, which comprise the combined statement of financial position as at December 31, 2015, and the combined statements of changes in net assets, the combined statements of changes in benefit obligation, and combined statement of changes in surplus, for the five month period 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 combined financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the City of Winnipeg Civic Employees' Group Life Insurance Plan and Police Employees' Group Life Insurance Plan as at December 31, 2015 and the net changes in net assets, benefit obligation, and surplus, for the five month period then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Accountants
September 6, 2016
Winnipeg, Manitoba

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

COMBINED STATEMENT OF FINANCIAL POSITION

As at December 31
(in $ thousands)

	2015
ASSETS	
Investments, at fair value	
Bonds and debentures	$ 56,376
Canadian equities	39,217
Foreign equities	49,839
Short-term deposits	1,986
	147,418
Employers' contributions receivable	1
Accounts receivable	92
Total Assets	147,511
LIABILITIES	
Accounts payable	608
Due to The Winnipeg Civic Employees' Pension Plan	18
Total Liabilities	626
NET ASSETS *(Note 4)*	146,885
BENEFIT OBLIGATIONS	
Civic Employees' Group Life Insurance Plan (Note 5)	94,001
Police Employees' Group Life Insurance Plan (Note 6)	25,312
	119,313
SURPLUS	$ 27,572
SURPLUS COMPRISED OF:	
Civic Employees' Group Life Insurance Plan (Note 5)	$ 25,329
Police Employees' Group Life Insurance Plan (Note 6)	2,243
	$ 27,572

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

COMBINED STATEMENT OF CHANGES IN NET ASSETS

For the five month period ended December 31
(in $ thousands)

	2015
INCREASE IN ASSETS	
Contributions	
City of Winnipeg and Participating Employers	**$ 560**
Employees - basic	**556**
Employees - optional	**163**
Pensioners	**100**
	1,379
Investment income (Note 8)	**1,449**
Current period change in fair value of investments	**(3,854)**
Total increase (decrease) in assets	**(1,026)**
DECREASE IN ASSETS	
Administration	**98**
Actuarial fees	**88**
Legal fees	**41**
Benefit payments	**1,027**
Investment management fees	**2**
Claims administration and taxes	**149**
Total decrease in assets	**1,405**
Decrease in net assets	**(2,431)**
Net assets at beginning of period (former plan)	**121,761**
Net assets at end of period	**$ 119,330**

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

COMBINED STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

For the five month period ended December 31
(in $ thousands)

		2015
ACCRUED BENEFITS, BEGINNING OF PERIOD (former plan)	**$**	**97,154**
INCREASE IN ACCRUED BENEFITS		
Interest accrued on benefits		**1,281**
Benefits accrued		**1,641**
Total increase in accrued benefits		**2,922**
DECREASE IN ACCRUED BENEFITS		
Benefits paid		**757**
Changes in actuarial assumptions		**5,318**
Total decrease in accrued benefits		**6,075**
NET (DECREASE) IN ACCRUED BENEFITS FOR THE PERIOD		**(3,153)**
ACCRUED BENEFITS, END OF PERIOD	**$**	**94,001**

COMBINED STATEMENT OF CHANGES IN SURPLUS

For the five month period ended December 31
(in $ thousands)

		2015
SURPLUS, BEGINNING OF PERIOD (former plan)	**$**	**24,607**
Decrease in net assets for the period		**(2,431)**
Net decrease in accrued benefits for the period		**3,153**
SURPLUS, END OF PERIOD	**$**	**25,329**

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

COMBINED STATEMENT OF CHANGES IN NET ASSETS

For the five month period ended December 31
(in $ thousands)

	2015
INCREASE IN ASSETS	
Contributions	
City of Winnipeg	**$ 200**
Employees - basic	**198**
Employees - optional	**37**
Pensioners	**39**
	474
Investment income (Note 8)	**334**
Current period change in fair value of investments	**(888)**
Total increase (decrease) in assets	**(80)**
DECREASE IN ASSETS	
Administration	**23**
Actuarial fees	**18**
Legal fees	**10**
Benefit payments	**338**
Claims administration and taxes	**29**
Total decrease in assets	**418**
Decrease in net assets	**(498)**
Net assets at beginning of period (former plan)	**28,053**
Net assets at end of period	**$ 27,555**

