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)

December 31, 2018

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

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

THE CIVIC AND POLICE EMPLOYEES' GROUP LIFE INSURANCE PLANS CORPORATION

(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 Civic and Police Employees' Group Life Insurance Plans Corporation

Opinion

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, 2018, and the combined statements of changes in net assets, the combined statements of changes in benefit obligations and combined statement of changes in surplus, for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined statements of financial position as at December 31, 2018 and the combined statements of changes in net assets, the combined statements of changes in benefit obligations and combined statement of changes in surplus, for the year then ended in accordance with Canadian accounting standards for pension plans ("ASPP").

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's reports that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

I. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

II. Obtain an understanding of internal control relevant to the audit 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 Plan's internal control.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

IV. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.

V. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Winnipeg Manitoba
June 24, 2019

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)

	2018	2017
ASSETS		
Investments, at fair value		
Bonds and debentures	**$ 59,035**	$ 57,990
Foreign equities	**54,605**	57,282
Canadian equities	**45,138**	50,921
Short-term deposits	**2,044**	1,880
	160,822	168,073
Accounts receivable - dividends	**470**	-
Accounts receivable	**68**	67
Due from The Winnipeg Civic Employees' Pension Plan	**19**	22
Employers' contributions receivable	**-**	1
Total Assets	**161,379**	168,163
LIABILITIES		
Accounts payable	**569**	572
Total Liabilities	**569**	572
NET ASSETS (Note 5)	**160,810**	167,591
BENEFIT OBLIGATIONS		
Civic Employees' Group Life Insurance Plan (Note 6)	**78,501**	75,826
Police Employees' Group Life Insurance Plan (Note 7)	**20,653**	19,822
	99,154	95,648
SURPLUS	**$ 61,656**	$ 71,943
SURPLUS COMPRISED OF:		
Civic Employees' Group Life Insurance Plan (Note 6)	**$ 50,349**	$ 59,000
Police Employees' Group Life Insurance Plan (Note 7)	**11,307**	12,943
	$ 61,656	$ 71,943

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 year ended December 31
(in $ thousands)

	2018	2017
INCREASE IN ASSETS		
Contributions		
Employees - basic	**$ 787**	$ 1,366
Employees - optional	**307**	378
	1,094	1,744
City of Winnipeg and participating employers	**794**	1,361
Pensioners	**148**	254
	2,036	3,359
Current period change in fair value of investments	**-**	7,369
Investment income (Note 9)	**4,445**	2,851
Total increase in assets	**6,481**	13,579
DECREASE IN ASSETS		
Current period change in fair value of investments	**7,287**	-
Benefit payments	**4,681**	4,832
Claims administration and taxes	**238**	247
Administration	**220**	228
Actuarial fees	**26**	50
Investment management fees	**5**	5
Total decrease in assets	**12,457**	5,362
NET (DECREASE) INCREASE IN NET ASSETS FOR THE YEAR	**(5,976)**	8,217
NET ASSETS, BEGINNING OF YEAR	**134,826**	126,609
NET ASSETS, END OF YEAR	**$ 128,850**	$ 134,826

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 year ended December 31
(in $ thousands)

	2018	2017
INCREASE IN BENEFIT OBLIGATIONS		
Interest accrued on benefits	**$ 3,396**	$ 3,280
Benefits accrued	**2,455**	2,383
Total increase in benefit obligations	**5,851**	5,663
DECREASE IN BENEFIT OBLIGATIONS		
Benefits paid	**3,176**	3,100
Total decrease in benefit obligations	**3,176**	3,100
NET INCREASE IN BENEFIT OBLIGATIONS FOR THE YEAR	**2,675**	2,563
BENEFIT OBLIGATIONS, BEGINNING OF YEAR	**75,826**	73,263
BENEFIT OBLIGATIONS, END OF YEAR	**$ 78,501**	$ 75,826

COMBINED STATEMENT OF CHANGES IN SURPLUS

For the year ended December 31
(in $ thousands)

