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# The Regina Police Pension Plan



Annual Report &  
Audited Financial Statements

December 31, 2012

## Table of Contents

Message from the Chairperson .....	1
Executive Summary .....	2
About the Plan .....	3
Pension Plan Governance.....	5
Administrative Board Responsibilities .....	8
Administrative Board Activities .....	10
Education & Training .....	14
Financial Highlights .....	16
Investment of the Fund .....	18
Market Overview.....	21
Investment Results.....	24
Pension Plan Expenses.....	28
Independent Auditor's Report.....	29
Audited Financial Statements.....	30

# Message from the Chairperson

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I am pleased to present the Annual Report for The Regina Police Pension Plan for the year ended December 31, 2012.

In this report you will find the following:

- a brief description of the benefits available to members of the Plan;
- membership information including the number of active and retired members, and changes in membership that occurred in 2012;
- the composition of the Administrative Board and its role as trustees and administrator 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 2012;
- historical investment returns; and
- the annual financial statements for 2012, audited by KPMG LLP.

In 2012 the Administrative Board focused their efforts on the ongoing discussions regarding Plan design. A 9.89% annual return on investments resulted in a slight reduction to the plan deficit in the amount of \$3.5M however investment returns alone will not be enough to erase the deficit over time. As the ratio of active members contributing to the Plan decreases relative to the number of retired members drawing a pension, less cash will be infused into the Plan. As well, with record low interest rates and record high longevity, liabilities will continue to grow. Representatives for the Regina Police Association, the Senior Officers' Association, and Out of Scope members, along with the Board of Police Commissioners have been working diligently on plan design changes that will benefit members. Significant progress has been made towards ensuring the sustainability of the Plan.

This year we bid farewell to three long-standing members of the Administrative Board. We were pleased to welcome Inspector Dean Rae to the Board in April 2012 after Inspector Marlo Pritchard retired from his position with the Regina Police Service. As well, Mayor Pat Fiacco resigned his position on the Board following the Municipal Election in October and Mayor Michael Fougere was appointed in his place. Lastly, Leslie Shaw announced his intention to step down from his position on the Board at the end of 2012 and Bob Watt was appointed in his place beginning in 2013. On behalf of the Board I wish to express our sincere appreciation to all for their contributions.

I would like to take this opportunity to thank the members of the Administrative Board for their contribution. Along with the talented and dedicated staff of the Pensions & Disability Administration Department, we are committed to securing the retirement future of our members through prudent investment and responsible decision-making.

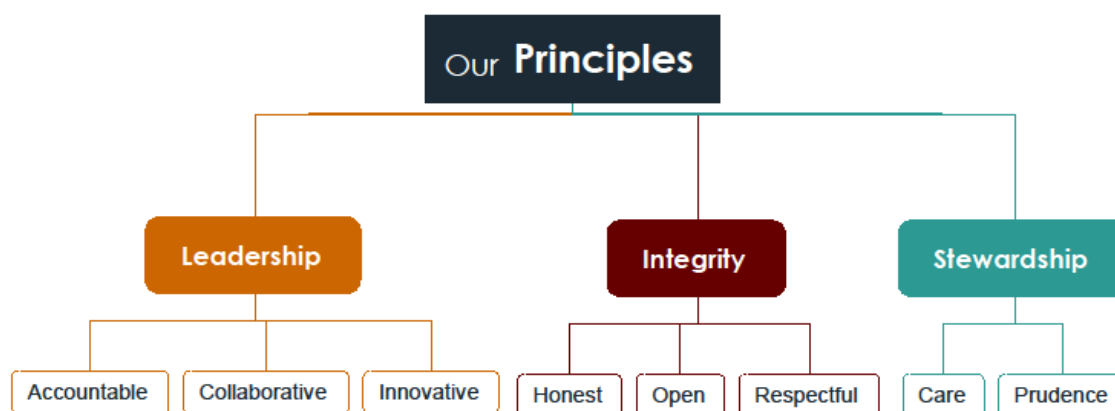
A handwritten signature in blue ink, which appears to read "Bernie Eiswirth". The signature is stylized and written in a cursive-like font.

Bernie Eiswirth  
Chairperson, The Regina Police Pension Plan

Total members belonging to the Plan rose from 995 as of December 31, 2011 to 1,013 as of December 31, 2012. 2012 saw a decrease in new members enrolled in the Plan from 32 in 2011 to 29 in 2012 as well as an increase in members terminating from the Plan from 4 in 2011 to 11 in 2012. The number of new retirement pensions established decreased from 20 in 2011 to 10 in 2012.

The Pensions & Disability Administration Department saw a 72% increase in the overall number of pension quotes requested from 2011 to 2012. This reflects an increase of 47% in the number of retirement quotes, from 34 in 2011 to 50 in 2012. As part of the Board's objective for efficient and effective governance the Board formally adopted and measured service standards with regard to member service.

To build confidence and trust, the Board has identified three primary principles that underlie what they do. From the core formed by the duty to the beneficiaries the Board conducts their business based on three primary principles; Leadership, Integrity and Stewardship.



In 2012 the Board participated in a formal education workshop. The event included a presentation from the Saskatchewan Healthcare Employees' Pension Plan, an introduction to both infrastructure investing and bond overlays, and a governance workshop co-presented by Brown Governance and the Johnson-Shoyama Graduate School of Public Policy.

The Board is committed to providing information that is timely, accurate, unbiased, frank and purposeful. In 2012 the Board developed and adopted a formal *Communication Plan* which outlines the types of information the Board is committed and/or required to share, the timelines for providing such information, and the methods of communication available.

Over the past year, the net assets available for benefits experienced an increase from a balance of \$231.2 million at the end of 2011, to a balance of \$248.2 million at the end of 2012. The Plan's pension obligations increased from a balance of \$274.9 million at the end of 2011 to \$288.2 million at the end of 2012, resulting in a deficit of \$40.0 million, an 8.2% decrease from 2011. Total invested assets of the Plan (including accrued income) were \$248.3 million. Contributions for the year were \$12.0 million, while total payments from the fund were \$17.7 million. Total payments included \$16.0 million in pension payments, \$474,000 in refunds and transfers for terminations plus \$1.2 million in administration and investment expenses. Net investment income for the year, including changes in fair value of investments, was 9.89% or \$22.6 million.

# About The Plan

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As a defined benefit pension plan, The Regina Police Pension Plan provides eligible members with a retirement income based on a formula that takes into account the member's earning history and length of service in the Plan. The Plan was established December 2, 1957, and was restated in its current form, as Schedule "A" of The Regina Police Pension Plan, effective January 1, 1992.

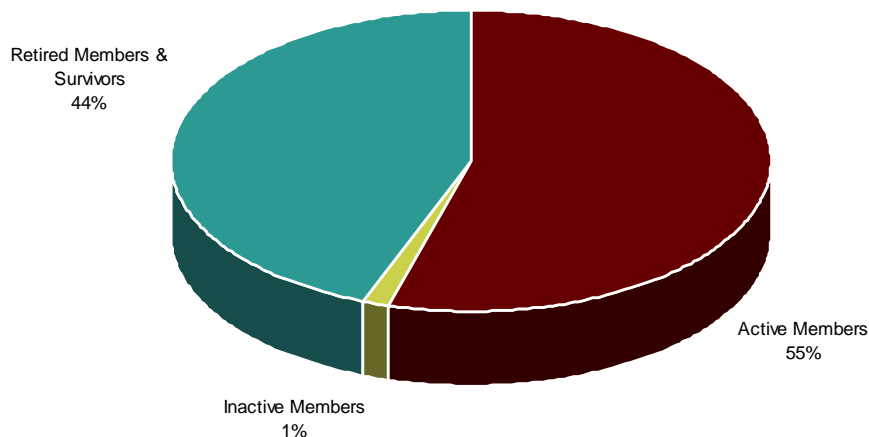
Some of the benefits of belonging to the Plan include:

- normal retirement at age 60 for Police members and age 65 for Civilian members;
- unreduced early retirement after 25 years of pensionable service or at age 55, regardless of service;
- a lifetime monthly pension based on the average of the highest three consecutive years of pensionable earnings multiplied by pension accrual factors of 1.26% up to the *Canada Pension Plan* Yearly Maximum Pensionable Earnings (YMPE) and 2.00% for earnings above the YMPE;
- a temporary bridge benefit of 0.74% of the average of the highest three consecutive years of pensionable earnings up to the YMPE payable to age 65 for members who meet unreduced early retirement requirements;
- annual cost of living adjustments at a rate of 1/2 of any increase in the *Consumer Price Index* (Canada) year over year to a maximum of 3.00 in any one year;
- vesting in the Plan after two years of continuous service;
- termination benefits and portability options;
- survivor benefits before and after retirement; and
- continued accumulation of service while on disability.

Plan members contribute 11.33% of pensionable earnings up to the YMPE and 12.83% on pensionable earnings above the YMPE. The employer contributes 11.83% on pensionable earnings up to the YMPE and 13.33% on pensionable earnings above the YMPE.