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

COMBINED STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS

For the five month period ended December 31
(in $ thousands)

	2015
ACCRUED BENEFITS, BEGINNING OF PERIOD (former plan)	**$ 26,616**
INCREASE IN ACCRUED BENEFITS	
Interest accrued on benefits	**350**
Benefits accrued	**496**
Total increase in accrued benefits	**846**
DECREASE IN ACCRUED BENEFITS	
Benefits paid	**355**
Changes in actuarial assumptions	**1,795**
Total decrease in accrued benefits	**2,150**
NET (DECREASE) IN ACCRUED BENEFITS FOR THE PERIOD	**(1,304)**
ACCRUED BENEFITS, END OF PERIOD	**$ 25,312**

COMBINED STATEMENT OF CHANGES IN SURPLUS

For the five month period ended December 31
(in $ thousands)

	2015
SURPLUS, BEGINNING OF PERIOD (former plan)	**$ 1,437**
Decrease in net assets for the period	**(498)**
Net decrease in accrued benefits for the period	**1,304**
SURPLUS, END OF PERIOD	**$ 2,243**

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

(As of August 1, 2015, the Plans are the responsibility of The Civic and Police Employees' Group Life Insurance Plans Corporation, a wholly owned City of Winnipeg municipal corporation)

Notes to the Combined Financial Statements

For the five month period ended December 31, 2015

(in $ thousands)

1. Description of Plans

The City of Winnipeg sponsors two group life insurance plans: i) the *Civic Employees' Group Life Insurance Plan* for employees of the City of Winnipeg; other than police officers, and certain other employers which participate in the *Plan,* and ii) the *Police Employees' Group Life Insurance Plan* for police officers of the City of Winnipeg (separately, the "*Plan*"; together, the "*Plans*").

The *Plans* are constituted pursuant to City of Winnipeg By-Law 80/2015, which took effect on August 1, 2015. The predecessor plans – the *Civic Employees' Group Life Insurance Plan* and *Police Employees' Group Life Insurance Plan,* which operated pursuant to By-Laws 5644/91 and 5643/91, respectively, were continued under By-Law 80/2015, but with amendment and restatement related to their governance and financial structure.

a) Civic Employees' Group Life Insurance Plan

All employees are eligible to join the *Plan* commencing on their date of employment. All new members of *The Winnipeg Civic Employees' Pension Plan* must become members of the group life insurance plan. *Plan* members are covered for basic life insurance of one or two times annual earnings. Optional coverage can be purchased under the *Plan* to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. *Plan* members and the City share equally in the cost of the basic life insurance coverage until retirement. Coverage on the life of a disabled member continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

b) Police Employees' Group Life Insurance Plan

All police officers are required to become members of the *Plan* commencing on their date of employment. *Plan* members are covered for basic life insurance coverage of two times annual earnings. Optional coverage can be purchased under the *Plan* to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. The employees and the City share equally in the cost of basic life insurance until retirement. Coverage on the life of disabled members continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

2. Summary of Significant Accounting Policies

a) Basis of presentation

These combined financial statements are prepared on a going concern basis and in accordance with Canadian accounting standards for pension plans, which also apply to these benefit plans. In selecting accounting policies not otherwise addressed by Canadian accounting standards for pension plans, Canadian accounting standards for private enterprises ("ASPE") have been applied. The combined financial statements present the aggregate financial position of the *Plans* as separate financial reporting entities, independent of the sponsor and *Plan* members. They are prepared to assist *Plan* members and others in reviewing the activities of the *Plans* for the fiscal period.