	2018	2017
Net (decrease) increase in net assets for the year	**$ (5,976)**	$ 8,217
Net increase in benefit obligations for the year	**(2,675)**	(2,563)
NET (DECREASE) INCREASE IN SURPLUS FOR THE YEAR	**(8,651)**	5,654
SURPLUS, BEGINNING OF YEAR	**59,000**	53,346
SURPLUS, END OF YEAR	**$ 50,349**	$ 59,000

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 year ended December 31
(in $ thousands)

	2018	2017
INCREASE IN ASSETS		
Contributions		
Employees - basic	**$ 260**	$ 489
Employees - optional	**81**	93
	341	582
City of Winnipeg	**258**	488
Pensioners	**52**	97
	651	1,167
Current period change in fair value of investments	**-**	1,739
Investment income (Note 9)	**1,090**	673
Total increase in assets	**1,741**	3,579
DECREASE IN ASSETS		
Current period change in fair value of investments	**1,771**	-
Benefit payments	**653**	553
Administration	**53**	54
Claims administration and taxes	**39**	45
Actuarial fees	**29**	40
Investment management fees	**1**	1
Total decrease in assets	**2,546**	693
NET (DECREASE) INCREASE IN NET ASSETS FOR THE YEAR	**(805)**	2,886
NET ASSETS, BEGINNING OF YEAR	**32,765**	29,879
NET ASSETS, END OF YEAR	**$ 31,960**	$ 32,765

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 year ended December 31
(in $ thousands)

	2018	2017
INCREASE IN BENEFIT OBLIGATIONS		
Interest accrued on benefits	**$ 891**	$ 853
Benefits accrued	**642**	623
Total increase in benefit obligations	**1,533**	1,476
DECREASE IN BENEFIT OBLIGATIONS		
Benefits paid	**702**	595
Total decrease in benefit obligations	**702**	595
NET INCREASE IN BENEFIT OBLIGATIONS FOR THE YEAR	**831**	881
BENEFIT OBLIGATIONS, BEGINNING OF YEAR	**19,822**	18,941
BENEFIT OBLIGATIONS, END OF YEAR	**$ 20,653**	$ 19,822

COMBINED STATEMENT OF CHANGES IN SURPLUS

For the year ended December 31
(in $ thousands)

	2018	2017
Net (decrease) increase in net assets for the year	**$ (805)**	$ 2,886
Net increase in benefit obligations for the year	**(831)**	(881)
NET (DECREASE) INCREASE IN SURPLUS FOR THE YEAR	**(1,636)**	2,005
SURPLUS, BEGINNING OF YEAR	**12,943**	10,938
SURPLUS, END OF YEAR	**$ 11,307**	$ 12,943

See accompanying notes to the financial statements

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 *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 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 "*Trustee*") within the Plans' financial structure.

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 year ended December 31, 2018, with comparatives for the period ended December 31, 2017.

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*.

2. Summary of Significant Accounting Policies (continued)

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) Financial instruments other than investments

Financial instruments other than investments include accrued contributions receivable, premiums payable and accounts payable. Financial assets other than investments and financial liabilities are recognized in the *Plans'* Combined Statement of Financial Position when the Plans become a party to the contractual provisions of the instrument. All financial assets and financial liabilities are initially measured at fair value.

The *Plans'* contributions receivable are measured at amortized cost, where the amortized cost equals the amount at which the receivable is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

The *Plans'* financial liabilities are measured subsequently at amortized cost.

d) 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.

e) 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. Change in Accounting Policy

In the current year, the *Plans* have applied the requirements of IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRS Standards that are effective for annual periods beginning on or after January 1, 2018, to its financial instruments other than its investment portfolio that continue to be recognized at the date of initial application and has not applied the requirements of IFRS 9 to instruments that have already been derecognized as at January 1, 2018.

The *Plans* have applied IFRS 9 retrospectively in accordance with the transitional provisions set out in IFRS 9 and have elected not to restate the comparative figures. The *Plans* have adopted the consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures for 2018.

