Regina Police Pension Plan

2009

December 31

Annual Report

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MESSAGE FROM THE CHAIRPERSON OF THE POLICE ADMINISTRATIVE BOARD

I am pleased to present the Annual Report for the Regina Police Pension Plan for the year ending December 31, 2009.

In this report you will find the following:

- Membership information, including eligibility requirements, numbers of active and retired members and changes in membership that occurred in 2009.
- A brief description of the benefits available to members of the pension plan.
- The composition of the Administrative Board and its role as trustees of the plan.
- How the Board conducts its business and fulfils its responsibilities to the members of the Plan.
- How the Plan's assets are invested and the returns for 2009.
- Historical investment returns.
- The annual financial statements for 2009, audited by Deloitte and Touche LLP.

Over the past year, the net assets available for benefits experienced an increase from a balance of $185,550,000 at the end of 2008, to a balance of $211,100,000 at the end of 2009. Contributions for the year were $9,883,000, while total payments from the fund were $15,563,000. Total payments included $14,023,000 in pension payments, $350,000 in refunds and transfers, and $1,190,000 in administration and investment expenses. Investment income for the year was 17.17 percent or $31,230,000.

The last valuation of the Plan was completed as at December 31, 2007. The result of this valuation was the financial position of the Plan on a going concern basis changed from a small surplus of $6,945,000 to an unfunded liability of $9,441,000. On a termination basis, the Plan has a solvency ratio of 97.4%. The next valuation of the Plan as required by legislation will be as at December 31, 2010; however, the Administrative Board has approved a valuation to be done as at December 31, 2009 and will continue to monitor the funding status of the pension plan.

In 2009, the Board engaged Aon Consulting to conduct an Asset Liability Study to re-evaluate how the Plan's investments are invested. The Study reviewed the investment portfolio in relation to the Plan's liabilities and explored various asset mixes to develop a portfolio that will enable the Board to meet its goals. By the end of 2009, the Board approved a final asset mix and developed an implementation strategy.

Over the past year the Board also adopted a Trustee Education Policy, Trustee Terms of Reference and a Communication Plan.

I would like to take this opportunity to thank the members of the Administrative Board for their continued commitment and contribution to this Board. I would also like to thank the staff of the Pensions and Disability Administration Department for their support over the year.

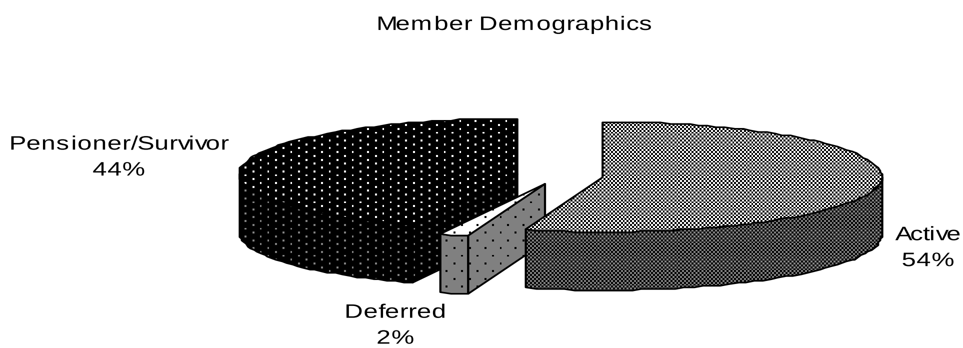
Bernie Eiswirth,
Chairperson,
Regina Police Pension Plan

PRIMARY PURPOSE

The primary purpose of the Regina Police Pension Plan is to provide periodic lifetime retirement pensions to employees who fulfill the eligibility and enrollment requirements.

The Pension Plan is a defined benefit plan established effective December 2, 1957. As a member of the Plan, employees contribute 11.33% of earnings up to the Yearly Maximum Pensionable Earnings (YMPE) and 12.83% on earnings above the YMPE. The employer contributes 11.83% on earnings up to the YMPE and 13.33% on earnings above the YMPE.

The Plan membership includes 511 active, 413 retired and 16 deferred members who were employees of the Regina Police Service. During 2009, the plan enrolled 25 new members, established 26 new retirement pensions, and 4 members terminated from the Plan.



BENEFIT PROVISIONS

As a member of the pension plan, you have access to a range of benefits. Here are some examples:

- Normal retirement at age 60 and at age 65 for Civilian members hired after December 31, 1990.
- Unreduced early retirement after 25 years of service or at age 55 regardless of service.
- A lifetime monthly pension based on the average of the highest three consecutive years' earnings multiplied by pension accrual factors of 1.26 % up to the YMPE and 2.0 % for earnings above the YMPE.
- A temporary benefit of 0.74 % of the final average earnings up to the YMPE payable to age 65 for members who retire on an unreduced basis.
- Guaranteed annual indexation of pensions at a rate of one-half of the CPI for Canada, to a maximum of 3.0 %.
- Vesting and locking-in after two years of continuous employment.
- Termination benefits and portability options.
- Pre and post retirement death benefits.
- Continued accumulation of service while on disability.

The staff of the Pensions and Disability Administration Department is pleased to provide assistance to members regarding their individual benefit entitlements. In addition, the staff conducts seminars, education sessions and other communications in order to keep members informed of their benefits. If you have a request in your workplace for a seminar, contact the Pensions and Disability Administration Department, Suite B101 – 2055 Albert Street and they will accommodate your request. The phone number is 777-7402. To access additional information regarding our Plan, please visit our website located at www.regina.ca/page882.aspx

PENSION PLAN GOVERNANCE

A Board of six members, comprised of three employee representatives and three employer representatives administers the Plan. The Regina Police Association appoints two of the three employee representatives and the Senior Officers' Association appoints the other representative. The Board of Police Commissioners appoints the employer representatives.

The Board is required to meet quarterly and an affirmative vote of at least four members is required to pass any motion relating to the administration of the Plan.

The Administrative Board members at December 31, 2009 were:

Mr. B. Eiswirth, Chairperson
Councillor W. Murray, Vice-Chairperson
Mayor P. Fiacco
Sergeant D. McKechnie (Observer)
Inspector M. Pritchard
Mr. L. Shaw
Sergeant D. Wilcox

The Administrative Board is responsible for the administration of the Plan as legislated by *The Pension Benefits Act* and in accordance with the terms of the Plan provisions. Under this legislation, the Board members are appointed as the Plan's fiduciaries. This means they are in a position of trust and are obligated to act in the best interests of the pension plan members and their survivors. The members of the Board must not allow personal interests to interfere with the interests of those they serve. Further, they must take the same care, and apply the same diligence and skill that would be expected of a normally prudent person who was looking after the property of someone else.

The Board met 11 times during 2009.

POLICE PENSION ADMINISTRATIVE BOARD RESPONSIBILITIES

1. Compliance With Legislation

   The Board ensures that benefits are paid appropriately to members and the plan is administered in compliance with all appropriate legislation. The plan must comply with legislation under *The Pension Benefits Act* and *The Income Tax Act.* All pension and other benefit payments, and all administrative and investment expenses, are paid directly out of the Fund.

2. Pensions and Disability Administration Department

   The Pensions and Disability Administration Department reports to the Administrative Board on all aspects of the Plan administration. The Board reviews the performance of the division on an ongoing basis and ensures that reports provided to the Board are appropriate and adequate to meet their fiduciary duties.

3. Annual Financial Statements

   Management is required to prepare the annual financial statements and must file these with the Superintendent of Pensions. The Board ensures that an annual audit is conducted and the results filed with the regulatory authorities. The current auditors for the Plan are Deloitte and Touche LLP and the statements audited by them are included in this report.

4. Pension Plan Funding and Valuations

   The Board must ensure the Plan is able to meet the pension obligations as they occur and ensure the long-term solvency of the Plan. A valuation of the Plan is required every three years. The purpose of the valuation is to provide an actuarial estimate of the present value of the pension plan's liabilities and assets plus determine whether the assets are adequate to meet the obligations or if a contribution increase is required. The Plan is considered solvent when the present value of the assets exceeds the actuarial estimate of the pension plan liabilities. The Plan's current actuary is Aon Consulting Inc.

5. Investment Policy

   The Board must develop an Investment Policy and is required to review the policy annually at least. This policy describes the Plan's asset mix, which sets out the rules for dividing the fund's assets among stocks, bonds, and other assets. It also sets the standards for how the managers select individual securities and may restrict or prohibit the fund from making certain investments. Any changes to legislation or activities of the Board that affect these rules and restrictions must be incorporated in the Investment Policy.

6. Custody of Plan Assets

   The Board must ensure all monies due to the Fund are kept separate and apart from other funds of the employers. This is accomplished by hiring a fund custodian to ensure the money is kept separate from the employer's funds and is only used for pension purposes. In addition to holding the Plan's securities, the custodian is required to verify that any transfer requested by those involved with the Plan complies with the Plan's rules and governing legislation. The current custodian is Northern Trust, Institutional and Investor Services.

7. Fund Management Services

   The Administrative Board is responsible for making investments in accordance with the investment requirements contained in *The Pension Benefits Act* and other relevant legislation. The activities the Board performs to fulfill this responsibility include regular reviewing of investment activities, ensuring compliance with the Investment Policy, monitoring investment results and meeting with the Plan's fund managers.

8. Performance Measurement

   The Board ensures the various investment managers are managing the fund assets in an appropriate manner and in compliance with the Investment Policy approved by the Board. As part of this duty, the Board hires a Performance Management Service who report quarterly on the performance of the fund, the performance of the individual managers and whether the managers are in compliance with the Investment Policy. Northern Trust provides performance management services.

POLICE PENSION ADMINISTRATIVE BOARD ACTIVITIES

2009 ACCOMPLISHMENTS

The Police Pension Administrative Board accomplishments in 2009 include:

1. Pension Governance

   In 2006, the Administrative Board engaged the services of Hewitt Associates to conduct an independent assessment of the Plan's governance structure. One of the recommendations of the review was to strengthen the Board's independence by realigning its administrative, policy and investment support services so there is a clear line of authority of the Board. During 2009, the Administrative Board of the Police Pension Plan worked with the City of Regina Administration to develop an Administrative Services Agreement to move the Board to a more autonomous structure.

2. Investment Management

   During 2009, the Board met with and reviewed the following fund managers:

   Batterymarch Financial Management
   Sheer Rowlett & Associates
   Pictet Asset Management

3. Asset/Liability Study

   In 2009, the Administrative Board initiated a Request for Proposal process to have an Asset/Liability Study. The purpose of the study was to evaluate the current asset mix policies and investment objectives and provide alternatives to the asset mix taking into consideration Plan liabilities, obligations, inflation and risk tolerance.

4. Education Policy

   The Board finalized a structured education policy program through the adoption of a Trustee Education Policy and a Trustee Terms of Reference.

2010 Plans

Plans for the Police Pension Administrative Board in 2010 include:

1. Pension Governance

   The Board will finalize the terms of the administrative services agreement between the City of Regina and the Police Pension Board. As part of the Board's intention to move to an autonomous structure, the Administration will review the services provided by the City of Regina with the intention of moving certain services, such as accounting, in-house where it is more efficient to do so. In conjunction with this, the Board will review its insurance requirements.

2. Actuarial Valuation as at December 31, 2009.

   The Board will conduct an interim valuation as at December 31, 2009 and will diligently monitor the Plan's funding status. This valuation does not need to be filed with the regulatory authorities in keeping with the *Pension Benefits Act*. The next valuation that must be filed will be as at December 31, 2010.

3. Risk Management

   In 2010, the Administration will work to develop a risk management program related to all aspects of Plan management.

4. Review of Custody and Performance Measurement Services

   A Request for Proposals for Custody and Performance Measurement Services will be considered in 2010. The Board's Risk Management Policy requires that service providers be reviewed annually with a complete in-depth review every fifth year. The current provider of this service, Northern Trust, was originally hired in 2003.

5. Pension Plan Review

   During 2010, the Plan sponsors will be reviewing alternatives and options to ensure the long-term sustainability of the Plan. The Administrative Board will monitor this process and provide advice where necessary.

6. Investment Strategy

   In 2010, the Board will implement the investment strategy approved through the Asset Liability Study. This will include the development of a private equity program.

Training and Education

The following Administrative Board members attended conferences and seminars for educational opportunities.

TRUSTEE	CONFERENCE/SEMINAR	LOCATION
Darren Wilcox	Managing the Economic Crises - a Framework for Human Capital Planning	Regina
	Alternative Investment Seminar	Regina
	Pension Plans in Crises	Regina
	Hewitt Pension Risk Seminar	Regina
	Risk Budgeting Seminar	Regina
	42nd Annual Canadian Employee Benefits Conference	Las Vegas
Bernie Eiswirth	Pension Plans in Crises	Regina
	Risk Budgeting Seminar	Regina
	42nd Annual Canadian Employee Benefits Conference	Las Vegas
Darren McKechnie	Alternative Investment Seminar	Regina
	Pension Plans in Crises	Regina
	Risk Budgeting Seminar	Regina
	42nd Annual Canadian Employee Benefits Conference	Las Vegas
Leslie Shaw	Alternative Investment Seminar	Regina
	Pension Plans in Crises	Regina
	Hewitt Investment Basics Seminar	Regina
	Greystone Education Seminar	Regina
	Risk Budgeting Seminar	Regina
	CPBI Western Regional Conference	Whistler
	CPBI Seminar - A Written Funding Policy: It is proper governance and needed for risk management	Regina
Marlo Pritchard	Alternative Investment Seminar	Regina
	Greystone Education Seminar	Regina
	Risk Budgeting Seminar	Regina
	Canadian Public Sector Pensions & Benefits Conference	Quebec City
	2009 ATMS & ATMS Quality Series Program	Las Vegas

Wade Murray	Alternative Investment Seminar	Regina
	Risk Budgeting Seminar	Regina
	Greystone Education Seminar	Regina
	CPBI Seminar - A Written Funding Policy: It is proper governance and needed for risk management	Regina

2009 INVESTMENT OVERVIEW

After the events of 2007/2008 global investors were anxious for relief entering 2009. The first two months of 2009 did anything but bring relief as investors watched equity markets tumble to even greater depths through the first two months of 2009. Most markets reached what would prove to be the low point early in the second week of March before beginning a ten month come back that would see some indexes rise by more than 60% for the year.