The combined financial statements include the accounts of *The Civic and Police Employees' Group Life Insurance Plans Corporation* (the "*Corporation*"), which as part of its mandate maintains, invests, manages and administers the New Civic Insurance Fund and the New Police Insurance Fund. The combined financial statements also include the accounts of the Old Civic Insurance Fund and the Old Police Insurance Fund, which are administered and held in trust by the *Corporation* in its capacity as *Trustee.*

The combined financial statements also include contributions and related insurance premiums which are directly applied at source by the *Corporation,* acting in a trust capacity. Inter-fund transactions and balances are eliminated for *Plan* reporting purposes.

Under the insurance contract, the *Plans* bear the full claims experience, together with related claims administration expenses. Insurance premiums in amounts equal to insurance claims and related claims administration expenses are reclassified for *Plan* reporting purposes as benefits and claims administration expenses, respectively. Any excess premiums arising in the year are ultimately refunded and are recognized as an amount due from the insurance company. Similarly, any premium shortfalls must ultimately be settled and are recognized as amounts due to the insurance company.

The benefit obligations presented in the combined financial statements of the *Plan* relate to the obligations of the City of Winnipeg under By-law 80/2015.

These combined financial statements include the operating results for the 5 month period ended December 31, 2015. This five month reporting period coincides with the commencement of operations of the *Plans* under the governance of *Corporation*, effective August 1, 2015.

2. Summary of Significant Accounting Policies (continued)

a) Basis of presentation (continued)

For purposes of *Plan* reporting to members and other stakeholders, separate financial statements have also been prepared which include the operating results for the 12 month period ended December 31, 2015, inclusive of operations of the current and predecessor *Plans*.

A supplementary schedule is attached to these financial statements, which provides financial information about the New Insurance Funds and Old Insurance Funds which comprise the *Plans*.

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 in the principal (or most advantageous) market at the measurement date under current market conditions. The fixed income investments are valued either using published market prices or by applying valuation techniques that utilize observable market inputs. The equity investments are valued using published market prices. Short-term deposits 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.

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, which also apply to these benefit 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.

3. Financial Structure

The *Plans'* financial structure is in accordance with the requirements of City of Winnipeg By-law 80/2015.

Until July 31, 2015, the predecessor *Civic Employees' Group Life Insurance Plan* was administered by *The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund),* and the predecessor *Police Employees' Group Life Insurance Plan* was administered by the *Winnipeg Police Pension Board.*

As of August 1, 2015, the *Plans* are the responsibility of the *Corporation,* incorporated pursuant to *The Corporations Act* (Manitoba) as a corporation with share capital. All of the issued and outstanding shares in the capital of the *Corporation* are owned by the City of Winnipeg.

The *Corporation* was established to maintain, manage and administer the *Plans* (including their related funds) sponsored by the City of Winnipeg, in both its own capacity and in its capacity as trustee (the "*Trustee"*) within the *Plans'* financial structure. The *Corporation's* mandate is in accordance with the requirements of City of Winnipeg By-Law 80/2015, which took effect on August 1, 2015.

On August 1, 2015, pursuant to restructure, the net assets of the predecessor *Plans* were conveyed to the *Trustee* on behalf of the Old Civic Insurance Fund and Old Police Insurance Fund, respectively. The conveyed assets were subsequently sold to the *Corporation* at fair market value. In exchange for the investments sold, the *Trustee* received non-interest bearing promissory notes, which are held and accounted for within the Old Civic Insurance Fund and Old Police Insurance Fund. The conveyed assets acquired by the *Corporation*, as referenced above*,* are held and accounted for within the New Civic Insurance Fund and New Police Insurance Fund, respectively.

Each of the New Civic Insurance Fund and New Police Insurance Fund is held within the *Corporation.* Each of the Old Civic Insurance Fund and Old Police Insurance Fund is held in trust by the *Corporation* in its capacity as the *Trustee.* In addition, the *Corporation,* acting in an informal trust capacity, collects the portion of the *Plans*' contributions to be remitted on a first applied basis to the *Plans'* insurance company, and accordingly*,* may at any point hold in trust contributions equal to unremitted premiums.