All recognized financial instruments that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the *Plans'* business model for managing them and the contractual cash flow characteristics of the financial instruments.

Management of the *Plans* reviewed and assessed the *Plans'* existing financial assets as at January 1, 2018 based on the facts and circumstances that existed as at that date and concluded that the *Plans'* financial assets classified as loans and receivables under IAS 39 that were measured at amortized cost continue to be measured at amortized cost under IFRS 9 as they are held within a business model to collect contractual cash flows, and these contractual cash flows are solely payments of principal due to their short term nature.

In relation to the impairment of financial assets, IFRS 9 requires the *Plans* to recognize a loss allowance for expected credit losses ("ECL") on its contributions receivable at an amount equal to the lifetime ECL. Due to their short term nature the application of the IFRS 9 impairment requirements has had no impact on the carrying value of contributions receivable as at January 1, 2018.

The application of IFRS 9 has had no impact on the classification and measurement of the *Plans'* financial liabilities.

4. Financial Structure

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

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.

4. Financial Structure (continued)

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 *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*.

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.

4. Financial Structure (continued)

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.

5. Net Assets

The *Plans'* 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:

	2018 Fair Value	2017 Fair Value
Net Assets – Civic Employees' Group Life Insurance Plan	**$ 128,850**	$ 134,826
Net Assets – Police Employees' Group Life Insurance Plan	**31,960**	32,765
	$ 160,810	$ 167,591

6. 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, 2016 by Eckler Ltd. The results of the December 31, 2016 actuarial valuation were extrapolated to December 31, 2018, 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, 2018. For the comparative 2017 figures, the results of the December 31, 2016 valuation were extrapolated to December 31, 2017 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, 2017. The assumptions used were approved by the *Corporation*. 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 discount rate of

6. Obligation for Post-Retirement Basic Life Insurance Benefits – Civic Employees' Group Life Insurance Plan (continued)

4.50% (2017 – 4.50%) per year and general increases in pay of 3.50% (2017 – 3.50%) per year. 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, 2016 disclosed an actuarial surplus of $39,610 (2013 – $33,342) and a contingency reserve in the amount of $10,989 (2013 – $7,431).

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:

		2018		2017
Surplus for financial statement reporting purposes	**$**	**50,349**	$	59,000
Fair value changes not reflected in actuarial value of assets		**2,219**		(5,809)
Surplus for actuarial valuation purposes, as estimated	**$**	**52,568**	$	53,191

7. 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, 2016 by Eckler Ltd. The results of the December 31, 2016 valuation were extrapolated to December 31, 2018, 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, 2018. For the comparative 2017 figures, the results of the December 31, 2016 valuation were extrapolated to December 31, 2017 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, 2017. The assumptions used were approved by the *Corporation*. The economic assumptions used in determining the actuarial value of

7. Obligation for Post-Retirement Basic Life Insurance Benefits – Police Employees' Group Life Insurance Plan (continued)

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 discount rate of 4.50% (2017 – 4.50%) per year and general increases in pay of 3.50% (2017 – 3.50%) per year. 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, 2016 disclosed an actuarial surplus of $7,478 (2013 – $5,436) and a contingency reserve in the amount of $2,841 (2013 – $1,843).

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:

		2018		2017
Surplus for financial statement reporting purposes	**$**	**11,307**	$	12,943
Fair value changes not reflected in actuarial value of assets		**611**		(1,331)
Surplus for actuarial valuation purposes, as estimated	**$**	**11,918**	$	11,612

8. 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.

8. Management of Financial Risk (continued)

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, 2018, the *Plans'* credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $61,079 (2017 - $59,870).

The *Plans'* concentration of credit risk as at December 31, 2018, related to bonds and debentures, is categorized amongst the following types of issuers:

Type of Issuer	2018 Fair Value	2017 Fair Value
Government of Canada and Government of Canada guaranteed	**$ 18,685**	$ 18,638
Provincial and Provincial guaranteed	**16,394**	15,698
Canadian cities and municipalities	**395**	365
Corporations and other institutions	**23,561**	23,289
	$ 59,035	$ 57,990

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.