Plan membership includes 553 active members who are still working and contributing to the Plan, 13 inactive members who are no longer contributing to the Plan but are entitled to receive benefits upon retirement, and 447 retired members and survivors who are currently receiving a pension. During 2012, the Plan enrolled 29 new members, established 10 new retirement pensions, and 11 members terminated from the Plan.

## Member Demographics





# About The Plan

The operational activities of the Plan are performed by the Pensions & Disability Administration Department. The staff of the Pensions & Disability Administration Department provides assistance to members regarding their individual benefit entitlements. In 2012 the Department produced two newsletters, published in March and December.

In 2012 the department ran 67 pension quotes for Police Plan members including 50 retirement quotes, 6 termination quotes, and 11 other pension calculations. As part of the Board's objective for efficient and effective governance the Board formally adopted and measured the following service standards with regard to member service.

Member Service	Service Standard	Service Standard Met
<b>Member Calculations:</b>		
Retirement & Termination Estimates	10 Business Days	90%
Other Pension Calculations	15 Business Days	90%
<b>Member Payments:</b>		
Member Payments	1 Month	100%
<b>Member Correspondence:</b>		
Termination Option Letters	10 Business Days	100%
Death Option Letters (Active)	10 Business Days	100%
Death Option Letters (Pensioner)	7 Business Days	100%



*Standing (left to right): Irfan Chaudhry, Robyn Derkatch, Kerry Trofimuk, Vivian Lund, Shieliah Loutit, Juliana Wong, Lana Miller, Kristy Howse, Tracey Halvorson*  
*Seated (left to right): Colyn Lowenberger, Brent Magnus*  
*Not Pictured: Glenda Schlosser*

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To access additional information regarding the Plan, please visit our website located at [www.reginapensions.ca](http://www.reginapensions.ca).

The Plan is governed by a Board of Trustees made up of six voting members, comprised of three employer representatives and three employee representatives. The employer representatives are appointed by the Board of Police Commissioners. The employee representatives are made up of two representatives appointed by the Regina Police Association, and one other appointed by the Senior Officers' Association.

The Board is required to meet at least 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 during 2012 were:

**Bernie Eiswirth, Chairperson**

Mr. Eiswirth was appointed by the Regina Police Association in 1995 and has acted in the role of Chairperson or Vice-Chairperson for the past 12 years. Mr. Eiswirth retired from the Regina Police Service in January of 2001 and has held the position of Executive Officer of the Saskatchewan Federation of Police Officers for the past 12 years.

**Councillor Wade Murray, Vice-Chairperson**

Councillor Murray was appointed by the Board of Police Commissioners in 2006. He has owned several small businesses in Regina with the latest venture in the renovation and sprayfoam industry, Ultimate Insulation Inc. Councillor Murray serves on a number of boards and committees and is currently sitting for his fourth term on Regina City Council, representing the residents of Ward 6.

**Mayor Pat Fiacco**

Mayor Fiacco was appointed by the Board of Police Commissioners in 2000. He was the City of Regina's 33<sup>rd</sup> Mayor as well as the Chairperson of the Board of Police Commissioners. Mayor Fiacco stepped down from his position after the civic election held in October 2012.

**Staff Sergeant Evan Bray**

Staff Sergeant Bray was appointed by the Regina Police Association in 2010. He has been a member of the Regina Police Service for 18 years. Staff Sergeant Bray has been involved with the Regina Police Association for 16 years. He is currently the President of both the Regina Police Association and the Saskatchewan Federation of Police Officers. Staff Sergeant Bray also sits as the Saskatchewan Director on the Canadian Police Association.

**Leslie Shaw**

Mr. Shaw was appointed by the Board of Police Commissioners in 1999 following his retirement from the role of City Solicitor for the City of Regina.

**Inspector Darren Wilcox**

Inspector Wilcox was appointed in 2004 and currently sits on behalf of the Regina Police Senior Officers' Association. Inspector Wilcox is an Inspector with the Regina Police Service in charge of the Central District, Community Services.

**Staff Sergeant Darrin McKechnie (Observer)**

Staff Sergeant McKechnie was appointed in 2008 and has served in both an acting and observer role throughout the years. Staff Sergeant McKechnie also holds the position of Treasurer on the Regina Police Association Executive.

**Inspector Dean Rae (Observer)**

Inspector Rae was appointed by the Regina Police Senior Officers' Association in 2012 to sit as an observer. He is currently an Inspector with the Regina Police Service and the Executive Officer to the Chief.



# Pension Plan Governance



*Left to Right: Inspector Darren Wilcox, Staff Sergeant Evan Bray, Bernie Eiswirth, Bob Watt (appointed 2013), Staff Sergeant Darrin McKechnie*

*Not Pictured: Mayor Pat Fiacco, Leslie Shaw, Councillor Wade Murray, Inspector Dean Rae*

The Board met 8 times during 2012. Following is the Board Meeting attendance for each Member.

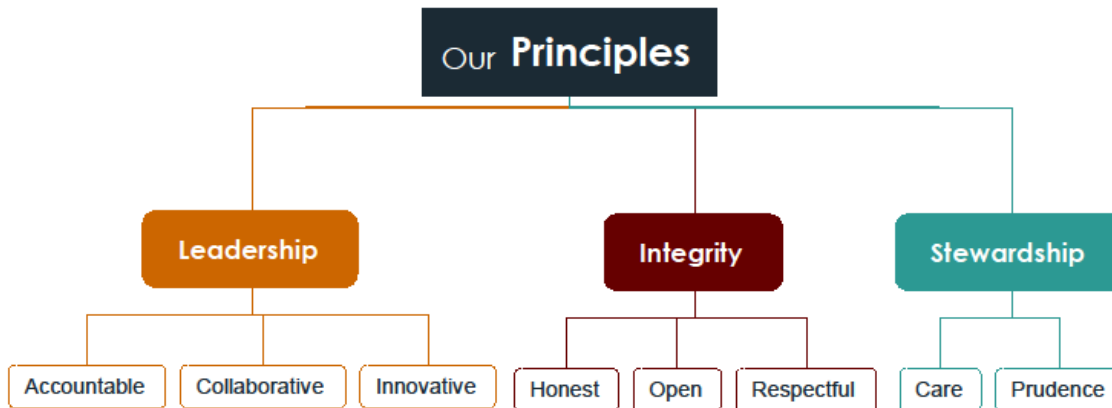
Trustee	Meetings Attended	Trustee	Meetings Attended
Bernie Eiswirth	8	Leslie Shaw	8
Councillor Wade Murray	5	Inspector Darren Wilcox	7
Mayor Pat Fiacco	4	Staff Sergeant Darrin McKechnie	4
Staff Sergeant Evan Bray	6	Inspector Dean Rae*	4

*\*Appointed April 2012*

A pension plan represents the combined retirement assets of its membership. The value of the benefit earned is often the largest financial asset belonging to any given member and forms the basis of their livelihood in retirement. As a result, plan beneficiaries and the law demand that those charged with administering a pension plan conduct their affairs to the highest standards.

In law, the standard by which those charged with administering a pension plan are measured is that of the fiduciary. By its very nature the fiduciary duty is owed solely to the beneficiaries and paramount to earning their confidence and trust. Confidence and trust are earned over time and lost in an instant. They are earned through adherence to legislation and sound business decisions. More importantly, confidence and trust are earned each day through how an organization conducts its business.

To build confidence and trust, the Board has identified three primary principles that underlie what they do. From the core formed by the duty to the beneficiaries the Board conducts their business based on three primary principles; Leadership, Integrity and Stewardship.



### **Leadership**

We are passionate about people and driven to inspire and motivate ourselves and others. As Leaders we are:

- **Accountable** – Leaders hold themselves and others accountable for actions, results, successes and failures.
- **Collaborative** – Leaders recognize the value of working together, towards common goals, and understand that the whole is greater than the sum of its parts.
- **Innovative** – Leaders encourage creativity and understand that innovation requires being different.

### **Integrity**

We understand that trust is earned through actions and consistently act with candour and in good faith. We are:

- **Honest** – We are truthful, accurate and straight forward in all of our dealings.
- **Open** – We conduct ourselves in an open and transparent fashion.
- **Respectful** – We treat everyone with respect and dignity.

### **Stewardship**

We are the custodians of one of the largest assets our members have. As stewards we are:

- **Careful** – We fully employ the knowledge and skills that we individually and collectively possess to diligently balance risk and opportunity.
- **Prudent** – We are judicious and cautious (in practical affairs).

# Administrative Board

## Responsibilities

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### 1. Compliance With Legislation

The Board ensures the Plan is administered in compliance with all appropriate legislation and benefits are paid appropriately to members. The Plan must comply with legislation under *The Pension Benefits Act, 1992* (Saskatchewan), *The Pension Benefits Regulations, 1993* (Saskatchewan), and the *Income Tax Act*.

### 2. Pensions & Disability Administration Department

The Pensions & Disability Administration Department reports to the Board on all aspects of Plan administration. The Board reviews the performance of the department 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

The Board ensures that the annual financial statements for the Plan are prepared, an annual audit is conducted of the Plan, and the results filed with the regulatory authorities. The current auditors for the Plan are KPMG LLP and the statements audited by them are included in this report. In addition, Annual Returns must be filed with the Superintendent of Pensions and Canada Revenue Agency.