Equity markets were not the only roller coaster that Canadians rode in 2009. The Canadian dollar did an about face about the same time as global equity markets. Between June of 2008 and March 12, 2009 the Canadian dollar slid to $0.77 USD after hovering around parity for the first half of 2008. Then, just as equity markets did, the Canadian Dollar took off and it finished the year at $0.96 USD. The sudden rebound was great for those headed south this winter but not welcomed by manufacturers and others selling Canadian goods into the U.S. For investors with money invested in the U.S. the recovery of U.S. investments was tempered by the Dollar's rise.

Government intervention continued with policy makers pushing stimulus packages intended to keep declining economies moving. The United States, through various stimulus programs, pumped $800 billion into the economy and estimates for other developed nations put that total in the same range. Interest rates remained at historic lows with the overnight rate in the U.S dipping below 0% at some points during 2009. As the year came to an end, most central banks were pledging to keep interest rates at or near these levels for the some time. With no immediate fear of inflation getting out of control, central banks have the will and ability to follow through on their statements.

As wild as 2009 was, the most interesting aspect of the year was not the size of the stimulus packages, the low interest rates or the remarkable recovery of equity markets but which nations are leading the recovery. In modern times we have come to expect that so called developed nations, and particularly the United States, will lead the world out of recessions and will pull the rest of the world along. This time, it is China that is leading the world out, indicating that a new world economic order is developing.

INVESTMENT OF THE FUND

The Police Pension Administration oversees the investments of the Police Pension Plan in accordance with the Investment Policy of the Police Pension Plan. The primary objectives of this investment policy are to:

- Meet the pension obligations as they occur and to ensure the long-term solvency of the Plan
- Achieve a real rate of return in excess of 4.00% over a ten year periods.
- Earn the stated performance objective for each asset class over a rolling four-year period

The Regina Police Pension Plan measures investment performance against two primary criteria:

1. A custom benchmark consisting of the indices that best represent each asset class, weighted to the respective target weight of those asset classes. In 2009 the benchmark was structured as follows:

ASSET CLASS	TOTAL FUND BENCHMARK	%
Canadian Equities	S&P/TSX 300 Index	35
U.S. Equities	S&P 500 Index (CAD)	9
	Russell 2500 Index (CAD)	6
International Equities	MSCI EAFE (CAD)	15
Canadian Universe Bonds	DEX Universe Bond Index	5
Mortgages	DEX 5 Year Conv. Res Mortgage Index	5
Canadian Long Bonds	DEX Long Bond index	10
Real Return Bonds	DEX Real Return Bond Index	10
Real Estate	IPD Canadian Property Index	5

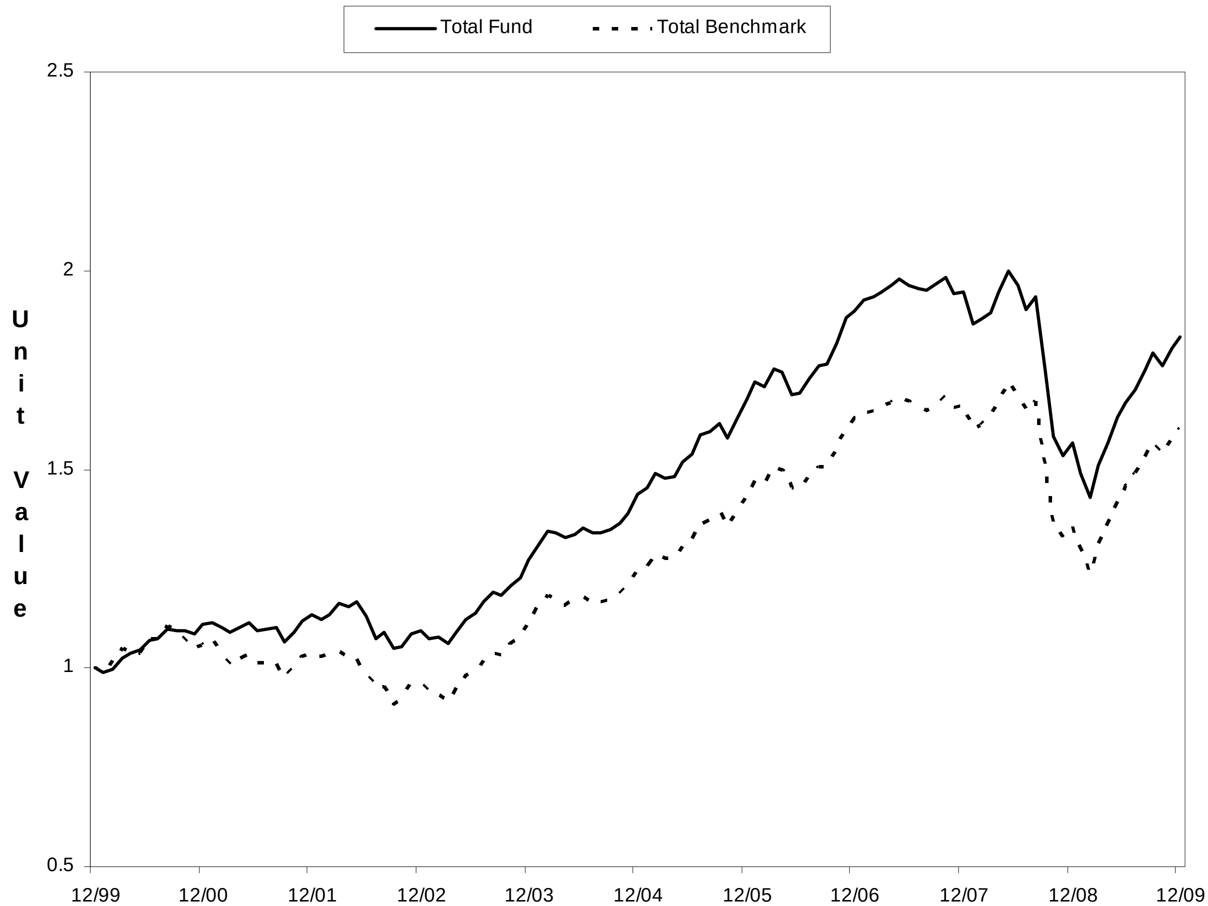
2. Inflation adjusted return of greater than 4% (greater than the Consumer Price Index (CPI) by 4%).

INVESTMENT RESULTS

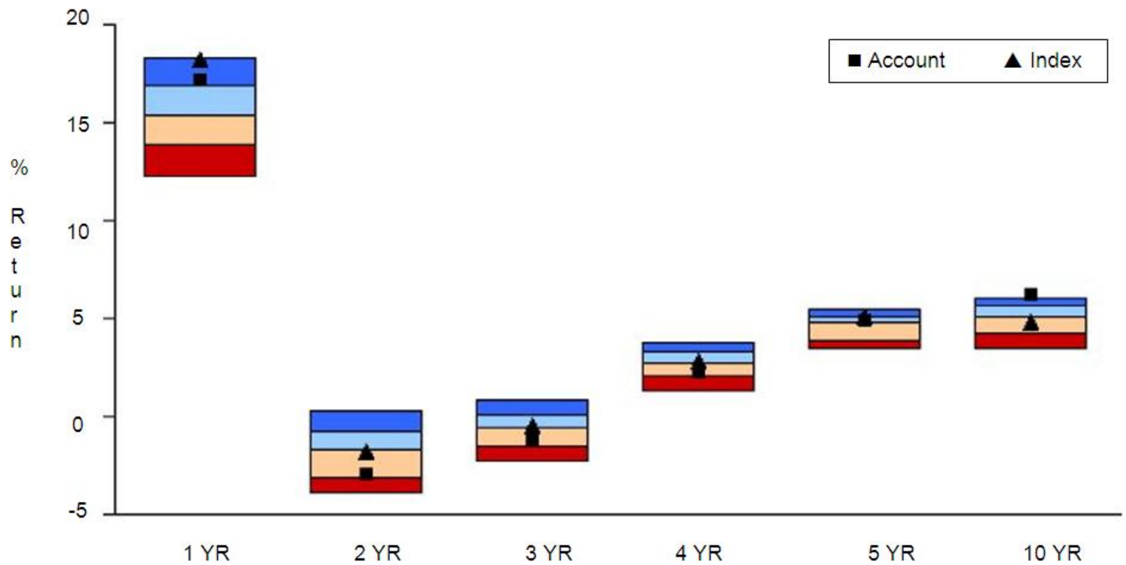
On a total fund basis the Police Pension Plan trailed the investment return of the custom benchmark by 1.1% with a return of 17.2%. Adjusted to inflation the Plan's investments exceeded the Consumer Price Index by 15.9%,beating the 4% adjusted return required by the Investment Policy.

One year investment returns are interesting to watch and form a piece of the ongoing administration of the Plan; however, pension investing is a long term proposition. Over the last five years the investment return has averaged 5.0%, trailing the benchmark by 0.1% while exceeding CPI by 3.2%, falling short of the long term inflation adjusted target by 0.76%. The effect of 2008 continues to be felt in the Plan's portfolio. Despite double digit returns in 2009, the investments have not exceeded inflation by 4% as per the Statement of Investment Policies and Procedures, nor has it exceeded the custom benchmark. Although this is of concern, it is important to remember that pension assets are invested for the long haul, to meet obligations that are out beyond 40 years. Over the last twenty years, the plan has achieved a compound, annual return of 8.4% and an annualized return net of inflation of 6.3%, meeting the stated objectives of the portfolio.

INVESTMENT RETURNS			**RETURN (%)**		
	1 YR	**2 YR**	**3 YR**	**4 YR**	**5 YR**
Total Fund	17.17	-2.90	-1.17	2.28	4.98
Total Fund Benchmark	18.30	-1.72	-0.46	2.85	5.12
Excess Return (%)	-1.13	-1.18	-0.71	-0.57	-0.14
Average CPI	1.30	1.25	1.63	1.65	1.74
Inflation Adjusted Return	15.87	-4.15	-2.80	0.63	3.24
Excess Return (> CPI+ 4%)	11.87	-8.15	-6.80	-3.37	-0.76



In 2009 the Regina Police Pension Plan's investment results were in the top quartile of Canadian Pension Plans and in the top decile over the ten year period.



CANADIAN PENSION UNIVERSE RANKING

	1 YR	2 YR	3 YR	4 YR	5 YR	10 YR
Total Fund Return (%)	17.17	-2.90	-1.17	2.28	4.98	6.25
Total Fund Percentile Rank	25	75	70	70	40	10
1st Quartile (%)	16.89	-0.71	0.19	3.33	5.16	5.71
3rd Quartile (%)	13.93	-3.02	-1.44	2.12	3.94	4.30
Median (%)	15.44	-1.70	-0.56	2.78	4.82	5.13