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

	2018		2017	
Credit Rating	Percent of Total Bonds	Percent of Net Assets	Percent of Total Bonds	Percent of Net Assets
AAA	**34.9**	**12.8**	36.2	12.9
AA	**49.4**	**18.1**	34.7	12.4
A	**14.8**	**5.5**	28.7	10.3
OTHER	**0.9**	**0.3**	0.4	0.1
	100.0	**36.7**	100.0	35.7

8. Management of Financial Risk (continued)

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 38% (2017 – 36%) of their assets invested in fixed income securities as at December 31, 2018. 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 *Plans* at December 31, 2018 are as follows:

Term to Maturity	**2018 Fair Value**	2017 Fair Value
One to five years	**$ 31,950**	$ 32,068
Greater than five years	**27,085**	25,922
	$ 59,035	$ 57,990

As at December 31, 2018, had prevailing interest rates raised or lowered by 0.5% (2017 – 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 $1,987 (2017 - $1,940), approximately

8. Management of Financial Risk (continued)

c) Interest rate risk (continued)

1.2% of total net assets (2017 – 1.2%). 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 and short-term deposits. 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, 2018.

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.

	2018				2017	
	Gross Exposure	Net Foreign Currency Hedge	Net Exposure	Impact on Net Assets	Net Exposure	Impact on Net Assets
United States	**$ 29,868**	**$ -**	**$ 29,868**	**$ 2,987**	$ 29,818	$ 2,982
Euro Countries	**6,190**	**-**	**6,190**	**619**	7,052	705
Japan	**6,377**	**-**	**6,377**	**638**	6,933	693
United Kingdom	**4,382**	**-**	**4,382**	**438**	4,972	497
Switzerland	**2,021**	**-**	**2,021**	**202**	2,099	210
Australia	**1,745**	**-**	**1,745**	**175**	1,907	191
Hong Kong	**909**	**-**	**909**	**91**	927	93
Sweden	**781**	**-**	**781**	**78**	841	84
Other	**2,852**	**-**	**2,852**	**285**	3,110	311
	$ 55,125	**$ -**	**$ 55,125**	**$ 5,513**	$ 57,659	$ 5,766

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

8. Management of Financial Risk (continued)

e) Other price risk (continued)

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, 2018, 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 $14,961 (2017 – $16,230), approximately 9.4% of total net assets (2017 – 9.7%). In practice, the actual results may differ and the difference could be material.

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, 2018 and December 31, 2017, classified using the fair value hierarchy described above:

	Level 1	Level 2	Level 3	2018 Total Investment Assets at Fair Value
Bonds and debentures	$ 59,035	$ -	$ -	$ 59,035
Foreign equities	54,605	-	-	54,605
Canadian equities	45,138	-	-	45,138
Cash and short term deposits	2,044	-	-	2,044
	$ 160,822	$ -	$ -	$ 160,822

8. Management of Financial Risk (continued)

f) Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	2017 Total Investment Assets at Fair Value
Bonds and debentures	$ 57,990	$ -	$ -	$ 57,990
Foreign equities	57,282	-	-	57,282
Canadian equities	50,921	-	-	50,921
Cash and short term deposits	1,880	-	-	1,880
	$ 168,073	$ -	$ -	$ 168,073

9. Investment Income

	2018	2017
Bonds and debentures	**$ 1,627**	$ 1,347
Foreign equities	**1,625**	1,127
Canadian equities	**2,230**	1,054
Cash, short-term deposits and other	**53**	(4)
	$ 5,535	$ 3,524
Allocated to:		
Civic Employees' Group Life Insurance Plan	**$ 4,445**	$ 2,851
Police Employees' Group Life Insurance Plan	**1,090**	673
	$ 5,535	$ 3,524

10. Investment Transaction Costs

During the period, the *Plans* incurred investment transaction costs in the form of brokerage commissions, in the amount of $2 (2017 - $4). Investment transaction costs are included in the current period change in market value of investments.