The assets of the Old Civic Insurance Fund and the Old Police Insurance Fund are available to fund a portion of the premiums for retirees under the *Plans*. These assets will diminish as they are used to fund insurance premiums for retired members in accordance with the respective *Plans*.

3. Financial Structure (continued)

Effective August 1, 2015, all contributions to the *Plans* which are not first applied to insurance premiums are credited to the New Civic Insurance Fund and New Police Insurance Fund, as applicable. All investment earnings on and after August 1, 2015 which relate to the assets of the New Civic Insurance Fund and New Police Insurance Fund are credited to the New Civic Insurance Fund and New Police Insurance Fund, respectively. All *Plan* administration and corporate operating costs on and after August 1, 2015 related to the *Plans* are charged to the New Civic Insurance Fund and New Police Insurance Fund, respectively. The assets of the New Civic Insurance Fund and New Police Insurance Fund are available to fund a portion of the premiums for retirees under the respective *Plans.* The By-Law permits the *Corporation* to transfer ownership of funds from the New Civic Insurance Fund to the Old Civic Insurance Fund and from the New Police Insurance Fund to the Old Police Insurance Fund, if it is determined by the Directors of the *Corporation* to be in the overall best interests of the *Plan* members.

The *Corporation* has arranged for the *Program Administration* staff of *The Winnipeg Civic Employees' Benefits Program* to perform the day-to-day administration, excluding investments. The *Plans'* investments are managed by the City of Winnipeg. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

4. Net Assets

The *Plan's* net assets represent reserves that are available to finance the portion of the post-retirement insurance expected to be provided in the future to the members of the *Plans* that are not financed by retiree contributions. The reserves are also available to finance the related future insurer charges and *Plans'* administration costs.

The *Plan's* net assets are allocated as follows:

	2015 Fair Value
Net Assets – Civic Employees' Group Life Insurance Plan	**$ 119,330**
Net Assets – Police Employees' Group Life Insurance Plan	**27,555**
	$ 146,885

5. Obligation for Post-Retirement Basic Life Insurance Benefits – Civic Employees' Group Life Insurance Plan

An actuarial valuation of the *Plan* was performed as of December 31, 2013 by Eckler Ltd. The results of the December 31, 2013 actuarial valuation were extrapolated to December 31, 2015, with certain assumptions being updated to reflect economic circumstances for 2015, to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Combined Statement of Financial Position as at December 31, 2015. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in preparing the financial statements included a valuation interest rate of 3.45% per year and general increases in pay of 3.50% per year. The change in the valuation interest rate from 3.15% as at July 31, 2015 to 3.45% as at December 31, 2015 decreased the obligations for post-retirement basic life insurance benefits by $5,318. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The triennial actuarial valuation as at December 31, 2013 disclosed an actuarial surplus of $33,342 (2010 – $26,866) and a contingency reserve in the amount of $7,431 (2010 – $7,481).

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 was determined from fair values. The actuarial value placed on the assets smooths 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 of the *Plan* in determining the estimated actuarial surplus or deficiency is as follows:

		2015
Surplus for financial statement reporting purposes	**$**	**25,329**
Fair value changes not reflected in actuarial value of assets		**1,149**
Surplus for actuarial valuation purposes, as estimated	**$**	**26,478**

6. Obligation for Post-Retirement Basic Life Insurance Benefits – Police Employees' Group Life Insurance Plan

An actuarial valuation of the *Plan* was performed as of December 31, 2013 by Eckler Ltd. The results of the December 31, 2013 actuarial valuation were extrapolated to December 31, 2015, with certain assumptions being updated to reflect economic circumstances for 2015, to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed in the Combined Statement of Financial Position as at December 31, 2015. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in preparing the financial statements included a valuation interest rate of 3.45% per year and general increases in pay of 3.50% per year. The change in the valuation interest rate from 3.15% as at July 31, 2015 to 3.45% as at December 31, 2015 decreased the obligations for post-retirement basic life insurance benefits by $1,795. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The triennial actuarial valuation as at December 31, 2013 disclosed an actuarial surplus of $5,436 (2010 – $3,710) and a contingency reserve in the amount of $1,843 (2010 – $1,819).