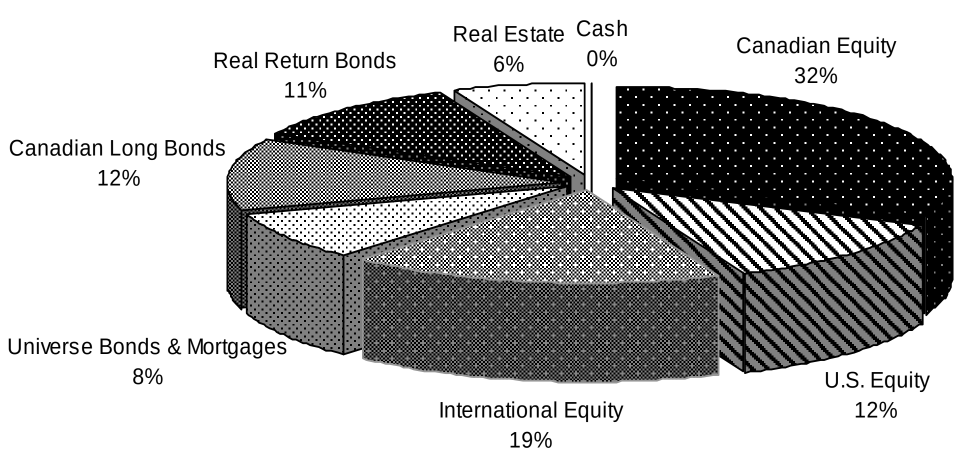
ASSET MIX

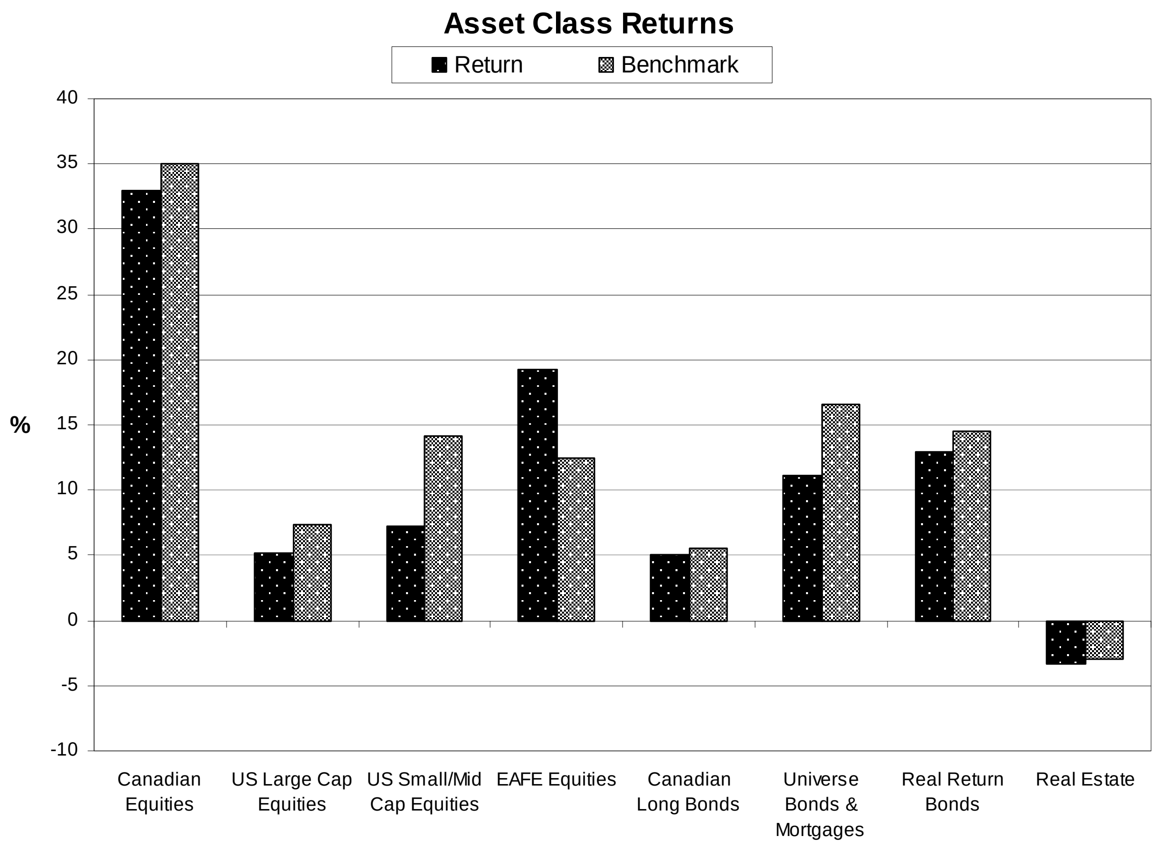
Total market value of the Police Pension Plan at December 31, 2009 was $211.7 million.

The Plan's assets are invested across several asset classes and with multiple investment managers to reduce the overall risk to the Plan. By spreading the investments out among different types of assets, different geographical areas and different investment styles the overall risk to the plan is reduced and the returns of the plan become less volatile.

The Plan does not manage currency within the portfolios, preferring to take a longer term approach that currencies will fluctuate in the short term, but will achieve some equilibrium over the longer term. In 2009 this approach detracted value from the Plan as the Canadian dollar rose. In 2008, the opposite was true. As the Canadian dollar declined in value, the portfolio was protected from some of the losses that were occurring in foreign markets at that time.

Asset Allocation (12/31/2009)

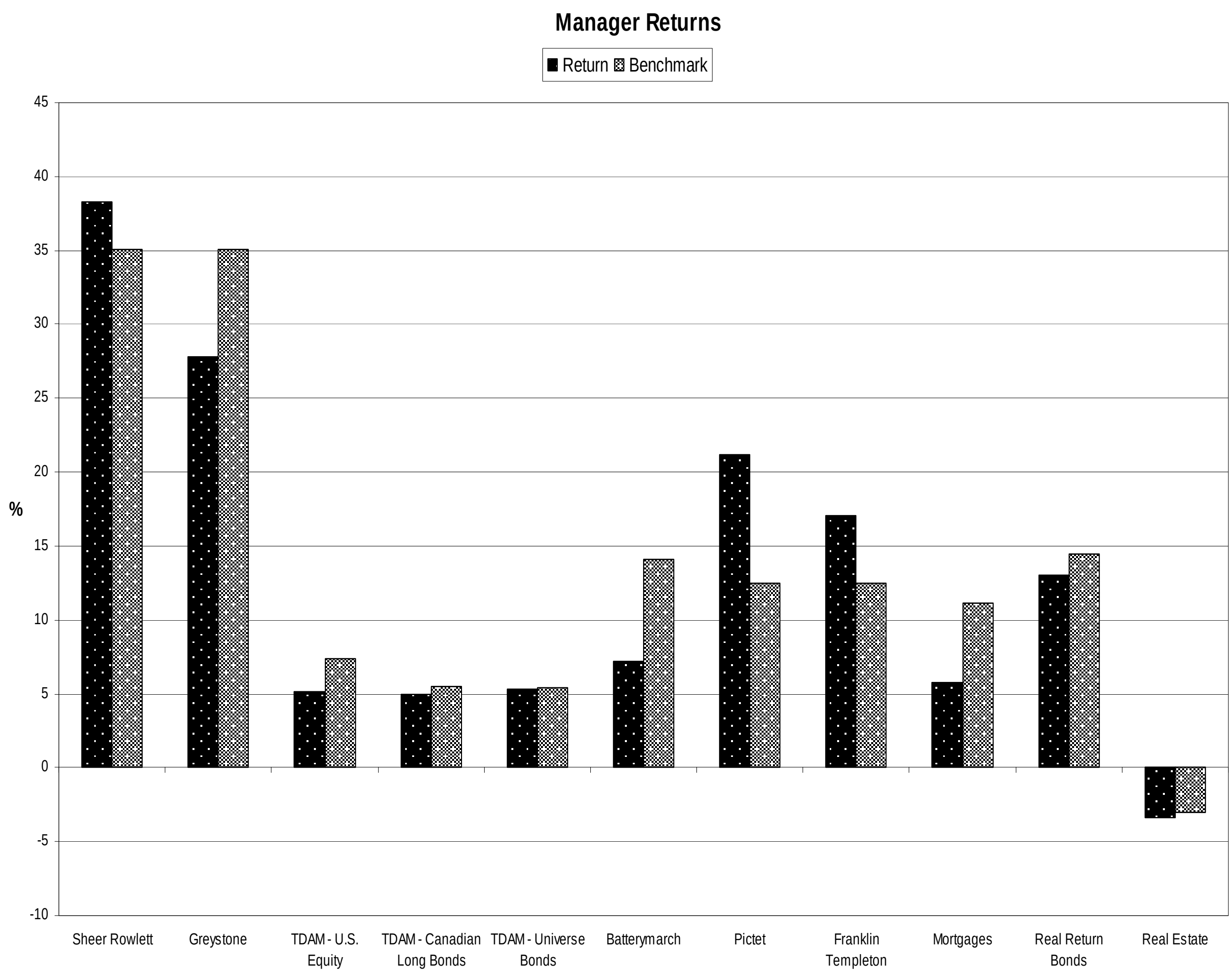



Asset Class Returns
Return
Benchmark
%
40
35
30
25
20
15
10
5
0
-5
-10
Canadian Equities
US Large Cap Equities
US Small/Mid Cap Equities
EAFE Equities
Canadian Long Bonds
Universe Bonds & Mortgages
Real Return Bonds
Real Estate

Investment Manager Results

In 2009 the assets of the Police Pension Plan were managed externally by the following managers:

MANAGER	MANDATE	START DATE
Sheer Rowlett & Associates	Canadian Equity	2008
Greystone Managed Investments	Canadian Equity & Real Estate	1998
TD Asset Management	Canadian Long Bonds & U.S. Equity	1998
Batterymarch Financial Management	U.S. Equity	2003
Pictet Asset Management	EAFE Equity	2008
Franklin Templeton Investments Corp.	EAFE Equity	1992
Addenda Capital Inc. (formerly Co-operators Investment Counselling Limited)	Mortgages	1995

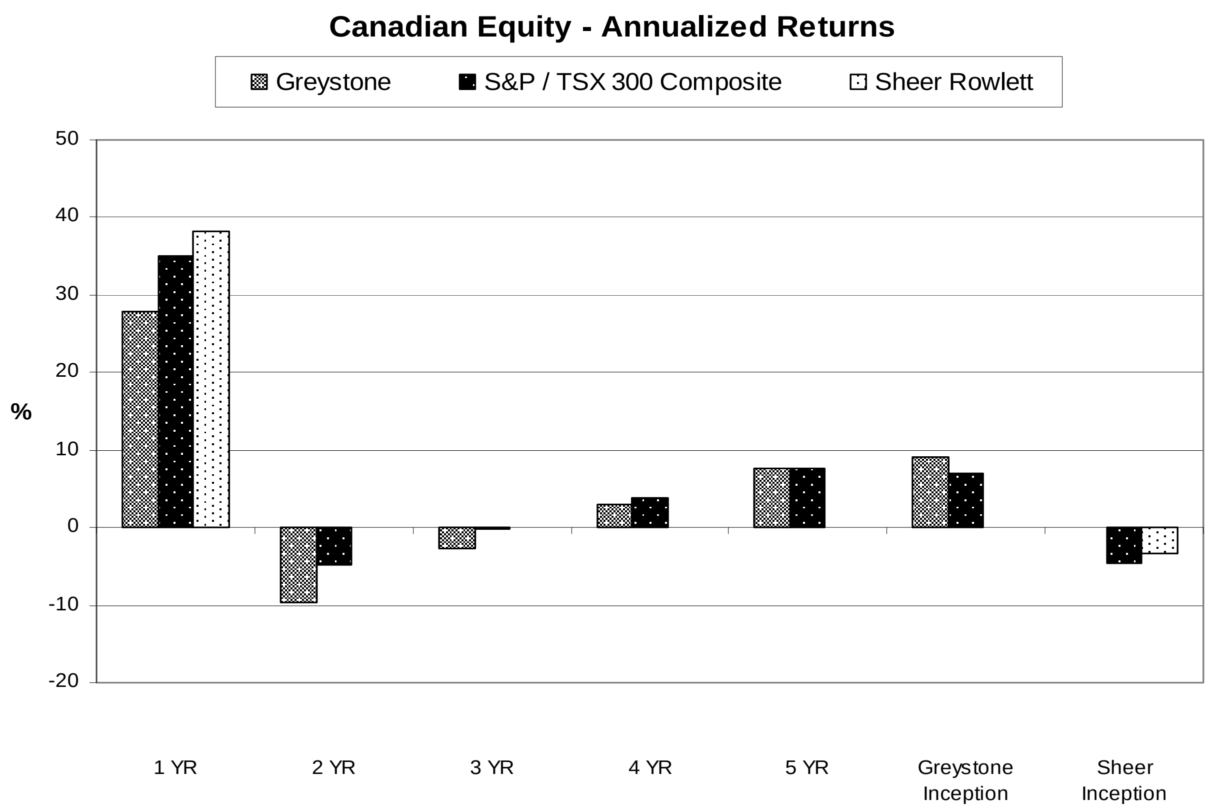


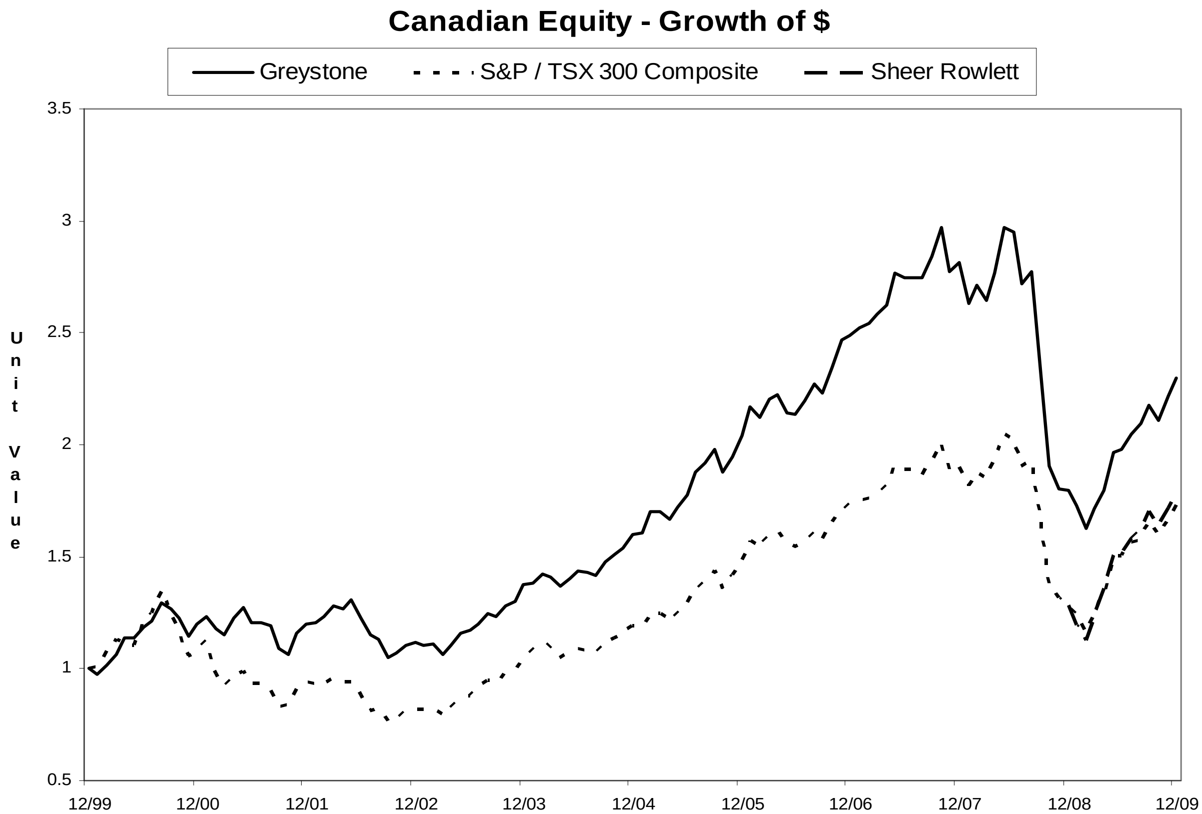
Canadian Equities

Canadian equities were managed by Greystone Managed Investments and Sheer Rowlett and Associates Investment Management in 2009. Prior to 2008 Greystone consistently outperformed the TSX/S&P 300 Composite Index. Greystone continued to struggle through the first three quarters of 2009 before returning to their previous form in the fourth quarter. Greystone's long term performance is reflected in their annualized returns for the five year time frame and since inception time frames shown below. Sheer Rowlett began managing Canadian equity assets for the Plan as of March 2008 and as such there is no data shown for them for periods longer than the one year. In 2009 Sheer Rowlett outperformed the S&P/TSX Composite by 3.2%, resulting in a return over the index of 1.3% since March of 2008.