### 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 at least every three years and must be filed with the Superintendent of Pensions and Canada Revenue Agency. The purpose of the valuation is to provide an actuarial estimate of the present value of the Plan's liabilities and assets plus determine whether the assets are adequate to meet the obligations or a contribution increase is required. The Plan is considered solvent when the present value of the assets exceeds the actuarial estimate of the Plan liabilities. The Plan's current actuary is Aon Hewitt Consulting.

### 5. 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.

### 6. Fund Management

The Board is responsible for making investments in accordance with the investment requirements contained in *The Pension Benefits Act, 1992* (Saskatchewan) and other relevant legislation. The activities the Board performs to fulfill this responsibility include regular reviewing of investment activities, ensuring compliance with the Statement of Investment Policies & Procedures and monitoring investment results.

### 7. Risk Management

The Board defines risk and outlines appropriate risk management practices. The Board must work with the Administration to identify the principal risks to the Plan and set an overall risk budget. The Board provides direction with regards to risk objectives and approach to risk management through its policies, and provides guiding principles for risk tolerance.

### 8. Performance Measurement

The Board ensures the various investment managers are managing the fund assets in an appropriate manner and in compliance with the Statement of Investment Policies & Procedures. As part of this duty, the Board hires a Performance Management Service that reports quarterly on the performance of the fund, the performance of the individual managers and whether the managers are in compliance with the Statement of Investment Policies & Procedures. Northern Trust provides performance management services.

# Administrative Board Responsibilities

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## 9. Policy Documents

To support the objectives of the Plan the Board has developed and implemented the following policies:

- Administration Policy
- Code of Conduct
- Communication Plan
- Funding Policy
- Procedural Rules
- Purchasing Policy
- Risk Management Framework
- Statement of Investment Policies & Procedures
- Travel Policy
- Trustee Education Policy

# Administrative Board Activities

## Why do we exist?

We exist to provide secure and affordable retirement benefits.

## What do we want to accomplish?

Efficient & Effective Governance

Managed Risk & Returns

Financially Sustainable

Engaged Sponsors and Members

## Efficient & Effective Governance

Governance is the process used for decision-making and the process by which decisions are implemented, or not. Governance is about achieving desired results, in the right way, and it is the cornerstone of every organization. Governance is multi faceted with elements that are legislated, elements that are agreed to, elements that are historic and elements that are self determined. Some are outside the control of an organization and can only be changed through influence. Those within the control of an organization can be moulded by and evolve with an organization.

We understand that governance is the cornerstone of every organization and recognize that in order to fulfill our duty we must continually seek ways to improve how decisions are made and implemented. Where we have the authority to change and improve, we will. Where we do not we will collaborate with and influence those who have the authority to change and evolve. All with an eye to building governance practices that permit efficient and effective decision making.

Initiative	Actions	Outcomes	Targets & Measures
Formal Planning	<ol style="list-style-type: none"> <li>1) Establish &amp; implement planning cycle</li> <li>2) Define, measure and manage to relevant metrics</li> </ol>	<ol style="list-style-type: none"> <li>1) Planning meeting &amp; discussions</li> <li>2) Establish relevant metrics</li> </ol>	<ol style="list-style-type: none"> <li>1) 1<sup>st</sup> meeting held in 2012                             <ul style="list-style-type: none"> <li>• minimum of 1/year</li> </ul> </li> <li>2) Metrics established in 2012                             <ul style="list-style-type: none"> <li>• risk appetite</li> <li>• investment returns</li> <li>• service level standards</li> </ul> </li> </ol>
Organization	<ol style="list-style-type: none"> <li>1) Independent, focused on managing pension and disability plans</li> <li>2) Appropriate structure</li> <li>3) Development &amp; deployment of human resources</li> </ol>	<ol style="list-style-type: none"> <li>1) Establish an independent entity</li> <li>2) Review organization structure                             <ul style="list-style-type: none"> <li>• determine needs</li> <li>• re-allocate staff</li> <li>• adapt to fit</li> </ul> </li> <li>3) Staffing gaps identified and filled                             <ul style="list-style-type: none"> <li>• succession plan</li> <li>• development</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>1) Business plan adopted by Q2 2013                             <ul style="list-style-type: none"> <li>• established &amp; operating by the end of 2014</li> </ul> </li> <li>2) Re-organization completed Q2 2012                             <ul style="list-style-type: none"> <li>• asset/liability management</li> <li>• benefit administration</li> <li>• operations</li> </ul> </li> <li>3) Staffing changes completed Q2 2012                             <ul style="list-style-type: none"> <li>• succession gaps identified &amp; action plan in place 2013</li> </ul> </li> </ol>

# Administrative Board Activities

## Efficient & Effective Governance (continued)

Initiative	Actions	Outcomes	Targets & Measures
Policy & Procedure	1) Allocation of duties	1) Develop & implement a full suite of policies and procedures which include clear delegation	1) Major gaps & opportunities identified by 2013 <ul style="list-style-type: none"> <li>developed &amp; implemented by 2015</li> </ul>
	2) Continuous evolution	2) Review cycle established <ul style="list-style-type: none"> <li>institutionalized</li> </ul>	2) 50% reviewed annually/100% triennially

## Managed Risk & Return

Risk is the possibility that outcomes will deviate from expectations. It can have both positive and negative impacts and cannot be eliminated. Risk is a requirement for value creation and progress. Where there is no risk there is no reward. At the same time, the greater the potential reward, the less probable receiving that reward becomes. There are a multitude of risks in this world. Some are highly probable and have a great impact. Others are highly improbable with only minor impact. All are relative and must be evaluated in that context.

We seek to find an appropriate balance between the desired reward and the acceptable level of risk. Risks are taken knowingly, with an understanding of the associated implications, both positive and negative. We understand the level of return we require from each decision and the level of risk we are willing to take to achieve that reward and use that knowledge to manage risk and return in a responsible and prudent manner.

Initiative	Actions	Outcomes	Targets & Measures
Risk Aware	1) Review and identify policy & procedure gaps and opportunities	1) Full suite of policy and procedures	1) Major gaps & opportunities identified by 2013 <ul style="list-style-type: none"> <li>developed &amp; implemented by 2015</li> </ul>
	2) Continuous evolution of policy and procedure	2) Review cycle established <ul style="list-style-type: none"> <li>institutionalized</li> </ul>	2) 50% reviewed annually/100% triennially
	3) Risk reduction and re-risking strategies	3) Funded level triggers risk tolerance relative to funding	3) Risk reduction component determined & implemented 2012 <ul style="list-style-type: none"> <li>re-risking strategy developed &amp; implemented 2014</li> </ul>
Asset Liability Management	1) Liability monitoring	1) Liability proxy <ul style="list-style-type: none"> <li>liability models</li> <li>annual actuarial valuations</li> </ul>	1) Implemented 2012 <ul style="list-style-type: none"> <li>models built &amp; implemented 2013</li> <li>management &amp; regulatory valuation structure implemented 2012</li> </ul>



# Administrative Board Activities

## Managed Risk & Return (continued)

Initiative	Actions	Outcomes	Targets & Measures
Asset Liability Management (continued)	2) Investment portfolio evolution	2) Portfolios evaluated relative to liabilities	2) Changes implemented by 2014 <ul style="list-style-type: none"> <li>• funding risk &lt;= benchmark</li> </ul>
	3) Investment manager evaluation	3) Guidelines & standards	3) Standards determined & formalized 2013
Education & Training	1) Board & staff training & education	1) Education focused on: <ul style="list-style-type: none"> <li>• alternative investments</li> <li>• asset/liability management</li> <li>• governance</li> <li>• pensions</li> </ul>	1) Annual education day implemented 2012 <ul style="list-style-type: none"> <li>• further development of Trustee Education Policy</li> <li>• refine Trustee Education Policy</li> </ul>
Employee Compensation	1) Compensation survey	1) Compensation in line with industry & job function <ul style="list-style-type: none"> <li>• base line for moving forward</li> </ul>	1) 60 <sup>th</sup> percentile target compensation <ul style="list-style-type: none"> <li>• completed Q2 2012</li> <li>• implemented 2013</li> </ul>
	2) Development of compensation plan	2) Structure to move forward with independent organization	2) Completed Q2 2012 <ul style="list-style-type: none"> <li>• implemented 2013</li> </ul>
	3) Independent organization	3) Separation from City of Regina establish an independent entity	3) Key business areas operate outside of City of Regina <ul style="list-style-type: none"> <li>• business plan adopted by Q2 2013</li> <li>• established &amp; operating 2014</li> </ul>

### Financially Sustainable

The single biggest challenge facing defined benefit pension plans today is the sustainability of the model in the current market environment. Sustained low interest rates and volatile investment returns over the last decade plus have resulted in funded levels that are uncomfortably low. These factors combined with benefit designs that were never intended to be flexible have forced all stakeholders to rethink the approaches that have been used.