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 was determined from fair values. The actuarial value placed on the assets smooths 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 of the *Plan* in determining the estimated actuarial surplus or deficiency is as follows:

		2015
Surplus for financial statement reporting purposes	**$**	**2,243**
Fair value changes not reflected in actuarial value of assets		**273**
Surplus for actuarial valuation purposes, as estimated	**$**	**2,516**

7. Management of Financial Risk

In the normal course of business, the *Plans'* investment activities expose it to a variety of financial risks. The *Plans* seek to minimize potential adverse effects of these risks on the *Plans'* performance by hiring professional, experienced portfolio managers, by regular monitoring of the *Plans'* position and market events and by diversifying the investment portfolio within the constraints of the investment policy and objectives. Significant risks that are relevant to the *Plans* 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 *Plans*, and is concentrated in the *Plans'* investment in bonds and debentures and short-term deposits. At December 31, 2015, the *Plans'* credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $58,362.

The *Plans'* concentration of credit risk as at December 31, 2015, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	2015 Fair Value
Government of Canada and Government of Canada guaranteed	$ 18,463
Provincial and Provincial guaranteed	15,238
Canadian cities and municipalities	147
Corporations and other institutions	22,528
	$ 56,376

The *Plans* limit 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.

7. Management of Financial Risk (continued)

a) Credit risk (continued)

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

	2015	
Credit Rating	**Percent of Total Bonds**	**Percent of Net Assets**
AAA	**39.8**	**15.3**
AA	**36.1**	**13.9**
A	**24.1**	**9.2**
	100.0	**38.4**

b) Liquidity risk

Liquidity risk is the risk that the *Plans* will encounter difficulty in meeting obligations associated with financial liabilities. The *Plans* ensure they retain sufficient cash and short-term investment positions to meet their cash flow commitments, including the ability to fund benefit payments and to fund investment commitments. The *Plans* invest solely in securities that are traded in active markets and can be readily disposed.

c) Interest rate risk

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

The *Plans'* actuarial liabilities are also exposed to fluctuations in long term interest rates as well as expectations of salary escalation. The *Plans'* primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet the *Plans'* obligations.

The *Plans* have approximately 40% of their assets invested in fixed income securities as at December 31, 2015. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

7. Management of Financial Risk (continued)

c) Interest rate risk (continued)

The term to maturity and related fair values of investments in bonds and debentures held by the *Plans* at December 31, 2015 are as follows:

Term to Maturity	2015 Fair Value
Less than one year	$ -
One to five years	28,515
Greater than five years	27,861
	$ 56,376

As at December 31, 2015, had prevailing interest rates raised or lowered by 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 $1,818, approximately 1.2% of total net assets. The *Plans'* 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 *Plans'* holdings of foreign equity investments. The *Plans'* investment managers may, from time to time, hedge some of this exposure using forward contracts. The table below indicates the *Plans'* net foreign currency exposure after giving effect to the net related economic hedge as at December 31, 2015.

The table also illustrates the potential impact to the *Plans'* 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.

7. Management of Financial Risk (continued)

d) Foreign currency risk (continued)

	2015			
	Gross Exposure	Net Foreign Currency Hedge	Net Exposure	Impact on Net Assets
United States	**$ 24,896**	**$ -**	**$ 24,896**	**$ 2,490**
Japan	**6,049**	**-**	**6,049**	**605**
Euro Countries	**5,839**	**-**	**5,839**	**584**
United Kingdom	**4,851**	**-**	**4,851**	**485**
Switzerland	**2,160**	**-**	**2,160**	**216**
Australia	**1,656**	**-**	**1,656**	**166**
Sweden	**791**	**-**	**791**	**79**
Hong Kong	**753**	**-**	**753**	**75**
Other	**2,844**	**-**	**2,844**	**284**
	$ 49,839	**$ -**	**$ 49,839**	**$ 4,984**

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 *Plans'* policy is to invest in a diversified portfolio of investments. As well, the *Plans'* Manager moderates 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 these *Plans*, the most significant exposure to other price risk is from its investment in equity securities. As at December 31, 2015, 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 $13,358, approximately 9.0% of total net assets. In practice, the actual results may differ and the difference could be material.