CANADIAN INVESTMENT MANAGER ANNUALIZED RETURNS (CAD)

	RETURN %				
	1 YR	**2 YR**	**3 YR**	**4 YR**	**5 YR**
Greystone	27.82	-9.66	-2.63	3.00	7.52
Sheer Rowlett	38.29	N/A	N/A	N/A	N/A
S&P/TSX 300	35.05	-4.88	-0.21	3.90	7.66





U.S. Equity Managers

U.S. equities were managed by TD Asset Management and Batterymarch. TD Asset Management manages a passive large capitalized equities portfolio (companies with market values greater than $10 billion) and seeks to replicate the returns of the S&P 500 index. Batterymarch manages a small/mid capitalization portfolio (companies less than $10 billion) and is measured against the Russell 2500 Index.

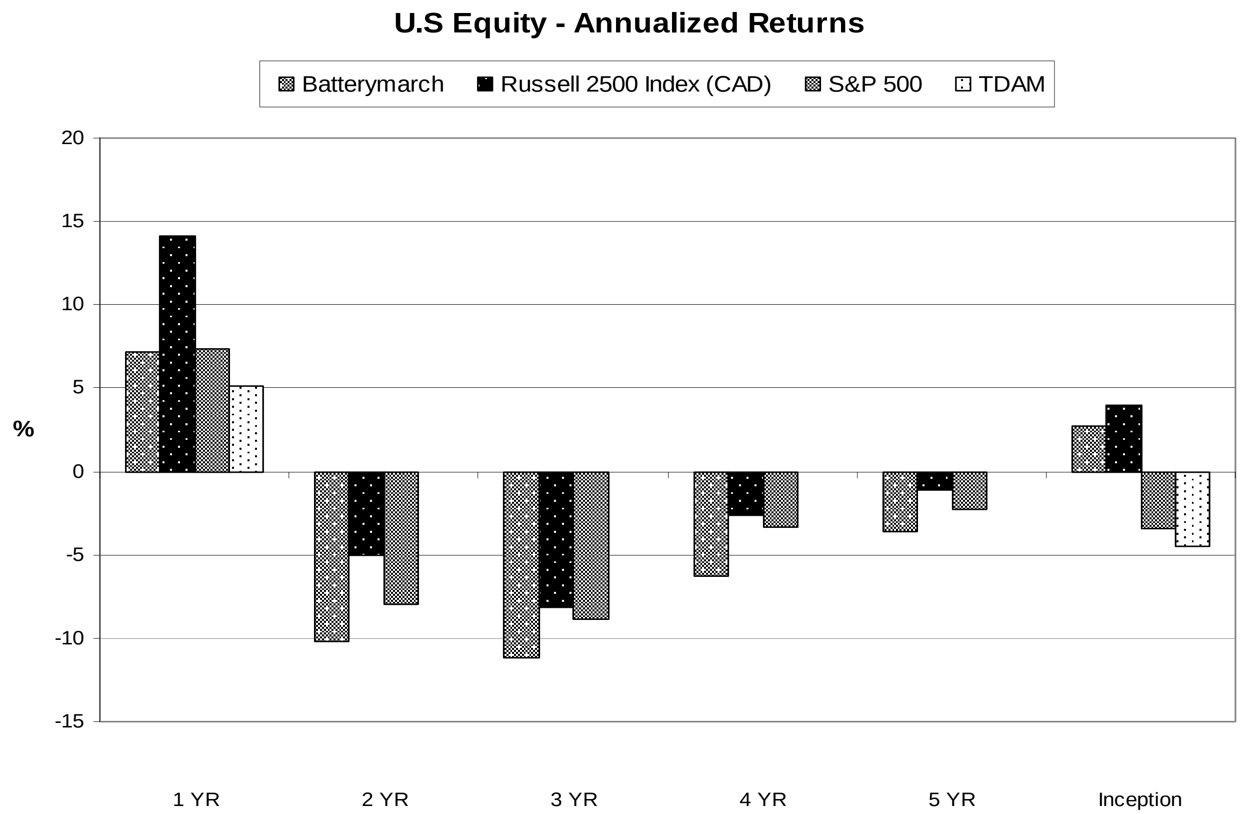
The appreciation of the Canadian Dollar in the latter half of 2009 tempered the returns from U.S. markets in 2009. Versus the U.S. dollar the Canadian dollar increased from $0.77 on March 12, 2009 to $0.96 on December 31, 2009. The 25% increase in the value of the Canadian dollar over the period resulted in the 25.8% return of the U.S. assets being reduced to 8.6%.

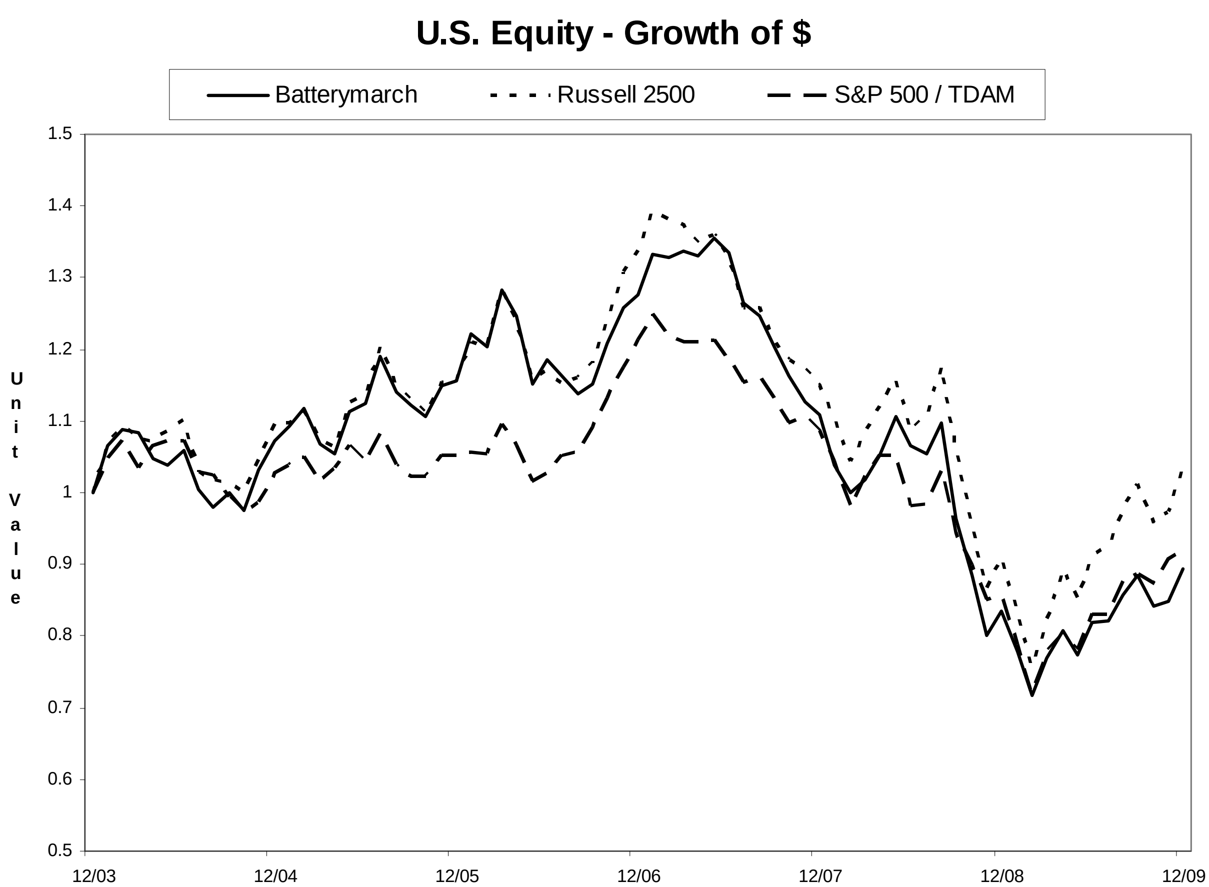
The TDAM U.S. equity portfolio returned 26.1% in U.S. dollars and 7.4% when converted to Canadian dollars.

As part of the portfolio restructuring started in 2009, the Board ended its relationship with Batterymarch in the 3rd quarter. Their return for the year was 24.3% trailing the Russell 2500 index for the period by over 6%. In Canadian dollars, Batterymarch generated a return of 7.2%. 2008 and 2009 were particularly tough years for Batterymarch and other managers that employ a quantitative style. The result of their poor performance over the past two years is that Batterymarch underperformed the Russell 2500 for all annualized periods since inception in 2003.

U.S. INVESTMENT MANAGER ANNUALIZED RETURNS (CAD)

	RETURN %				
	1 YR	**2 YR**	**3 YR**	**4 YR**	**5 YR**
Batterymarch	7.18	-10.21	-11.16	-6.23	-3.57
Russell 2500 Index (CAD)	14.12	-5.01	-8.11	-2.66	-1.10
TDAM	5.12	N/A	N/A	N/A	N.A
S&P 500	7.39	-8.00	-8.85	-3.33	-2.23


U.S Equity - Annualized Returns
Batterymarch
Russell 2500 Index (CAD)
S&P 500
TDAM
%
20
15
10
5
0
-5
-10
-15
1 YR
2 YR
3 YR
4 YR
5 YR
Inception


U.S. Equity - Growth of $
Batterymarch
Russell 2500
S&P 500 / TDAM
Unit Value
1.5
1.4
1.3
1.2
1.1
1
0.9
0.8
0.7
0.6
0.5
12/03
12/04
12/05
12/06
12/07
12/08
12/09