11. *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

11. *Income Tax Status (continued)*

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 part of 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*. As noted above, CRA 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)

		2018 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	$ 59,035						
Foreign equities	54,605						
Canadian equities	45,138						
Cash and short-term deposits	1,284						
	160,062	$ -	$ 128,451	$ 128,451	$ -	$ 31,611	$ 31,611
Funds on deposit - Great-West Life	760	-	421	421	-	339	339
	160,822	-	128,872	128,872	-	31,950	31,950
Accounts receivable - dividends	470	-	378	378		92	92
Accounts receivable	68	115	(61)	54	22	(8)	14
Due from The Winnipeg Civic Employees' Pension Plan	19	-	15	15	-	4	4
Employers' contributions receivable	-	-	-	-	-	-	-
Total Assets	161,379	115	129,204	129,319	22	32,038	32,060
LIABILITIES							
Accounts payable	333	-	274	274	-	59	59
Premium Payable	236	115	80	195	22	19	41
Total Liabilities	569	115	354	469	22	78	100
LOAN BETWEEN INSURANCE FUNDS	-	128,850	(128,850)	-	31,960	(31,960)	-
NET ASSETS	$ 160,810	$ 128,850	$ -	128,850	$ 31,960	$ -	31,960
BENEFIT OBLIGATIONS				78,501			20,653
SURPLUS				$ 50,349			$ 11,307

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)

		2017 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	$ 57,990						
Foreign equities	57,282						
Canadian equities	50,921						
Cash and short-term deposits	561						
	166,754	$ -	$ 134,410	$ 134,410	$ -	$ 32,344	$ 32,344
Funds on deposit - Great-West Life	1,319	-	814	814	-	505	505
	168,073	-	135,224	135,224	-	32,849	32,849
Accounts receivable - dividends	-	-	-	-	-	-	-
Accounts receivable	67	120	(64)	56	21	(10)	11
Due from The Winnipeg Civic Employees' Pension Plan	22	-	18	18	-	4	4
Employers' contributions receivable	1	-	1	1	-	-	-
Total Assets	168,163	120	135,179	135,299	21	32,843	32,864
LIABILITIES							
Accounts payable	299	-	244	244	-	55	55
Premium Payable	273	120	109	229	21	23	44
Total Liabilities	572	120	353	473	21	78	99
LOAN BETWEEN INSURANCE FUNDS	-	134,826	(134,826)	-	32,765	(32,765)	-
NET ASSETS	$ 167,591	$ 134,826	$ -	134,826	$ 32,765	$ -	32,765
BENEFIT OBLIGATIONS				75,826			19,822
SURPLUS				$ 59,000			$ 12,943

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 year ended December 31
(in $ thousands)

		2018 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							
Employees - basic	$ 1,047	$ -	$ 787	$ 787	$ -	$ 260	$ 260
Employees - optional	388	-	307	307	-	81	81
	1,435	-	1,094	1,094	-	341	341
The City of Winnipeg and participating employers	1,052	-	794	794	-	258	258
Pensioners	200	-	148	148	-	52	52
	2,687	-	2,036	2,036	-	651	651
Investment income	5,535	-	4,445	4,445	-	1,090	1,090
Total increase in assets	8,222	-	6,481	6,481	-	1,741	1,741
DECREASE IN ASSETS							
Current period change in fair value of investments	9,058	-	7,287	7,287	-	1,771	1,771
Benefit payments	5,334	2,944	1,737	4,681	551	102	653
Claims administration and taxes	277	-	238	238	-	39	39
Administration	273	-	220	220	-	53	53
Actuarial fees	55	-	26	26	-	29	29
Investment management fees	6	-	5	5	-	1	1
Total decrease in assets	15,003	2,944	9,513	12,457	551	1,995	2,546
NET DECREASE IN NET ASSETS FOR THE YEAR	(6,781)	(2,944)	(3,032)	(5,976)	(551)	(254)	(805)
NET ASSETS, BEGINNING OF YEAR	167,591	134,826	-	134,826	32,765	-	32,765
TRANSFER OF ASSETS BETWEEN INSURANCE FUNDS AT END OF YEAR	-	(3,032)	3,032	-	(254)	254	-
NET ASSETS, END OF YEAR	$ 160,810	$ 128,850	$ -	$ 128,850	$ 31,960	$ -	$ 31,960