7. Management of Financial Risk (continued)

f) Fair value hierarchy

Financial instruments recorded at fair value on the Combined 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 Combined Statement of Financial Position as at December 31, 2015, classified using the fair value hierarchy described above:

	Level 1	Level 2	Level 3	2015 Total Investment Assets at Fair Value
Bonds and debentures	$ 56,376	$ -	$ -	$ 56,376
Canadian equities	39,217	-	-	39,217
Foreign equities	49,839	-	-	49,839
Cash and short term deposits	1,986	-	-	1,986
	$ 147,418	$ -	$ -	$ 147,418

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

8. Investment Income

	2015
Bonds and debentures	$ 638
Canadian equities	630
Foreign equities	470
Cash, short-term deposits and other	45
	$ 1,783

8. Investment Income (continued)

		2015
Allocated to:		
Civic Employees' Group Life Insurance Plan	**$**	**1,449**
Police Employees' Group Life Insurance Plan		**334**
	$	**1,783**

9. Investment Transaction Costs

During the period, the *Plan* incurred investment transaction costs in the form of brokerage commissions, in the amount of $Nil. Investment transaction costs are included in the current period change in market value of investments.

10. *Income Tax Status*

On February 28, 2013, the Canada Revenue Agency ("*CRA*") verbally informed the City of Winnipeg that, in its view, the assets held in the Plans constituted assets that were being held in trust funds and should be reported for income tax purposes as such. *CRA* further informed that it was prepared to accept the trusts commencing their income tax reporting on a prospective basis starting with the 2013 year, such that years prior to 2013 would not need to be reported. On November 26, 2013, *CRA* informed the City of Winnipeg in writing that it has extended this administrative relief to December 31, 2013 and on April 27, 2015, *CRA* again extended relief to December 31, 2015.

Effective August 1, 2015, the *Plans'* assets which earn investment income are held in the New Civic Insurance Fund and New Police Insurance Fund within the *Corporation.* The *Corporation* is wholly owned by the City of Winnipeg. The Corporation is considered to be non-taxable as it is part of a municipal government.

Also effective August 1, 2015, the *Plans'* non-interest bearing assets are held within the Old Civic Insurance Fund and Old Police Insurance Fund, for each of which the *Corporation* is the trustee. The Old Civic Insurance Fund and Old Police Insurance Fund were continued from the predecessor *Plans*. The Canada Revenue Agency has previously informed the City of Winnipeg that it was prepared to accept these trusts commencing their income tax reporting on a prospective basis starting in 2016, such that years prior to 2016 would not need to be reported. As currently structured, these trusts will not have any taxable income to report.

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN
SCHEDULE 1

SCHEDULE OF STATEMENT OF FINANCIAL POSITION BY PLANS AND FUNDS
As at December 31
(in $ thousands)

		2015 Allocated as:					
		Civic Employees' Plan			Police Employees' Plan		
	Civic and Police Employees' Group Life Insurance Plans	Old Civic Insurance Fund	New Civic Insurance Fund	Total	Old Police Insurance Fund	New Police Insurance Fund	Total
ASSETS							
Investments, at fair value							
Bonds and debentures	$ 56,376						
Canadian equities	39,217						
Foreign equities	49,839						
Cash and short-term deposits	1,076						
	146,508	$ -	$ 118,971	$ 118,971	$ -	$ 27,537	$ 27,537
Funds on deposit - Great-West Life	910	-	802	802	-	108	108
	147,418	-	119,773	119,773	-	27,645	27,645
Employers' contributions receivable	1	-	1	1	-	-	-
Accounts receivable	92	107	(31)	76	18	(2)	16
Total Assets	147,511	107	119,743	119,850	18	27,643	27,661
LIABILITIES							
Accounts payable	344	-	283	283	-	61	61
Premium Payable	264	107	115	222	18	24	42
Due to The Winnipeg Civic Employees' Pension Plan	18	-	15	15	-	3	3
Total Liabilities	626	107	413	520	18	88	106
LOAN BETWEEN INSURANCE FUNDS	-	119,330	(119,330)	-	27,555	(27,555)	-
NET ASSETS BEFORE BENEFIT OBLIGATIONS	$ 146,885	$ 119,330	$ -	119,330	$ 27,555	$ -	27,555
BENEFIT OBLIGATIONS				94,001			25,312
SURPLUS				$ 25,329			$ 2,243