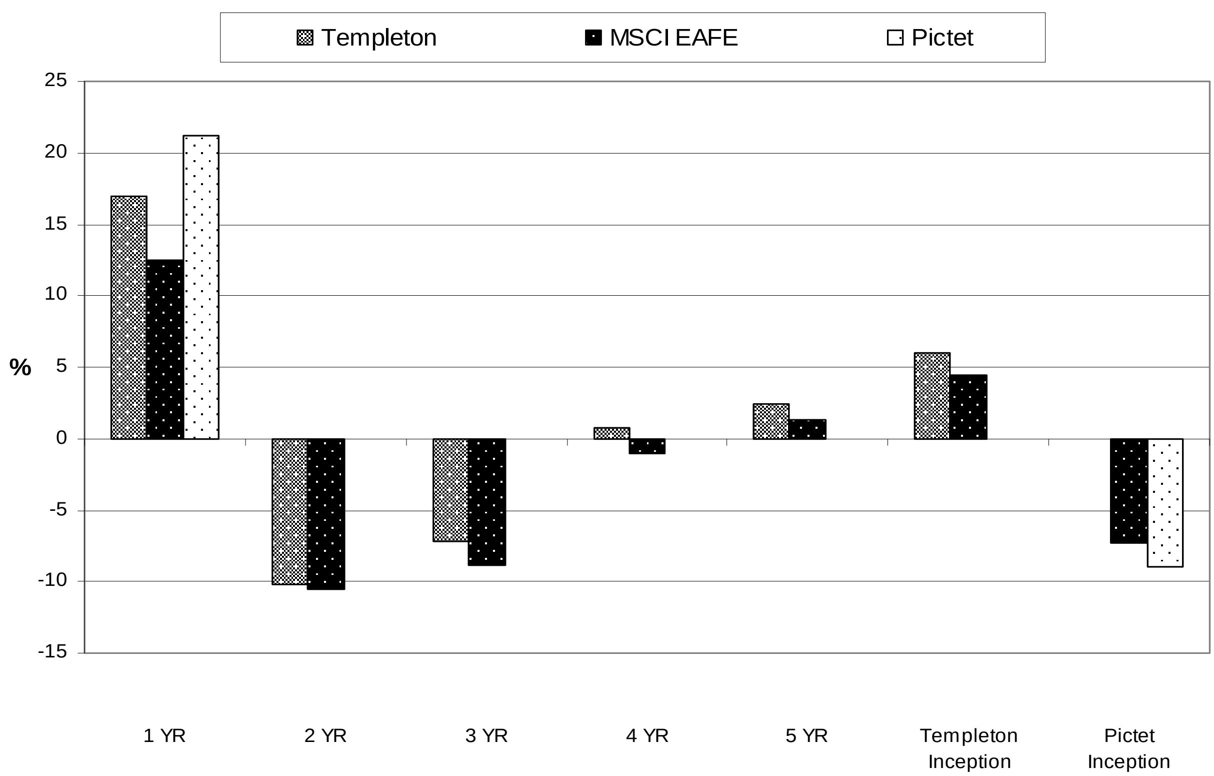
International Equities

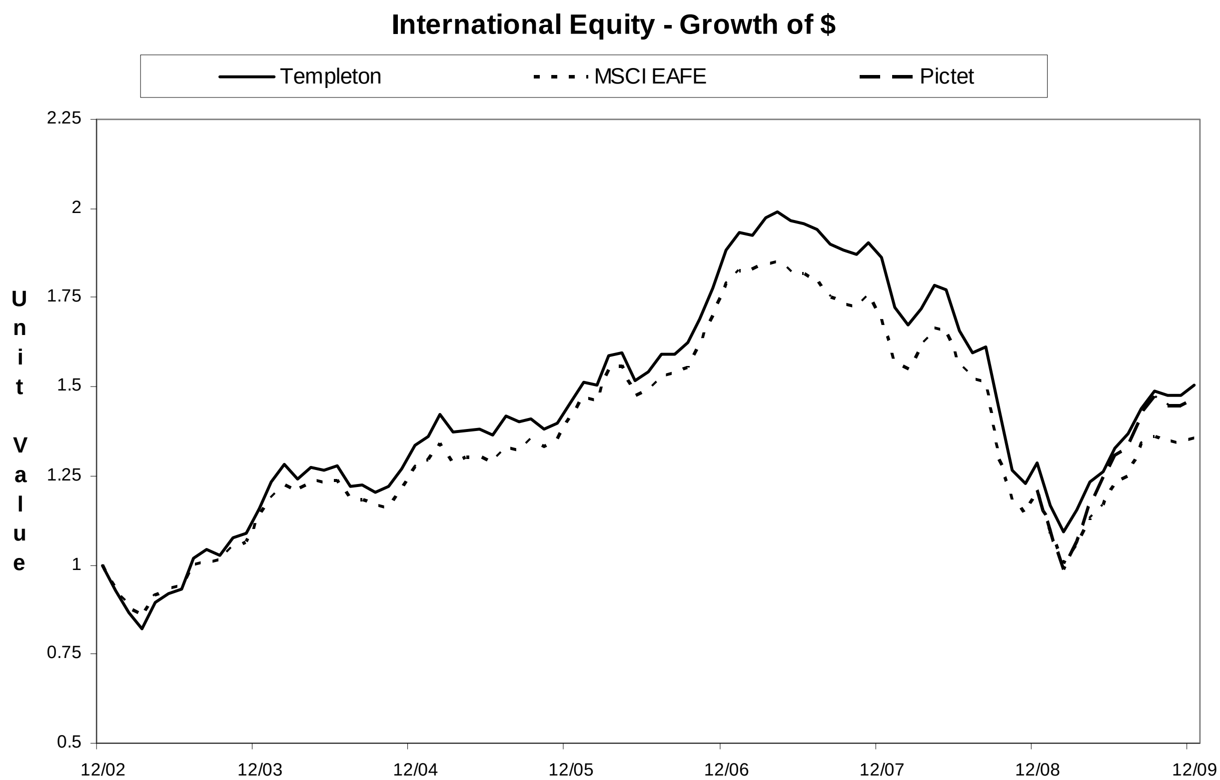
International equities were managed by Franklin Templeton Investments and Pictet Asset Management. Both managers are measured against the Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index). Both managers outperformed the MSCI EAFE index in both local currencies and Canadian dollars. Pictet Asset Management delivered a return of 38.9% in local terms and 21.2% in Canadian dollars. Franklin Templeton beat the index with a return of 29.3% in local currencies and 17.1% in Canadian dollars.

INTERNATIONAL INVESTMENT MANAGER ANNUALIZED RETURNS (CAD)

	RETURN %				
	1 YR	**2 YR**	**3 YR**	**4 YR**	**5 YR**
Franklin Templeton	17.01	-10.15	-7.22	0.81	2.39
Pictet	21.15	N/A	N/A	N/A	N/A
MSCI EAFE	12.49	-10.49	-8.80	-1.05	1.28

International Equity - Annualized Returns





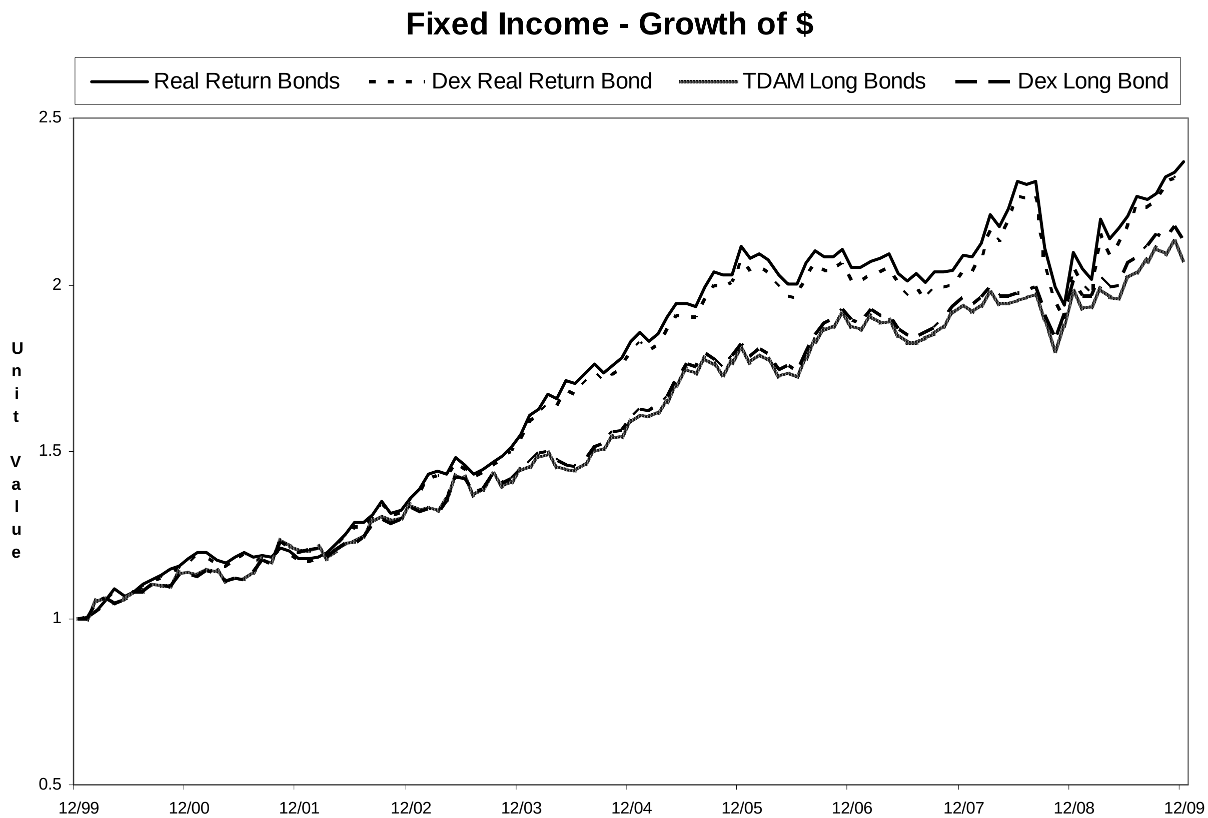
Bonds

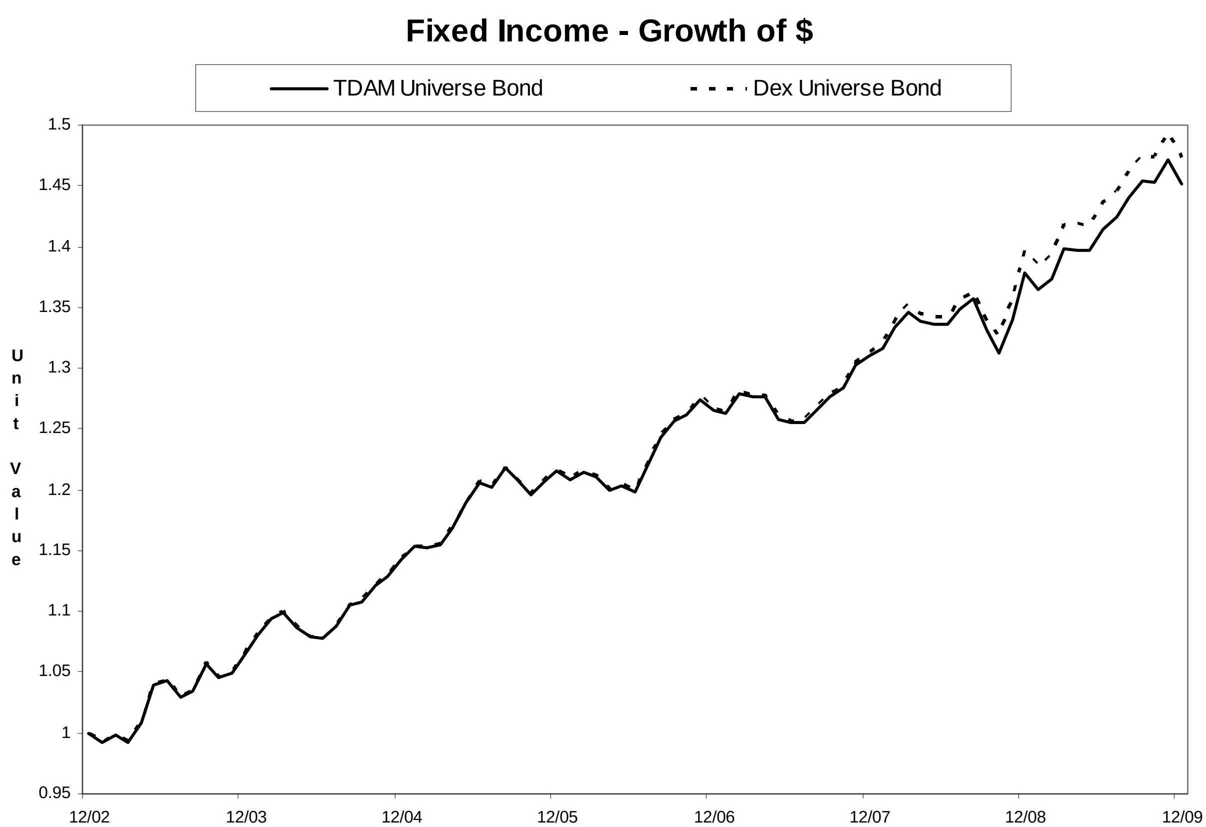
The long bond portfolio and the universe bond portfolio are managed by TD Asset Management. Both of these portfolios are passive portfolios and are managed to closely resemble the respective indexes. The belief is that it is very difficult to generate returns in Canadian fixed income, especially after fees are taken into consideration. With a passive portfolio there is no expectation to outperform the index. The expectation is that the manager will match the index closely. The result being substantially reduced fees.

The real return bond portfolio is managed by the Administration and is a buy and hold strategy. The investments held in the portfolio are purchased with the intention of holding them throughout the life of the bond.