Pension plans can no longer be considered an asset business. They require a more balanced approach that considers and understands the liabilities of the plan, anticipates the evolution of those liabilities and invests in a manner that will meet those obligations.

# Administrative Board Activities

## Financially Sustainable (continued)

Initiative	Actions	Outcomes	Targets & Measures
Funding Driven Decision Making	1) Develop policies outlining decision making by funded status	1) Investment policies outlining actions to be taken based on funded level	1) Risk budget developed and implemented 2013 <ul style="list-style-type: none"> <li>actuarial margins outlined 2013</li> </ul>
Plan Design	1) Pursue changes to defined benefit plans	1) Concerns and/or opportunities as it relates to plan design	1) Signed agreements for changes to defined benefit plans in 2012 <ul style="list-style-type: none"> <li>ongoing discussions with plan sponsors implemented 2012</li> </ul>
	2) Develop guidelines for expenditures related to plan design	2) Documented guidelines reviewed and adopted	2) Guidelines in place 2012

## Engaged Sponsors & Members

The sponsors of the various plans managed by the Pensions & Disability Administration Department depend on the plans to provide a valuable benefit to their employees. Those same employees, who comprise the membership of the plans, rely on the benefit to provide piece of mind today and a comfortable retirement when that day comes. It is therefore vital that an ongoing dialogue with both groups takes place.

In the case of the various plan sponsors, discussions must take place on a regular basis to ensure that all understand the wants and needs of each other as well as to provide insight into the plans being administered. Plan members will better understand their benefit and hold it in high regard if they receive factual information that provides insight into their benefit in a timely and accurate manner.

We seek to initiate open, honest and frank communication with both groups in a manner that is appropriate for them. We understand that both sponsors and members have a need and desire to not only be informed but also provide their feedback.

Initiative	Actions	Outcomes	Targets & Measures
Consistent Candid & Focused Communication	1) Develop supportive policies & processes	1) Revised Communication Plan <ul style="list-style-type: none"> <li>regular discussions regarding approach(s)</li> </ul>	1) Implemented 2012 <ul style="list-style-type: none"> <li>annual discussion included in planning</li> </ul>
Technology	2) Implement technologies that can be used to assist in engaging employees	2) Independent Web site <ul style="list-style-type: none"> <li>benefit calculators</li> <li>self service options</li> <li>secure portals</li> <li>employer data transfer</li> </ul>	2) Web site complete by 2012 <ul style="list-style-type: none"> <li>Q1 2013</li> <li>Q1 2014</li> <li>2013</li> <li>Q1 2015</li> </ul>

# Education & Training

The Administrative Board of The Regina Police Pension Plan recognizes the importance of education to the successful fulfillment of the fiduciary duty to the members of the Plan. To that end, the Board has developed the Trustee Education Policy based on the following principles:

- (a) Board members are required to make policy decisions to facilitate the administration of the Plan;
- (b) Board members have an obligation to participate in Board meetings in a meaningful way; and
- (c) a unique body of knowledge is required to carry out the roles and responsibilities of the Board.

The Trustee Education Policy requires that, in addition to basic education obtained within the first three years of becoming a Trustee:

- (a) new Trustees must attend a minimum of 20 hours of educational opportunities on an annual basis; and
- (b) senior Trustees must attend a minimum of 30 hours of educational opportunities on an annual basis.

The following Administrative Board members attended conferences and seminars for educational opportunities that were paid by the Fund:

Trustee	Conference/Seminar	Date	Location	Hours
<b>Bernie Eiswirth</b>	CFA Forecast Dinner	Jan 24	Regina, SK	3
	<b>Total Expenses</b>	<b>\$0</b>	<b>Total Hours</b>	<b>3</b>
<b>Councillor Wade Murray</b>	24 <sup>th</sup> Annual Police, Fire & Municipal Employees Pension Benefits Seminar	Jan 15-17	Las Vegas, NV	20
	Deer Valley Education Session	May 10	Regina, SK	10
	Trustee Development Program	Dec 4-6	Regina, SK	30
	<b>Total Expenses</b>	<b>\$3,984</b>	<b>Total Hours</b>	<b>60</b>
<b>Mayor Pat Fiacco</b>	2012 Pension Bridge Annual	Apr 10-11	San Francisco, CA	20
	<b>Total Expenses</b>	<b>\$2,860</b>	<b>Total Hours</b>	<b>20</b>
<b>Staff Sergeant Evan Bray</b>	Trustee Development Program	Dec 4-6	Regina, SK	30
	<b>Total Expenses</b>	<b>\$1,695</b>	<b>Total Hours</b>	<b>30</b>
<b>Leslie Shaw</b>	AON Hewitt Investment Strategies in an Uncertain Time	Feb 1	Regina, SK	1.5
	CPBI Breakfast – Saskatchewan Drug Plan Update	Feb 15	Regina, SK	2
	CPBI Luncheon Seminar – Advice: Now is the Time?	Mar 20	Regina, SK	2
	CPBI Saskatchewan Regional Conference	Apr 18-19	Regina, SK	20
	Deer Valley Education Session	May 9	Regina, SK	4
	Deer Valley Education Session	May 10	Regina, SK	10
	CPBI Forum 2012 National Conference	May 15-17	Montreal, QC	30
	AON Hewitt Pension Risk Management Seminar	Jun 7	Regina, SK	2.5
	2012 CPBI Pacific Regional Conference	Oct 3-5	Victoria, BC	15
	<b>Total Expenses</b>	<b>\$4,193</b>	<b>Total Hours</b>	<b>87</b>

## Education & Training

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Trustee	Conference/Seminar	Date	Location	Hours
<b>Inspector Darren Wilcox</b>	CFA Forecast Dinner	Jan 24	Regina, SK	3
	Deer Valley Education Session	May 10	Regina, SK	10
	Northleaf Annual General Meeting	Apr 17-19	Toronto, ON	30
	<b>Total Expenses</b>	<b>\$1,230</b>	<b>Total Hours</b>	<b>43</b>
<b>Staff Sergeant Darrin McKechnie</b>	Deer Valley Education Session	May 10	Regina, SK	10
	<b>Total Expenses</b>	<b>\$0</b>	<b>Total Hours</b>	<b>10</b>
<b>Inspector Dean Rae</b>	Deer Valley Education Session	May 10	Regina, SK	10
	Trustee Development Program	Dec 4-6	Regina, SK	30
	<b>Total Expenses</b>	<b>\$1,695</b>	<b>Total Hours</b>	<b>40</b>

The expenses above show total costs per member. In the event a Trustee sits on more than one Administrative Board, education and training expenses are shared with the other Plans.

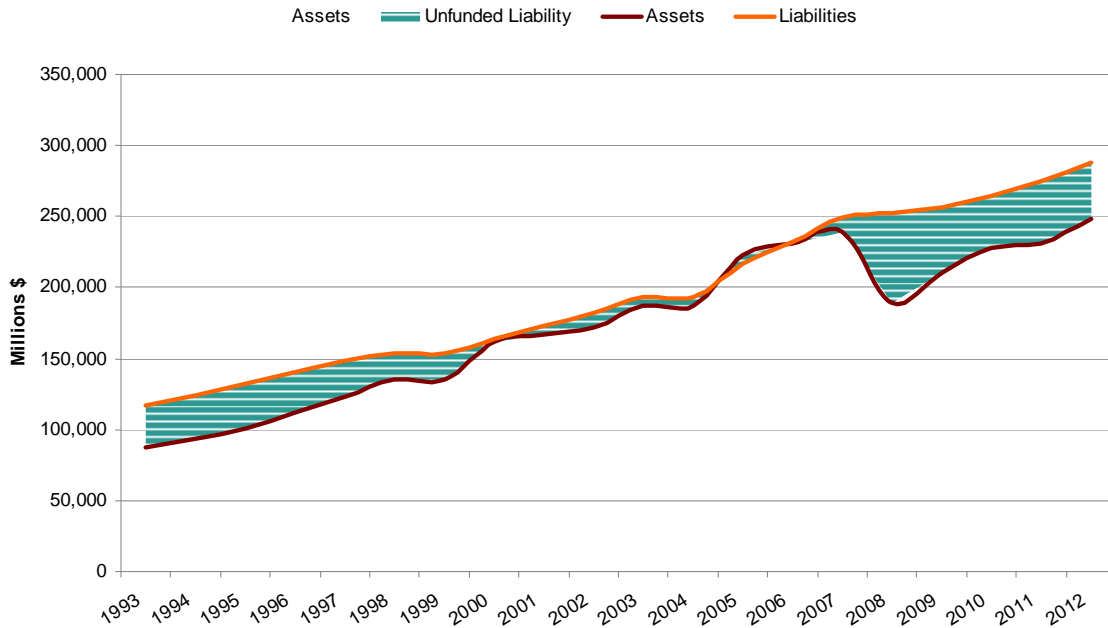
## Year End Financial Position

As at December 31, 2012 the Plan had net assets available for benefits of \$248.2 million. Net assets consist of investments at market value of \$248.1 million and accrued income receivable of \$262,000, less accounts payable of \$170,000.