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 year ended December 31
(in $ thousands)

		2017 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							
Employees - basic	$ 1,855	$ -	$ 1,366	$ 1,366	$ -	$ 489	$ 489
Employees - optional	471	-	378	378	-	93	93
	2,326	-	1,744	1,744	-	582	582
The City of Winnipeg and participating employers	1,849	-	1,361	1,361	-	488	488
Pensioners	351	-	254	254	-	97	97
	4,526	-	3,359	3,359	-	1,167	1,167
Current period change in fair value of investments	9,108	-	7,369	7,369	-	1,739	1,739
Investment income	3,524	-	2,851	2,851	-	673	673
Total increase in assets	17,158	-	13,579	13,579	-	3,579	3,579
DECREASE IN ASSETS							
Benefit payments	5,385	3,042	1,790	4,832	523	30	553
Claims administration and taxes	292	-	247	247	-	45	45
Administration	282	-	228	228	-	54	54
Actuarial fees	90	-	50	50	-	40	40
Investment management fees	6	-	5	5	-	1	1
Total decrease in assets	6,055	3,042	2,320	5,362	523	170	693
NET INCREASE (DECREASE) IN NET ASSETS FOR THE YEAR	11,103	(3,042)	11,259	8,217	(523)	3,409	2,886
NET ASSETS, BEGINNING OF YEAR	156,488	126,609	-	126,609	29,879	-	29,879
TRANSFER OF ASSETS BETWEEN INSURANCE FUNDS AT END OF YEAR	-	11,259	(11,259)	-	3,409	(3,409)	-
NET ASSETS, END OF YEAR	$ 167,591	$ 134,826	$ -	$ 134,826	$ 32,765	$ -	$ 32,765

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
For the year ended December 31
(in $ thousands)

		2018 Allocated as:	
	Civic and Police Employees' Group Life Insurance Plans	Civic Employees' Plan	Police Employees' Plan
INCREASE IN BENEFIT OBLIGATIONS			
Interest on benefit obligations	$ 4,287	$ 3,396	$ 891
Benefits accrued	3,097	2,455	642
Total increase in benefit obligations	7,384	5,851	1,533
DECREASE IN BENEFIT OBLIGATIONS			
Benefits paid	3,878	3,176	702
Total decrease in benefit obligations	3,878	3,176	702
NET INCREASE IN BENEFIT OBLIGATIONS	3,506	2,675	831
BENEFIT OBLIGATIONS, BEGINNING OF YEAR	95,648	75,826	19,822
BENEFIT OBLIGATIONS, END OF YEAR	$ 99,154	$ 78,501	$ 20,653

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
For the year ended December 31
(in $ thousands)

		2017 Allocated as:	
	Civic and Police Employees' Group Life Insurance Plans	Civic Employees' Plan	Police Employees' Plan
INCREASE IN BENEFIT OBLIGATIONS			
Interest on benefit obligations	$ 4,133	$ 3,280	$ 853
Benefits accrued	3,006	2,383	623
Total increase in benefit obligations	7,139	5,663	1,476
DECREASE IN BENEFIT OBLIGATIONS			
Benefits paid	3,695	3,100	595
Total decrease in benefit obligations	3,695	3,100	595
NET DECREASE IN BENEFIT OBLIGATIONS	3,444	2,563	881
BENEFIT OBLIGATIONS, BEGINNING OF YEAR	92,204	73,263	18,941
BENEFIT OBLIGATIONS, END OF YEAR	$ 95,648	$ 75,826	$ 19,822