BOND MANAGER ANNUALIZED RETURNS (CAD)

	RETURN %				
	1 YR	**2 YR**	**3 YR**	**4 YR**	**5 YR**
Real Return Bonds	12.99	6.53	4.90	2.91	5.32
DEX Real Return Bond Index	14.50	7.23	5.32	3.20	5.50
TDAM Canadian Long Bonds	5.00	3.41	3.42	3.58	5.54
DEX Long Bond Index	5.49	4.07	3.86	3.91	5.83
TDAM Universe Bonds	5.34	5.23	4.69	4.53	4.91
DEX Universe Bond Index	5.41	5.91	5.16	4.88	5.20


Fixed Income - Growth of $
Real Return Bonds
Dex Real Return Bond
TDAM Long Bonds
Dex Long Bond
Unit Value
2.5
2
1.5
1
0.5
12/99
12/00
12/01
12/02
12/03
12/04
12/05
12/06
12/07
12/08
12/09

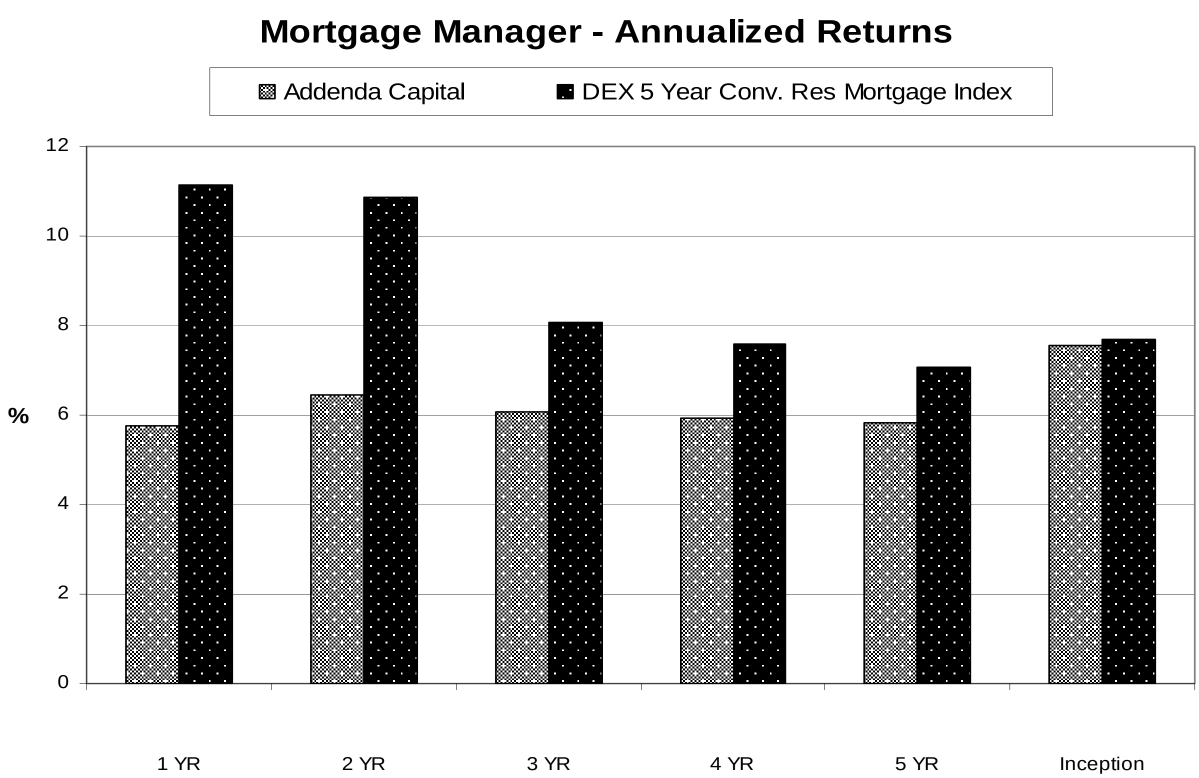

Fixed Income - Growth of $
TDAM Universe Bond
Dex Universe Bond
Unit Value
1.5
1.45
1.4
1.35
1.3
1.25
1.2
1.15
1.1
1.05
1
0.95
12/02
12/03
12/04
12/05
12/06
12/07
12/08
12/09

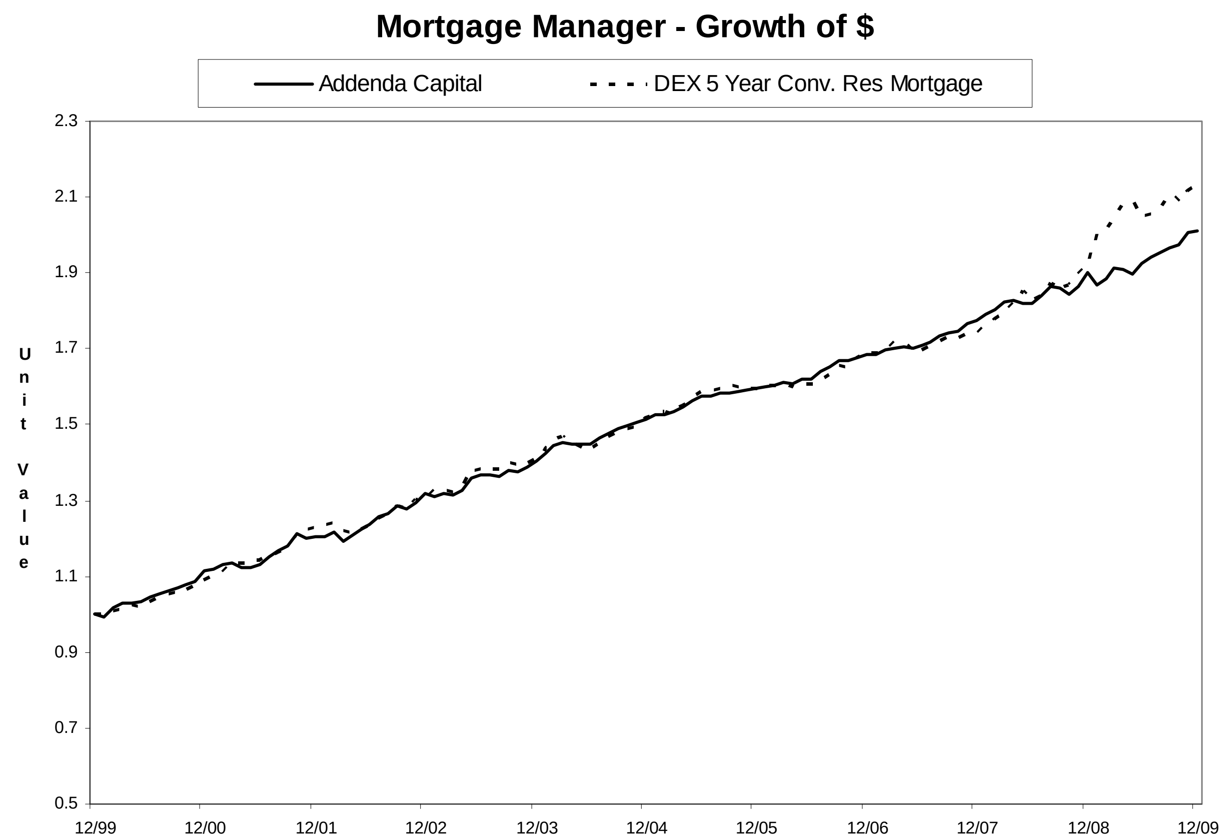
Mortgages

The Mortgage portfolio was managed by Addenda Capital Inc. (formerly Co-operators Investment Counseling). The portfolio is measured against the DEX Conventional Residential 5 Year Mortgage Index. In 2009 Co-operators was able to return 5.8% versus the benchmark which returned 11.2%. Although there seems to be a significant level of underperformance it is important to understand that the index measures residential mortgages while the portfolio only invests in commercial mortgages. Under normal circumstances the difference between the two is close enough to consider the index adequate. This changed as result of the credit crisis that occurred in 2007/2008. No work has been done to replace the index as the asset class is being abandoned as part of the portfolio restructuring currently under way.

MORTGAGE MANAGER ANNUALIZED RETURNS (CAD)

	RETURN %				
	1 YR	**2 YR**	**3 YR**	**4 YR**	**5 YR**
Addenda Capital	5.75	6.46	6.07	5.94	5.84
DEX 5 Year Conv. Res Mortgage Index	11.15	10.85	8.06	7.57	7.05





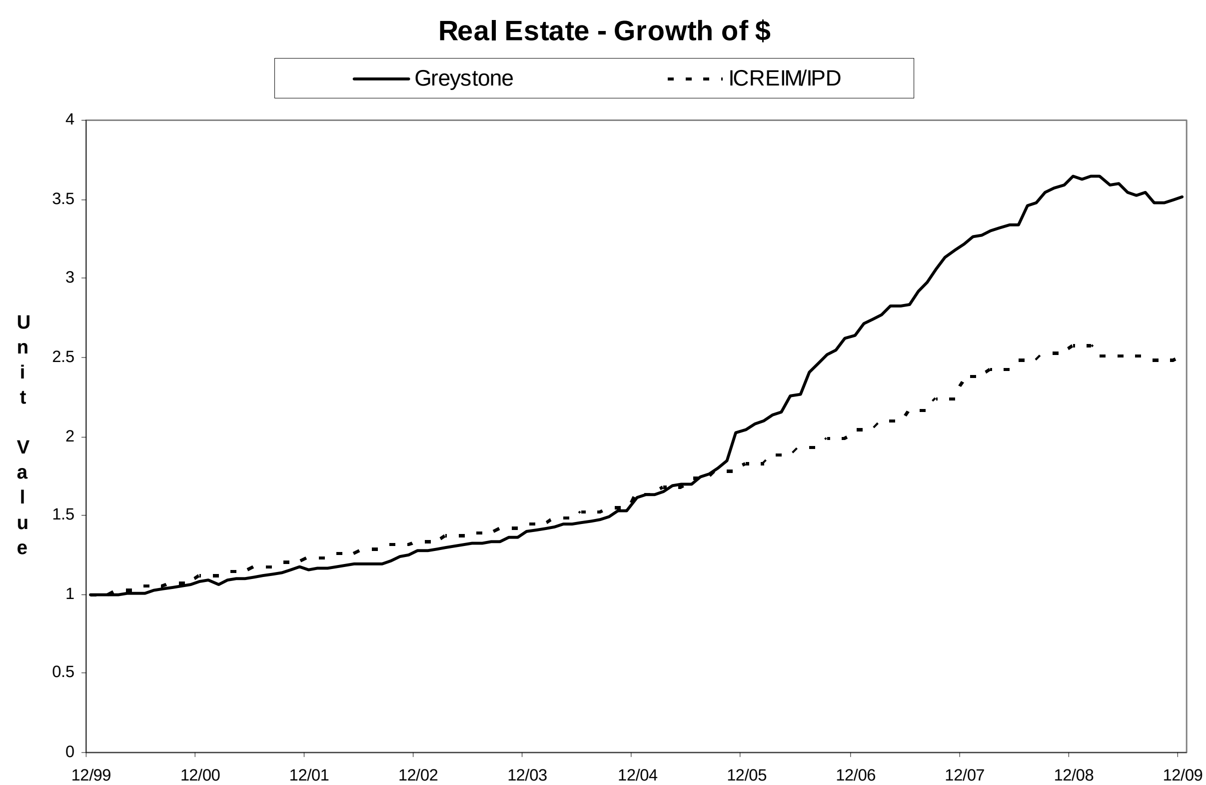
Real Estate

The Real Estate portfolio was managed by Greystone Managed Investments. The portfolio is measured against the ICREIM/IPD Property Index. In 2009, the Real Estate portfolio declined by 3.4%, trailing the index by 0.4% for the year. Over the previous five years Greystone consistently outperformed the index with a compounded annual return of 16.8% versus a return of 8.8% for the index.

REAL ESTATE MANAGER ANNUALIZED RETURNS (CAD)

	RETURN %				
	1 YR	**2 YR**	**3 YR**	**4 YR**	**5 YR**
Greystone	-3.37	4.66	10.11	14.62	16.83
ICREIM/IPD	-2.99	2.58	6.92	8.09	8.82

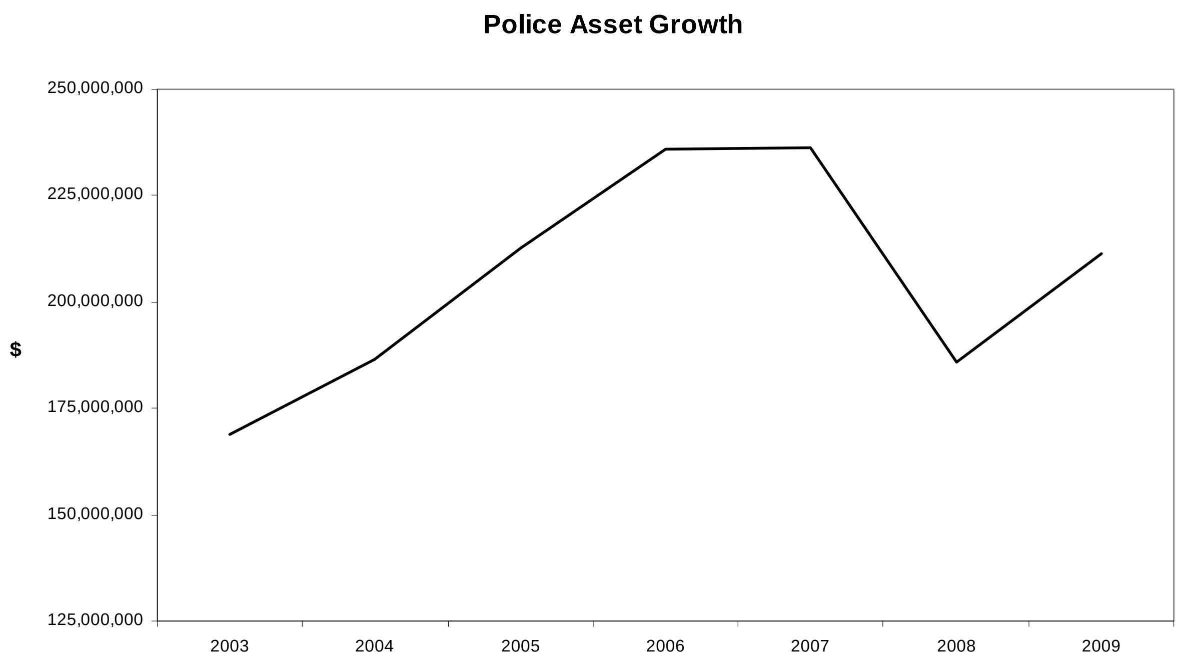

Real Estate - Annualized Returns
Greystone
ICREIM/IPD
20
15
10
%
5
0
-5
1 YR
2 YR
3 YR
4 YR
5 YR
Inception