Pension obligations were \$288.2 million at December 31, 2012.

The Plan deficit, as of December 31, 2012, was \$40.0 million.

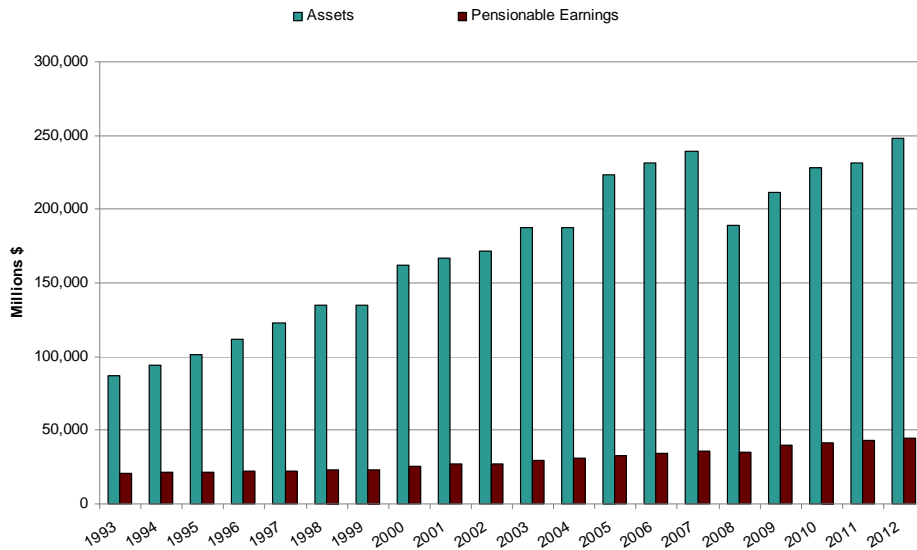
## 20-Year Assets & Liabilities



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 & expenses over the last ten years are shown below:

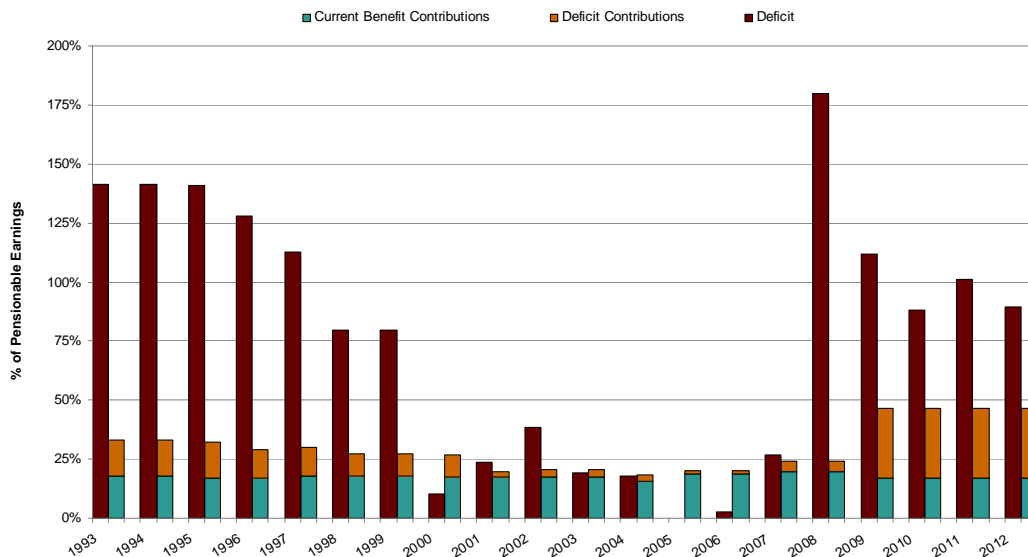
For The Year Ending	Investment Income / (Loss) (\$ Millions)	Revenue From Contributions (\$ Millions)	Benefit Payments & Expenses (\$ Millions)
2012	22.6	12.0	(17.7)
2011	8.3	11.6	(17.7)
2010	23.0	10.5	(16.4)
2009	31.2	9.9	(15.6)
2008	(45.3)	9.5	(14.7)
2007	5.7	8.6	(14.0)
2006	28.0	8.4	(13.1)
2005	30.0	8.0	(12.3)
2004	21.5	7.7	(11.7)
2003	22.8	6.1	(11.0)

## Assets vs. Pensionable Earnings



As a plan matures and the dollar value of the assets and liabilities increases, it becomes more difficult to recover from fluctuations in the difference between assets and liabilities. Since liabilities grow at a fairly steady rate, that difference tends to result from changes in the value of the assets. The above chart shows the relationship between assets and pensionable earnings. As plan assets grow in relation to pensionable earnings, fluctuations in the value of assets also grow. In 1993 the Police Plan's assets were 4.2 times pensionable earnings. A 10% reduction in the value of the assets would have resulted in a new unfunded liability equal to approximately 42% of pensionable earnings. In 2012, the Plan's assets were 5.6 times pensionable earnings. A 10% reduction in the Plan's assets would have resulted in a new unfunded liability equal to nearly 56% of pensionable earnings.

## Contribution Rates vs. Deficit



The impact of a maturing plan is that deficits become a greater and greater percentage of pensionable earnings. In the 1990's the deficit contributions were equal to between 10% and 15% of pensionable earnings. By 2001 the Plan had recovered such that deficit contributions were equal to only 2% of pensionable earnings and remained below 5% through 2007. Since 2009 the percentage of deficit contributions to pensionable earnings has been 30%.



# Investment of the Fund

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The Police Pension Administrative Board oversees the investments of The Regina Police Pension Plan in accordance with the Statement of Investment Policies & Procedures. The Statement of Investment Policies & Procedures addresses such issues as investment objectives, risk tolerance, asset allocation, permissible asset classes, investment diversification, liquidity requirements, expected rates of return and other issues relevant to the investment process, thereby establishing a framework within which all the investment managers must operate. The primary objectives of the 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 4.35% over a rolling four-year period; and
- earn the stated performance objective for each asset class over a rolling four-year period.

The investment policy is reviewed annually and updated when necessary to ensure that it continues to meet legal standards and the investment requirements of the membership.

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:

Asset Class	Total Fund Benchmark
Canadian Equities	S&P/TSX 300 Index
U.S. Equities	S&P 500 Index (CAD)
Global Equities	MSCI World Index Ex Canada
Private Equities	MSCI World Index (CAD) + 3%
Canadian Long Bonds	DEX Long Bond Index
Real Return Bonds	DEX Real Return Bond Index
Real Estate	IPD Canadian Property Index

The benchmarks for equity and fixed income were selected because all are publicly-traded and readily investible indices. With respect to real estate, an industry-recognized benchmark is used. Private equity is measured against the MSCI World Index +3% to reflect the global nature of the private equity program and the expected long term return over public markets.

2. Inflation adjusted return of greater than 4.35% (greater than the Consumer Price Index (CPI) by 4.35%).

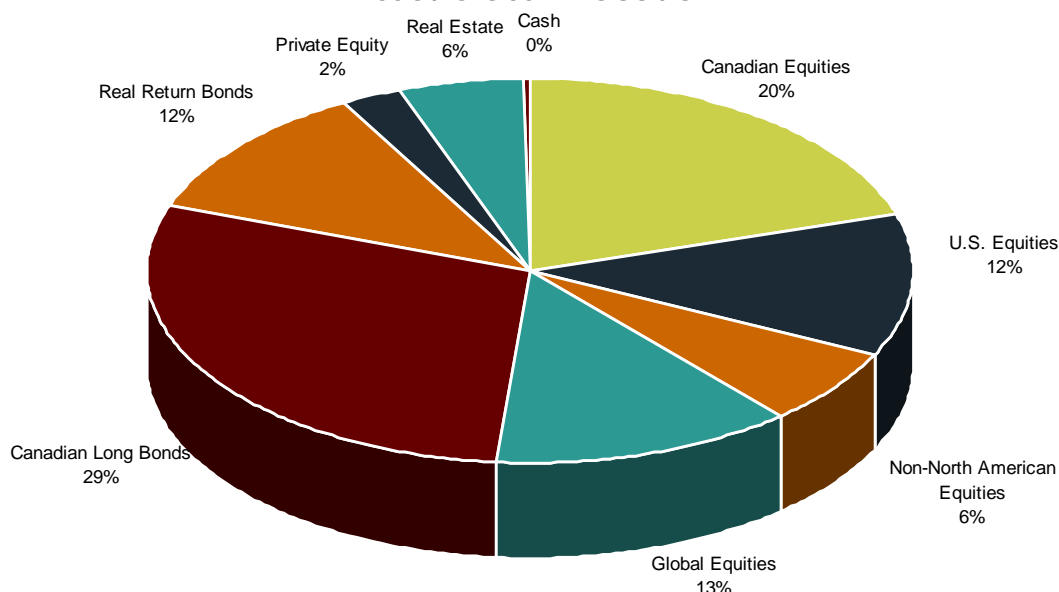
The Plan does not manage currency within the portfolios, preferring to take a longer term approach that currencies will fluctuate in the short term, but will achieve some equilibrium over time.