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN
SCHEDULE 2

SCHEDULE OF STATEMENT OF CHANGES IN NET ASSETS BY PLANS AND FUNDS
For the five month period ending December 31
(in $ thousands)

	2015	Allocated as:					
		Civic Employees' Plan			Police Employees' Plan		
	Civic and Police Employees' Group Life Insurance Plans	Old Civic Insurance Fund	New Civic Insurance Fund	Total	Old Police Insurance Fund	New Police Insurance Fund	Total
INCREASE IN ASSETS							
Contributions							
The City of Winnipeg and participating employers	$ 760	$ -	$ 560	$ 560	$ -	$ 200	$ 200
Employees - basic	754	-	556	556	-	198	198
Employees - optional	200	-	163	163	-	37	37
Pensioners	139	-	100	100	-	39	39
	1,853	-	1,379	1,379	-	474	474
Investment income	1,783	-	1,449	1,449	-	334	334
Current period change in fair value of investments	(4,742)	-	(3,854)	(3,854)	-	(888)	(888)
Total increase (decrease) in assets	(1,106)	-	(1,026)	(1,026)	-	(80)	(80)
DECREASE IN ASSETS							
Administration	121	-	98	98	-	23	23
Actuarial fees	106	-	88	88	-	18	18
Legal fees	51	-	41	41	-	10	10
Benefit payments	1,365	1,171	(144)	1,027	202	136	338
Investment management fees	2	-	2	2	-	-	-
Claims administration and taxes	178	-	149	149	-	29	29
Total decrease in assets	1,823	1,171	234	1,405	202	216	418
INCREASE IN NET ASSETS	(2,929)	(1,171)	(1,260)	(2,431)	(202)	(296)	(498)
NET ASSETS, BEGINNING OF PERIOD	-	-	-	-	-	-	-
TRANSFER OF ASSETS ON CONVEYANCE FROM PREDECESSOR PLANS	149,814	121,761	-	121,761	28,053	-	28,053
TRANSFER OF ASSETS BETWEEN INSURANCE FUNDS AT END OF PERIOD	-	(1,260)	1,260	-	(296)	296	-
NET ASSETS, END OF PERIOD	$ 146,885	$ 119,330	$ -	$ 119,330	$ 27,555	$ -	$ 27,555

THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN and
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN
SCHEDULE 3

SCHEDULE OF STATEMENT OF CHANGES IN BENEFIT OBLIGATIONS BY PLANS AND FUNDS
For the five month period ending December 31
(in $ thousands)

		2015 Allocated as:	
	Civic and Police Employees' Group Life Insurance Plans	Civic Employees' Plan	Police Employees' Plan
INCREASE IN ACCRUED BENEFITS			
Interest on accrued benefits	$ 1,631	$ 1,281	$ 350
Benefits accrued	2,137	1,641	496
Total increase in accrued benefits	3,768	2,922	846
DECREASE IN ACCRUED BENEFITS			
Benefits paid	1,112	757	355
Changes in actuarial assumptions	7,113	5,318	1,795
Total decrease in assets	8,225	6,075	2,150
NET (DECREASE) IN ACCRUED BENEFITS	(4,457)	(3,153)	(1,304)
ACCRUED BENEFIT OBLIGATIONS, BEGINNING OF PERIOD	123,770	97,154	26,616
ACCRUED BENEFIT OBLIGATIONS, END OF PERIOD	$ 119,313	$ 94,001	$ 25,312