Real Estate - Growth of $
Greystone
ICREIM/IPD
4
3.5
3
2.5
2
1.5
1
0.5
0
Unit Value
12/99
12/00
12/01
12/02
12/03
12/04
12/05
12/06
12/07
12/08
12/09

HISTORICAL RETURNS

1. Growth of the Plan

   Over the past twenty years, the assets of the Police Pension Plan have grown significantly as shown below:



There are four main factors that contribute to the size of the asset base of the Plan. These factors are the investment income earned over the year, the contributions made to the Plan by the employer and employees, the Plan's Administration and Investment expenses, and the benefit payments made to pensioners. Investment income, contribution revenues, and benefit payments over the last ten years are shown below:

FOR THE YEAR ENDING DECEMBER 31, 2009	INVESTMENT INCOME / (LOSS) ($ MILLIONS)	REVENUE FROM CONTRIBUTIONS ($ MILLIONS)	BENEFIT PAYMENTS $ EXPENSES ($ MILLIONS)
2009	31.2	9.9	-15.6
2008	-45.3	9.5	-14.7
2007	5.7	8.6	-14.0
2006	28.0	8.4	-13.1
2005	30.3	8.0	-12.3
2004	21.5	7.7	-11.7
2003	22.8	6.1	-11.0
2002	-6.0	5.7	-10.0
2001	3.5	5.9	-10.8
2000	14.8	5.9	-8.9

2. Historical Annual Total Returns

While investment performance is measured and reviewed quarterly, it is important to maintain a longer-term perspective due to the nature of the liabilities of the Plan. When reviewing the 2008 performance in relation to a longer investment horizon and considering the effects of inflation over time. The annual investment performance and annualized real rates of return of the Police Pension Plan for the last twenty years are as follows:

HISTORICAL INVESTMENT RETURNS/CONSUMER PRICE INDEX

	NOMINAL			ANNUALIZED		
YEAR	**RETURN**	**CPI**	**REAL RETURN**	**RETURN**	**CPI**	**REAL RETURN**
2009	17.17%	1.30%	15.87%	17.17%	1.30%	15.87%
2008	-19.50%	1.20%	-20.70%	-2.88%	1.25%	-4.14%
2007	2.40%	2.40%	0.00%	-1.15%	1.63%	-2.78%
2006	13.40%	1.70%	11.70%	2.30%	1.65%	0.65%
2005	16.50%	2.10%	14.40%	5.00%	1.74%	3.26%
2004	12.80%	2.10%	10.70%	6.26%	1.80%	4.47%
2003	16.60%	2.10%	14.50%	7.68%	1.84%	5.84%
2002	-3.70%	3.80%	-7.50%	6.18%	2.08%	4.08%
2001	2.20%	0.70%	1.50%	5.73%	1.93%	3.79%
2000	11.00%	3.20%	7.80%	6.25%	2.06%	4.18%
1999	7.10%	2.60%	4.50%	6.33%	2.11%	4.21%
1998	8.80%	1.00%	7.80%	6.53%	2.01%	4.50%
1997	10.50%	0.70%	9.80%	6.83%	1.91%	4.90%
1996	16.40%	2.20%	14.20%	7.49%	1.93%	5.54%
1995	18.40%	1.70%	16.70%	8.18%	1.92%	6.25%
1994	0.30%	0.20%	0.10%	7.67%	1.81%	5.86%
1993	19.50%	1.70%	17.80%	8.33%	1.80%	6.52%
1992	5.60%	2.10%	3.50%	8.18%	1.82%	6.35%
1991	19.70%	3.80%	15.90%	8.76%	1.92%	6.84%
1990	1.20%	5.00%	-3.80%	8.37%	2.07%	6.28%

(1) Nominal rate of return is the actual rate of return earned in the year.
(2) The Consumer Price Index is published monthly by Statistics Canada. The rate of change provides a measure of inflation.
(3) Real rate of return is the return earned after the effect of inflation is removed.
(4) Annualized real rate of return is the return earned after the effect of inflation is removed, over a specific time period.

SUMMARY OF POLICE PENSION PLAN EXPENSES

ADMINISTRATION	
Pensions & Disability - Salaries & Benefits	$ 148,550
Professional & Membership Dues	1,458
Conferences, Travel & Seminars (1)	16,972
CPAS Systems Inc.	9,136
Aon Consulting	45,073
Deloitte & Touche LLP	11,191
McDougall Gauley	770
Hewitt Associates	24,974
Government of Saskatchewan	2,600
City of Regina Finance Department	15,200
City of Regina Facilities Department	3,870
SaskCentral	6,430
Telephone	3,005
Postage & Courier Charges	3,264
Police Administrative Board Meetings	1,436
Computer Lease & Hardware, Equipment Maintenance	3,800
Publications	435
Stationary, Office & Printing Supplies	178
Printing Costs	5,090
Furniture, Fixtures, & Office Equipment	832
Miscellaneous	414
INVESTMENT POLICY	
Northern Trust Corporation	110,263
TD Asset Management	44,100
Aon Consulting	79,546
INVESTMENTS	
Greystone Managed Investments	207,592
Addenda Capital Inc.	49,057
TD Asset Management	11,597
Batterymarch Financial Management	62,812
Franklin Templeton Investments Corp.	127,313
Pictet Asset Management	95,228
Sheer Rowlett and Associates	95,763
TOTAL	$ 1,187,949

(1) The following Pension & Disability Administration Staff attended conferences in 2009 that were paid for by the Fund. Refer to pages 8-9 for Conferences attended by the Police Administrative Board members.

J. Folk	Canadian Institutional Investors Summit	Toronto, ON
G. Schlosser	2009 CPBI Western Regional Conference	Whistler, BC

REGINA POLICE PENSION PLAN

Auditors' Report

To: The Administrative Board of the Regina Police Pension Plan

We have audited the statement of net assets available for benefits and accrued pension benefits and deficit of the Regina Police Pension Plan (the "Plan") as at December 31, 2009 and the statement of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Chartered Accountants

Regina, Saskatchewan

Regina Police Pension Plan

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND DEFICIT

(dollars in thousands)

As at December 31, 2009

	2009	2008
ASSETS		
Cash	**1,181**	1,334
Investments - Note 4	**210,257**	184,409
Accrued Income Receivable	**264**	263
	211,702	186,006
LIABILITIES		
Accounts Payable	**602**	456
Net Assets Available for Benefits	**211,100**	185,550

ACCRUED PENSION BENEFITS AND DEFICIT		
Accrued Pension Benefits - Note 6	**268,646**	258,700
Deficit	**(57,546)**	(73,150)
Accrued Pension Benefits and Deficit	**211,100**	185,550

See accompanying notes.

Approved by:

______________________________Board Member

______________________________Board Member

Regina Police Pension Plan

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
(dollars in thousands)

For the Year Ended December 31, 2009

	2009	2008
INCREASE IN NET ASSETS		
Investment Income - Note 7	**31,230**	-
Contributions		
Employee Contributions	**4,861**	4,652
Employer Contributions	**5,022**	4,877
	41,113	9,529
DECREASE IN NET ASSETS		
Investment Loss - Note 7	**-**	45,343
Benefits Payments	**14,023**	13,123
Pension Refunds	**350**	428
Administrative Expenses - Schedule	**1,190**	1,136
	15,563	60,030
Net Increase (Decrease) for the Year	**25,550**	(50,501)
Net Assets Available for Benefits, Beginning of Year	**185,550**	236,051
Net Assets Available for Benefits, End of Year	**211,100**	185,550

See accompanying notes.

Regina Police Pension Plan

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS

(dollars in thousands)

For the Year Ended December 31, 2009

	2009	2008
INCREASE IN ACCRUED PENSION BENEFITS		
Interest Accrued on Benefits	**16,599**	15,522
Accrual of Pension Benefits	**7,720**	6,896
Change in Actuarial Assumptions	**-**	16,027
Experience Losses	**-**	521
	24,319	38,966
DECREASE IN ACCRUED PENSION BENEFITS		
Benefit Payments	**14,023**	13,123
Pension Refunds	**350**	428
	14,373	13,551
Net Increase for the Year	**9,946**	25,415
Accrued Pension Benefits, Beginning of Year	**258,700**	233,285
Accrued Pension Benefits, End of Year	**268,646**	258,700

See accompanying notes.

1. Description of the Plan

The Regina Police Pension Plan (the "Plan") is a contributory defined benefit pension plan covering all eligible employees of the Regina Board of Police Commissioners (the "Commission"). The following description is a summary only. For more complete information, reference should be made to the Plan text.

(a) Funding Policy

Members' contributions are 11.33% on earnings up to the year's maximum pensionable earnings ("YMPE") and 12.83% on earnings over the YMPE. Employer contributions are 11.83% on a member's earnings up to the YMPE and 13.33% on earnings over the YMPE.

A portion of the members' and employer's regular contributions, estimated at $1,824 in 2009 ($1,805 in 2008) is being applied to meet the Plan's obligation under *The Pension Benefits Act, 1992* to liquidate the unfunded liability on a solvency basis as disclosed in the last actuarial valuation of the Plan.

(b) Benefits

Retirement pensions are based on the number of years of service multiplied by 1.26% to 2.00% of the best three consecutive years average salary.

Termination and survivor benefits are also available under the Plan.

The Plan also provides for the payment of lump sum benefits when a member dies or ceases to be employed by the Commission, subject to lock-in provisions.

(c) Income Taxes

The plan is a registered pension plan as defined in *The Income Tax Act* and is not subject to income taxes. Retirement allowances paid from the plan are subject to deductions that are withheld by the City of Regina and remitted to the Canada Revenue Agency.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered to be significant:

(a) Basis of Presentation of Financial Statements

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the Sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period, but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

2. Summary of Significant Accounting Policies (continued)

(b) Investments

Investments in equities are recorded at fair value which is determined using year-end market prices from recognized security dealers. Investment in bonds are recorded at fair value which is determined using mid market prices for a recognized security dealer. Transactions in bonds and equities are recorded as of the trade date.

Pooled funds are recorded based on the net asset value per unit of the underlying investments determined using year-end market prices at December 31, 2009. Short-term investments are recorded at fair value. Real estate and infrastructure are recorded at fair value as estimated by independent appraisals.

Investments denominated in foreign currency are translated at the exchange rate in effect at year end. Investment transactions and realized gains and/or losses are translated at the exchange rate in effect at the transaction date. Unrealized gains and losses resulting from exchange differences are included in the determination of the change in fair value of investments.

Commissions and other transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

(c) Investment Income

Interest income is recorded on the accrual basis. Dividend income from equity securities is recognized as entitlement arises. Realized gains and losses from the sale of investments are calculated using a weighted average cost basis and are reflected in earnings as incurred. Included in investment income is the increase (decrease) in the unrealized market value of investments held at year end.

(d) Foreign Exchange

Foreign investment purchases, sales and income are recorded in Canadian dollars at the exchange rate in effect at the transaction date. Foreign denominated investments and accrued income are translated at year end exchange rates. Unrealized gains and losses are included in the statement of changes in net assets available for benefits as part of the increase in unrealized market value of investments.

(e) Contributions

Contributions are accounted for on the accrual basis.

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and use assumptions that affect the reported amounts of asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimations.

(dollars in thousands)

2. Summary of Significant Accounting Policies (continued)

(g) Changes in Accounting Policies

In 2009, the Plan adopted the amendments to the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments - Disclosure. The amendments require the Plan to disclose and classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. These disclosures have been included in Note 3.

3. Fair Values of Financial Instruments

The following table summarizes the inputs used as of December 31, 2009 in valuing the Plan's investments and cash carried at fair values.

	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Equities	77,814	51,909	-	**129,723**
Fixed Income	-	54,733	12,394	**67,127**
Real Estate	-	-	13,266	**13,266**
Cash & Equivalents	914	369	38	**1,321**
Total	**78,728**	**107,011**	**25,698**	**211,437**

For the Plan's financial assets and liabilities other than its investments and accrued disability benefits liability, the carrying value approximates fair value given the short-term nature of these items. The accrued pension benefits is long term in nature and there is no market for settling these pension benefit obligations.

4. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to optimize the risk/return relationship of the Plan and to generate sufficient cash flows to meet pension benefits payments. Due to the long-term horizon of the Plans benefits, the Plan takes a long-term investment perspective.

	2009		2008	
	Market	**Cost**	Market	Cost
Short Term Investments	**300**	**300**	1,130	1,128
Fixed Income	**67,071**	**57,647**	57,690	49,955
Canadian Equities	**65,820**	**56,134**	58,640	69,585
US Equities	**26,173**	**27,334**	25,073	28,375
International Equities	**37,627**	**38,092**	28,003	34,940
Real Estate	**13,266**	**12,232**	13,873	7,582
Total Investments	**210,257**	**191,739**	184,409	191,565

The investments held by the Plan are subject to *The Pension Benefits Act, 1992,* and its regulations. Investment concentration in any one investee or related group of investees is limited to no more than 10% of the cost of the Plan's assets or no more than 30% of the votes that may be cast to elect the directors of the investee.