Total invested assets of The Regina Police Pension Plan (including accrued income) at December 31, 2012 were \$248.3 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.

# Investment of the Fund

## Asset Class Allocation



The table below provides the current asset allocation policy of The Regina Police Pension Plan. The actual allocation at December 31, 2012 was 51.51% to the Equity Pool, 40.51% to the Fixed Income Pool, and 7.81% to Alternatives. The remaining 0.17% was held in Cash.

Asset Class	Total Fund	Actual % Allocation	Min %	Target % Allocation*	Max %
<b>Equity Pool:</b>					
Canadian Equities	S&P/TSX 300 Index	20.32	15	20	30
U.S. Equities	S&P 500 Index (CAD)	11.95	9	12	15
Non-North American Equities	MSCI EAFE (CAD)	6.47	3	6	9
Global Equities	MSCI World Ex Canada	12.77	9	12	15
<b>Total Equity Pool:</b>		<b>51.51</b>		<b>50</b>	
<b>Fixed Income Pool:</b>					
Canadian Long Bonds	DEX Long Bond Index	28.97	15	30	35
Real Return Bonds	DEX Real Return Bond Index	11.54	5	10	15
<b>Total Fixed Income Pool:</b>		<b>40.51</b>		<b>40</b>	
<b>Alternatives:</b>					
Private Equity	MSCI World Index (CAD) + 3%	2.29	0	5	10
Real Estate	IPD Canadian Property Index	5.52	3	5	7
<b>Total Alternatives:</b>		<b>7.81</b>		<b>10</b>	
<b>Cash:</b>		<b>0.17</b>	n/a	<b>n/a</b>	n/a
<b>Total Fund:</b>		<b>100.0</b>		<b>100</b>	

\*Target Allocation is based on the Interim Asset Mix effective January 1, 2012.

As the performance of individual managers and markets move the assets in the fund away from the normal strategic positions, the assets are rebalanced to bring the fund back within the parameters of the current strategic asset allocation policy set by the Administrative Board. Such rebalancing is achieved through directed cash flow or by actively transferring funds among managers when specified trigger points are reached.

# Investment of the Fund

The actual management and asset allocation structure of The Regina Police Pension Plan as at December 31, 2012 is shown below:

Asset Class	Manager	Start Date	Amount* (\$ Thousands)	% Of Holdings
<b>Equity Pool:</b>				
Canadian Equities	Greystone Managed Investments	1998	24,933	10.04
	Scheer Rowlett & Associates	2008	25,539	10.28
U.S. Equities	TD Asset Management	1998	29,687	11.95
Non-North American Equities	Pictet Asset Management	2008	16,060	6.47
Global Equities	Franklin Templeton Investments Corp.	1992	31,705	12.77
	<b>Total Equity Pool:</b>		<b>127,924</b>	<b>51.51</b>
<b>Fixed Income Pool:</b>				
Canadian Long Bonds	TD Asset Management	1998	71,946	28.97
Real Return Bonds	Internal	n/a	28,656	11.54
	<b>Total Fixed Income Pool:</b>		<b>100,602</b>	<b>40.51</b>
<b>Alternatives:</b>				
Private Equities	NorthLeaf Capital Partners	2010	2,189	0.88
	Hamilton Lane	2011	3,487	1.41
Real Estate	Greystone Managed Investments	1998	13,708	5.52
	<b>Total Alternatives:</b>		<b>19,384</b>	<b>7.81</b>
<b>Cash:</b>	n/a	n/a	<b>427</b>	<b>0.17</b>
<b>Total Fund:</b>			<b>248,337</b>	<b>100.00</b>

\*Amount includes small cash balances held by each manager within their investment portfolio as well as accrued income.

# Market Overview

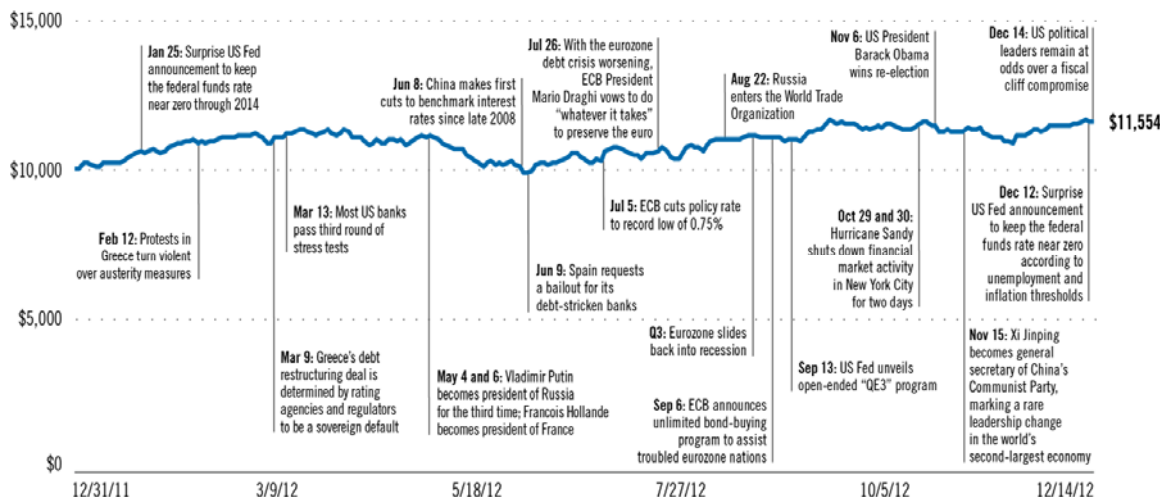
During a year of major political and policy change, the global economic recovery that began in 2009 persisted unevenly through 2012 as developed countries worked through a longer-term debt reduction cycle. In the first half of the year, the financial world focused on the need for capital by European banks as well as a slowdown in China's economy resulting in bouts of market volatility as investors vacillated between "risk assets" and perceived "safe-haven" assets in response to the latest political developments. In the second half, investors' continued to focus on fits of progress in the eurozone, but added elections in the United States and the country's looming "fiscal cliff" of scheduled tax increases and spending cuts. In particular, Europe's debt crisis began to hurt economies globally—especially those of key exporters to Europe such as the United States and China—as the debt crisis curbed demand for goods and services. The 17-nation eurozone fell back into a recession for the second time in four years as leaders imposed budget cuts, with Spain and Cyprus joining the list of countries seeking external aid.

Despite the economic challenges, global financial assets were generally supported by government stimulus and central bank policy actions implemented throughout the year, especially the Federal Reserve's Quantitative Easing bond buying program (QE3), the European Central Bank's Outright Monetary Transaction program (OMT), Bank of England & Bank of Japan's expansion of their asset purchase programs and China's reserve reduction policy. While investors were grappling with several other headwinds as 2012 concluded, such as increasing tensions in the Middle East and generally reduced prospects for corporate earnings growth in 2013, the impending United States fiscal cliff seemed to be the biggest uncertainty on investors' minds.

## Global Equity Markets Performance

Despite the lack of clarity during many points in 2012 many asset classes performed strongly for the year. Paced by a rapid rise in technology and other cyclical stocks, global equities got off to a strong start in 2012. That initial upward surge was soon followed by an erratic slump that lasted into early June when global stocks collectively recorded their lowest levels for the year. Investor optimism returned and several broad stock market gauges rose to 2012 and multi-year highs by mid-September, before steadily retreating through mid-November on weak global trade and manufacturing equities. Commodities soared in the early part of 2012 as many investors seemed to believe that the Federal Reserve would underpin stock prices with a new round of bond buying. After the Federal Reserve and other central banks launched interventions, stocks that had been flirting with record highs retreated as investor attention switched to the United States elections and subsequent worries about political gridlock. Flare-ups in Europe's debt crisis also had investors wary in the final months of 2012. At year-end, surveys showed businesses generally to be at their most pessimistic about the year ahead since the global economy pulled out of its recession in 2009. In this environment, many stock market indexes trended quite closely with one another for the year.

**Growth of a US\$10,000 Investment in the MSCI All Country World Index  
December 31, 2011–December 14, 2012**



Source: MSCI

MSCI Index	Total Return (%)
All Country	16.80
World Index	16.54
EAFE	17.90
Germany	32.10
Belgium	40.75
Denmark	31.89
Austria	27.02
Switzerland	21.47
AC Asia Index	16.03
USA	16.13
Emerging Markets	18.63
Frontier Markets	9.25

By company size, global small-capitalization stocks generally outperformed their larger peers as “risk-on” trades prevailed, according to MSCI gauges. In terms of investment style, MSCI global indexes also showed that large-cap growth stocks as a whole outpaced their value oriented peers, while the inverse was true in the small and mid-cap tiers. Meanwhile, the commodities complex often tracked global stock indexes in terms of direction but ultimately bowed to fundamental supply/demand factors that caused raw materials prices to disconnect from equities. With traders and analysts pricing in their expectations for reduced demand growth for energy and other commodities throughout much of 2012, the Dow Jones-UBS Commodity Index of 20 key raw materials futures prices posted a 1.06% loss for the year.