(dollars in thousands)

4. Investments (continued)

Asset Class		**Weight%**	**Expected Return%**	**Standard Deviation%**
Equities	Canadian Equities	15.0	8.5	15.6
	US Equities	6.0	8.5	14.5
	Global Equities	24.0	8.7	16.0
	Private Equities	10.0	10.5	24.2
Fixed Income	Long Bonds	30.0	5.2	10.0
	Universe Bonds & Mortgages	-	3.9	5.9
	Real Return Bond	10.0	4.3	8.3
Alternatives	Real Estate	5.0	6.2	7.5
Total Portfolio		**100.0**	**7.2**	**8.1**

In general and subject to the restrictions noted below, the Plan may invest in any of the following asset classes and investment instruments. The Plan's assets may be invested through in-house investment activities or through external agents including without limitation, mutual funds, pooled funds, segregated funds, unit trusts, limited partnerships, and similar vehicles as described in the regulations of the *Pensions Benefits Standards Act, 1993*.

<u>Cash and Short Term Investments</u>
The Plan may invest in cash and short term investments which consist of cash on hand, Canadian and US money market securities, such as treasury bills issued by the federal and provincial governments and their agencies, obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances, commercial paper, term deposits and contracts with life insurance companies.

<u>Equities</u>

	Target (%)	**Actual ($)**	**Actual (%)**	**Segregated (%)**	**Pooled (%)**
Canadian Equities	27.3	65,820	50.8	50.8	-
US Equities	21.8	26,173	20.2	-	20.2
International Equities	10.9	12,230	9.4	9.4	-
Global Equities	21.8	25,397	19.6	-	19.6
Private Equities	18.2	-	-	-	-
Total	**100.0**	**129,620**	**100.0**	**60.2**	**39.8**

Equities consist primarily of publicly traded shares, and in the case of Non-North American equities refer to investments in Europe, Australia and the Far East. The Plan may invest in any of the following: common and convertible preferred stock listed on a recognized exchange, securities convertible or exchangeable into common or convertible preferred stock, rights, warrants and special warrants for common or convertible preferred stock, installment receipts, private placement equities, American and global depository receipts, publicly traded investment trusts and/or index replicating vehicles.

The Plan holds equity investments in Canada, the United States and Non-North American markets through a combination of segregated accounts and pooled funds. The dividend yield on those accounts was 1.91% at the end of 2009. The Plan re-invests those earnings and does not rely upon them to fund benefit payments. Equities are valued using the current trading prices as of year end.

(dollars in thousands)

4. Investments (continued)

Bonds

	2009			2008		
	Market Value	**% Portfolio**	**Weighted Average Term to Maturity**	**Market Value**	**% Portfolio**	**Weighted Average Term to Maturity**
Federal	32,556	59.50	16.80	27,910	62.77	21.20
Federal Agency	1,770	3.20	10.80	1,796	4.04	4.90
Provincial	13,058	23.90	21.30	7,531	16.94	21.40
Provincial Agency	-	-	-	1,788	4.00	21.70
Municipal	307	0.60	18.50	410	0.92	17.60
Corporate	6,986	12.80	18.60	5,041	11.33	18.10
Portfolio	54,677	100.00	19.20	44,476	100.00	20.20

The Plan invests in Canadian Bonds and mortgages via a pooled fund. The pooled fund holds some cash and cash equivalents at all times. The Plan's proportional interest in the pooled fund includes cash and cash equivalents of $51 (2008 - $79) and mortgages of $12,394 (2008 - $13,135). For this analysis cash and mortgages have been excluded from the above chart.

Canadian bonds consist of government and corporate bonds and debentures. The Statement of Investment Polices and Procedures permits investment in all bonds, debentures, notes, non-convertible preferred stock, real return bonds and other debt instruments of Canadian issuers whether denominated and payable in Canadian dollars or a foreign currency including mortgage-backed securities, guaranteed under the National Housing Act (Canada), asset backed securities, term deposits and guaranteed investment certificates. It also permits investment in private placement of bonds that are rated by a recognized rating agency.

The Statement of Investment Polices and Procedures requires bonds to meet minimum standards. Only bonds of issuers rated BBB or higher are held in the portfolio. Currently, there are three bond portfolios. The TD Asset Management Long Bond Pooled Fund Trust which invests in bonds and debentures rated BBB or higher in a manner that replicated the characteristics of the DEX Long Bond Index, the TD Asset Management Universe Bond Pooled Fund Trust which invests in bonds and debentures rated A- or higher in a manner that replicates the characteristics of the DEX Universe Bond Index and a portfolio of Government of Canada Real Return Bonds.

Bonds are valued using the current trading prices as of year end.

Real Estate

The Plan invests directly in Canadian commercial property. At December 31, 2009 the Plan's Real Estate investment was valued at $13,266.

Real Estate is valued based on appraisals completed triennially by independent qualified real estate appraisers.

(dollars in thousands)

5. Investment Risk

Risk management relates to the understanding and active management of risks associated with all areas of the business and associated operating environment. Investments are primarily exposed to foreign currency, interest rate volatility, market and credit risk. Investments held by the Plan are subject to *The Pension Benefits Act, 1992* and The *Pension Benefits Standards Regulations, 1993*. As required under that legislation, the Plan has set formal policies and procedures that establish an asset mix among equity, fixed income and real estate investments, requires diversification of investments within categories, and sets limits on the size of exposure to individual investments.

Market Risk
Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Procedures.

Asset Class		**Index**	**Weight (%)**
Equities	Canadian	S&P/TSX Composite Index	15.0
	US	S&P 500 Index (Cdn$)	6.0
	Global	MSCI World (Cdn$)	24.0
	Private	MSCI World (Cdn$) + 3%	10.0
Fixed Income	Long Bonds	DEX Long Bond Index	30.0
	Real Return Bonds	DEX Real Return Bond Index	10.0
Alternatives	Real Estate	IPD Canadian Property Index	5.0
Total Portfolio			**100.0**

The impact on the net assets of the Fund due to a 10% change in the respective benchmark stock index using a three year historical measure of the sensitivity of the returns relative to the returns of the benchmark stock index, as of December 31, 2009 would result in an increase/decrease of 10.1% in the value of the portfolio.

Credit Risk
Credit risk refers to the potential for counterparties to default on their contractual obligation to the Plan. Credit risk is mitigated by entering into contracts with counterparties that are considered high quality. Quality is determined via the following credit rating agencies: DBRS, Standard and Poor's and Moody's Investor Service.

	2009	2008
Bonds	67,071	57,690
Short-Term Investments	300	1,130
Cash and Equivalents	1,182	1,334
Total Portfolio	68,553	60,154

(dollars in thousands)

5. Investment Risk (continued)

	2009		2008	
	Market Value	**% Bonds**	**Market Value**	**% Bonds**
AAA	**35,622**	**52.00**	31,006	51.60
AA	**7,900**	**11.50**	6,093	10.10
A	**10,593**	**15.50**	6,747	11.20
BBB	**563**	**0.80**	542	0.90
NR	**13,875**	**20.20**	15,766	26.20
Sub Total	**68,553**	**100.00**	60,154	100.00

The Plan participates in a securities lending program that permits lending certain securities to third parties for a fee. For securities lended, the Plan receives a fee and the borrower provides readily marketable securities of higher value as collateral. The securities held as collateral mitigate the credit risk associated with the program. At December 31, 2009 the Plan had securities with a market value of $31,400 ($18,600 - 2008) loaned out with collateral of $32,900 ($19,700 - 2008).

Interest Rate Risk

Interest rate risk refers to the effect on the market value of the Plan's investments due to fluctuation of interest rates. The risk may cause variation in the timing and amount of cash flows related to the Plan's assets and liabilities. Due to the indexing of benefit entitlements and the relatively long duration of pension benefits, the Plan's liabilities are influenced by inflation and long-term rates of return. Alternatively, asset values are affected more by equity markets and short-term changes in interest rates. The fixed income portfolio has guidelines on duration and distribution, which are designed to mitigate the risk of interest rate volatility.

	2009		2008	
	Total Exposure	**% of Fixed Income**	**Total Exposure**	**% of Fixed Income**
<1 yr	**2,628**	**3.80**	2,530	4.20
1-5 yrs	**14,093**	**20.60**	16,150	26.85
5-10 yrs	**1,290**	**1.90**	1,483	2.46
10-20 yrs	**22,225**	**32.40**	10,711	17.81
>20 yrs	**28,317**	**41.30**	29,280	48.68
Portfolio	**68,553**	**100.00**	60,154	100.00

At December 31, 2009 a 1% increase/decrease in interest rates would result in 11.2% change in the value of the Plan's fixed income portfolio or $6,100.

Foreign Currency Risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. The Plan manages foreign currency risk by limiting investment in foreign securities. The Board has adopted a non-hedge policy benchmark.

(dollars in thousands)

5. Investment Risk (continued)

Asset Class		Market Value (CDN)
Equities	Canadian	65,820
	US	26,173
	International	12,520
	Global	25,107
Fixed Income	Canadian	67,071
Short Term Investments	Canadian	300
Alternatives	Real Estate	13,266
Total Portfolio		210,257

The assets of the Plan can be further broken down as follows, to reflect the portfolio effect of a 1% increase in select currencies relative to CAD:

	Portfolio		Effect	
	Total Exposure ($)	**% of Total**	**%**	**$**
CAD	**146,556**	**69.70**	N/A	N/A
USD	**33,190**	**15.80**	1.33	2,813
EUR	**14,954**	**7.10**	0.85	1,803
GBP	**5,071**	**2.40**	1.37	2,882
YEN	**3,518**	**1.70**	2.00	4,213
AUS	**381**	**0.20**	1.06	2,238
OTHER	**6,587**	**3.10**	N/A	N/A
	210,257	**100.00**		

As 15.8% of the Plan's assets are held in US dollars this is the most significant foreign currency risk that the Plan faces. Based on the current non-hedged policy, a 1% change in the US exchange rate will result in a 1.33% change in the value of the portfolio. As of December 31, 2009 a 1% increase in the value of the US dollar, relative to the Canadian Dollar, would have resulted in a $2,800 gain or loss in the value of the investments.

Liquidity Risk
Liquidity risk arises from the difficulty of selling an asset when needed. The Plan is exposed to liquidity risk primarily through investment in illiquid assets such as real estate, that can not be sold readily. Liquidity risk is managed by limiting the Plan's exposure to illiquid assets through positive net cash inflows from member contributions in most months.

Real Estate Risk
Risk in the real estate portfolio is mitigated through diversification across geography and property type. Risk is further minimized by regularly scheduled appraisals of all properties and by limited use of leverage both at the individual property and portfolio level.

(dollars in thousands)

For the Year Ended December 31, 2009

6. Accrued Pension Benefits

The present value of accrued pension benefits is determined using the projected accrued benefit actuarial cost method prorated on service and reflects management's best estimates of future investment performance, salary escalation, age at retirement and future pension indexing up to the rate of inflation. Aon Consulting Inc. is the appointed actuary for the Plan. The actuarial value of accrued pension benefits has been determined as of December 31, 2009 by extrapolating the figures from December 31, 2007, the date of the last actuarial valuation.

The assumptions used in the valuation were developed with reference to expected long-term market conditions. Significant long-term assumptions used in the valuation were:

	2009	2008
Inflation Rate	**2.50**%	2.50%
Discount Rate	**6.50**%	6.50%
Rate of Salary Increase	**3.50**%	3.50%

Effective August 29, 2006, the termination clause of the Plan was amended. It now states that in the event of termination of the plan, the Administrative Board shall use the assets to provide benefits to those entitled in an equitable manner that will be determined by the Administrative Board on the advice from the Plan actuary and consistent with applicable legislation.

7. Investment Income (Loss)

	2009	2008
Miscellaneous Revenue	**4**	12
Cash and Short-Term Investments	**38**	124
Bonds Interest	**2,841**	2,761
Mortgages	**-**	483
Real Estate Income	**4,787**	738
Dividend Income	**3,567**	3,453
Foreign Exchange	**(16)**	(79)
Realized Gains on Sale of Investments	**(5,661)**	123
Change in Unrealized Market Value of Investments	**25,670**	(52,958)
Total	**31,230**	(45,343)

8. Related Party Transactions

	2009	2008
Accounts payable includes the following amount due to:		
Regina Civic Employees' Superannuation and Benefit Plan	**44**	-
City of Regina	**337**	263
Expenditures include the following amounts paid to:		
City of Regina	**34**	26

9. Statutory Actuarial Valuations

Statutory actuarial valuations are prepared periodically to determine the funding requirements of the Plan. The valuations are performed on both a going-concern basis and on a solvency (plan termination) basis. The actuarial methods and assumptions used to determine the Plan's obligations and the amounts disclosed in the Plan's financial statements are the same as are disclosed in the statutory going-concern actuarial valuation. However, the statutory solvency basis is not the same and the amounts disclosed are different.

The most recent statutory actuarial valuation that has been filed with regulatory authorities was prepared as at December 31, 2007 by Aon Consulting Inc. and disclosed a going-concern unfunded liability of $9,400 and a solvency surplus of $870.

Regina Police Pension Plan

SCHEDULE OF ADMINISTRATIVE EXPENSES
(dollars in thousands)

For the Year Ended December 31, 2009

	2009	2008
Administrative Expenses		
Actuarial Services	**45**	70
Audit Services	**11**	8
Custodial and Portfolio Measurement Fees	**154**	169
Investment Manager Fees	**649**	683
Legal Services	**1**	7
Other Administrative Expenses	**330**	199
	1,190	1,136