### Yield Hunt in Global Fixed Income

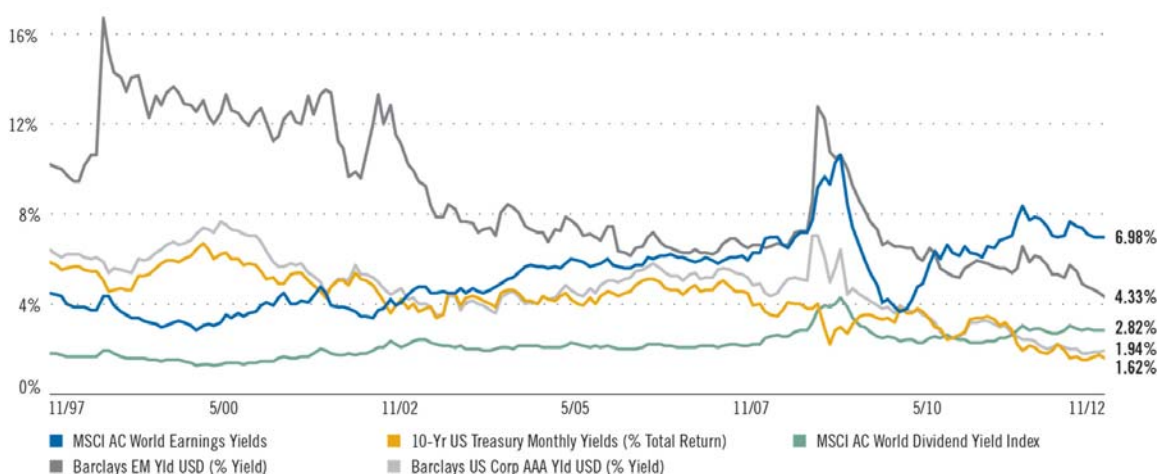
Similar to global equities, concerns about China’s potential for a hard landing, softness in United States growth, contagion from Greece spreading to Italy and Spain, and the eurozone potentially breaking apart amid sovereign debt defaults drove broad bond market sentiment in 2012. However, fixed income investors worked through bouts of market-price volatility and seemed to gain greater confidence as the global economy made notable progress since 2011, while panic surrounding issues in eurozone hot spots appeared to be overstated.

Though most bond types made gains in 2012, it was an especially favourable year overall for more economically sensitive fixed income sectors. With interest rates in key developed markets at historically low levels, many global fixed income investors sought assets with higher yields and those that reflected better economic growth prospects and increasingly sound government budgets, as well as the potential for currency appreciation, particularly among several countries in Asia, eastern Europe and Latin America. Developed-government fixed income securities, as measured by the J.P. Morgan (JPM) Global Government Bond Index, returned 1.29% for the year. Even as corporate earnings growth decelerated from 2011 levels over the course of 2012, corporate debt securities, whether in the investment-grade, high-yield, or even leveraged bank loan sectors, looked fairly attractive to many bond buyers. The Barclays Global Aggregate Corporate Index closed the year with a return of 11.21% based on corporate credit fundamentals and the generally higher yield of these asset classes when compared to developed-market government bonds. Meanwhile, the performance split between United States investment-grade and riskier high-yield corporate debt securities was reflected in the 9.82% total return for the Barclays U.S. Corporate Index versus 15.81% for the Barclays U.S. Corporate High-Yield Index.

# Market Overview

Barclays U.S. Treasury Index returned 1.99% for the year. In contrast, U.S. dollar-denominated emerging-market debt, as measured by the JPM Emerging Markets Bond Index Global Diversified, returned 17.44% owing largely to outsized gains across parts of peripheral Europe, Latin America and Asia. Local-currency sovereign emerging market debt rose 14.75%, as measured by the JPM Government Bond Index–Emerging Markets Broad Diversified. The fixed income marketplace also remained supportive of United States municipal bonds’ generally improving fundamentals. Despite the headlines that some of the more poorly managed individual cities and local municipalities garnered during 2012, the reality was that the vast majority of states, cities and municipalities were fairly successful in dealing with budget issues. For the year, the Barclays Municipal Bond Index returned 6.78%.

**MSCI AC World Index Earnings Yields and Dividend Yields, 10-Year US Treasury Yields, Barclays EM Yield USD Index and U.S. Corp. AAA Yield USD Index  
15-Year Period Ended November 30, 2012**





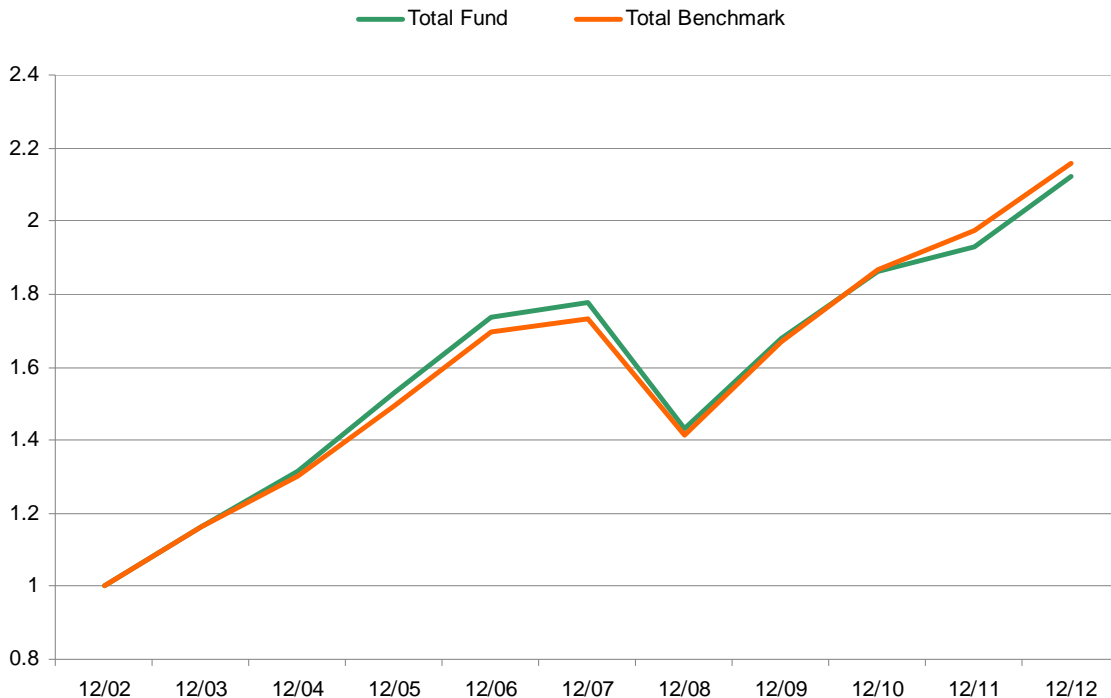
# Investment Results

On a total fund basis The Regina Police Pension Plan lead the investment return of the custom benchmark by 0.64% with a return of 9.89%. On an inflation adjusted basis, the annual investment return of the Plan was 9.09%, outperforming the 4.35% adjusted return required by the Statement of Investment Policies & Procedures by 4.74%.

Over a rolling four-year period the annualized investment return stands at 10.33%, trailing the benchmark by -0.84%. The annual investment return on an inflation adjusted basis is 8.63%, outperforming the required 4.35% adjusted return by 4.28%. The fund has outperformed the 4.35% inflation adjusted return in each of the one through four-year periods, falling short by -2.37% over the five-year period. It is important to remember that pension assets are invested for the long haul, to meet obligations that are 30 years or more into the future. Over the last twenty years, the Plan has achieved an annualized return net of inflation of 6.49%, meeting the stated objectives of the portfolio.

Investment Returns	Annualized Rate Of Return (%)				
	1 yr	2 yr	3 yr	4 yr	5 yr
Total Fund	9.89	6.68	8.14	10.33	3.58
Total Fund Benchmark	9.25	7.49	8.89	11.17	4.52
<b>Excess Return (%)</b>	<b>0.64</b>	<b>-0.81</b>	<b>-0.75</b>	<b>-0.84</b>	<b>-0.94</b>
Annualized CPI	0.80	1.55	1.83	1.70	1.60
Inflation Adjusted Return	9.09	5.13	6.31	8.63	1.98
<b>Excess Return (&gt; CPI+ 4.35%)</b>	<b>4.74</b>	<b>0.78</b>	<b>1.96</b>	<b>4.28</b>	<b>-2.37</b>

## 10-Year Unit Value Growth

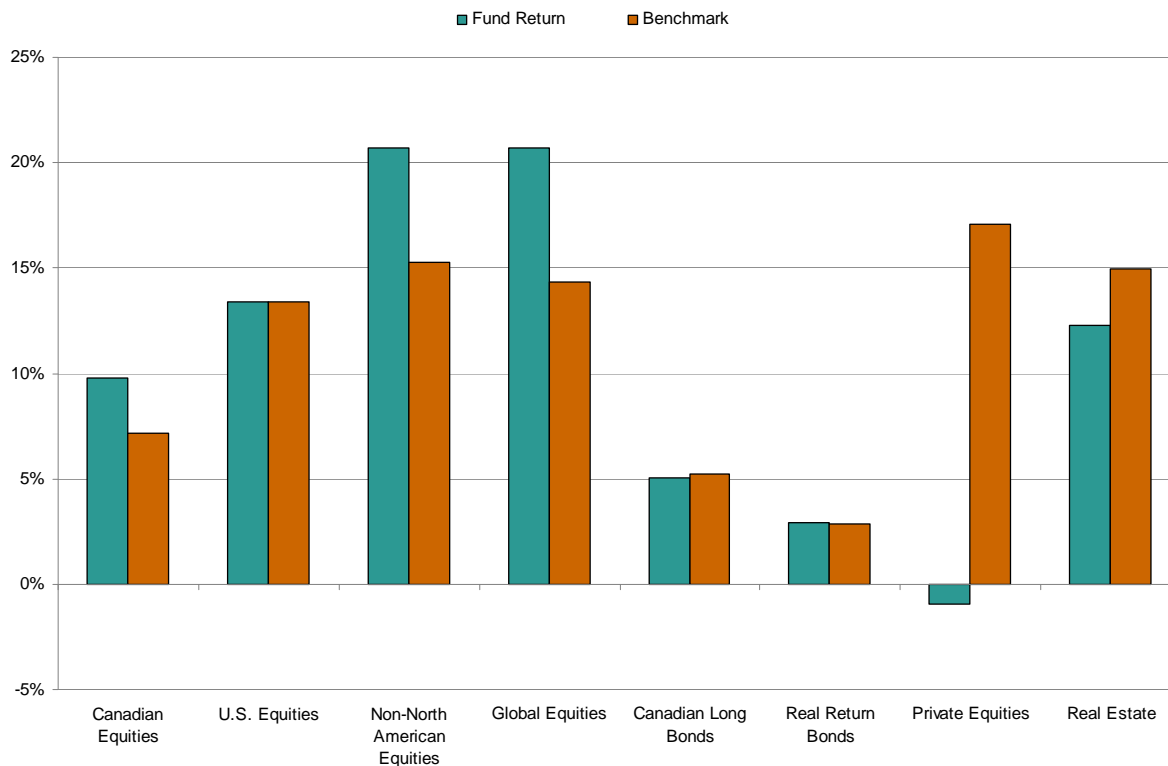


# Investment Results

The following table shows the gross rate of return achieved by the various asset classes over the one through five year periods ended December 31, 2012. The applicable benchmark performance for each asset class is also noted.

Asset Class	Annualized Rate Of Return (%)				
	1 yr	2 yr	3 yr	4 yr	5 yr
<b>Equity Pool:</b>					
Canadian Equities	9.78	-2.68	3.44	10.15	-0.88
Benchmark: S&P/TSX 300 Index	7.19	-1.08	4.79	11.65	0.81
U.S. Equities	13.41	8.88	8.95	8.86	2.14
Benchmark: S&P 500 Index	13.43	8.95	8.99	9.28	2.41
Non-North American Equities	20.69	3.30	4.28	8.27	n/a
Benchmark: MSCI EAFE (CAD)	15.29	2.12	2.27	4.73	n/a
Global Equities	20.69	4.72	4.08	7.17	-1.87
Benchmark: MSCI World Ex Canada	14.31	5.71	5.82	7.45	-1.03
<b>Total Equity Pool:</b>	<b>14.64</b>	<b>2.64</b>	<b>5.44</b>	<b>9.82</b>	<b>-0.02</b>
<b>Fixed Income Pool:</b>					
Canadian Long Bonds	5.03	10.95	11.50	9.84	8.19
Benchmark: DEX Long Bond Index	5.21	11.48	11.83	10.21	8.66
Real Return Bonds	2.90	9.79	10.01	10.74	8.60
Benchmark: DEX Real Return Bond Index	2.85	10.33	10.58	11.55	9.23
<b>Total Fixed Income Pool:</b>	<b>4.42</b>	<b>10.77</b>	<b>11.06</b>	<b>10.30</b>	<b>8.74</b>
<b>Alternatives:</b>					
Private Equities	-0.96	0.54	n/a	n/a	n/a
Benchmark: MSCI World (CAD) + 3%	17.08	8.46	n/a	n/a	n/a
Real Estate	12.27	12.97	11.53	7.60	8.73
Benchmark: IPD Canadian Property Index	14.95	14.30	11.29	7.53	7.72
<b>Total Alternatives:</b>	<b>9.49</b>	<b>10.72</b>	<b>10.01</b>	<b>6.50</b>	<b>7.84</b>
<b>Cash:</b>					
Cash	1.01	1.01	0.85	0.67	0.91
Benchmark: 91 Day Canadian T-Bill (CAD)	1.01	1.01	0.85	0.79	1.29
<b>Total Cash:</b>					
<b>Total Fund:</b>	<b>9.89</b>	<b>6.68</b>	<b>8.14</b>	<b>10.33</b>	<b>3.58</b>

## 2012 Asset Class Returns



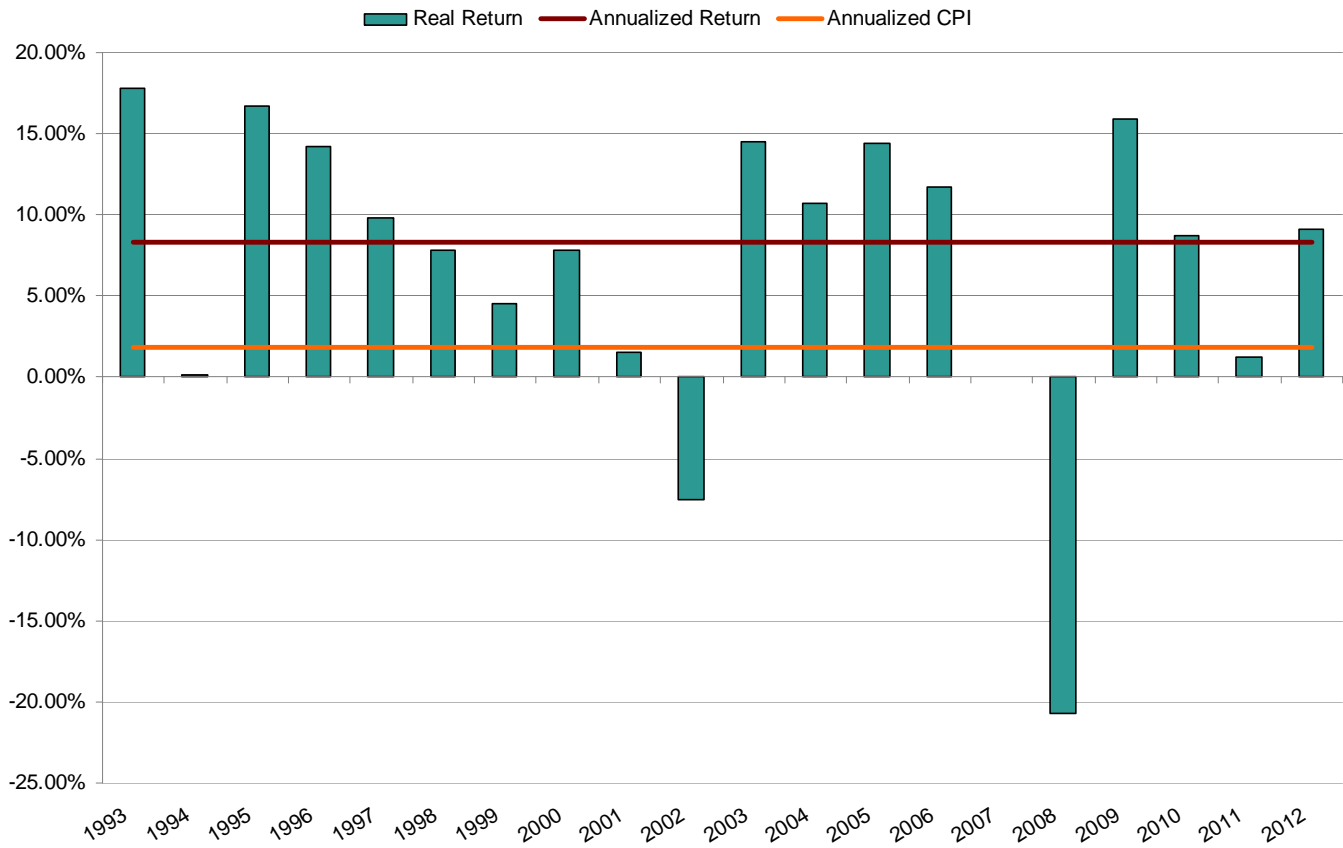
### Historical Total Returns

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. This applies when reviewing the 2012 performance in relation to a longer investment horizon and considering the effects of inflation over time. The annual investment returns of The Regina Police Pension Plan for the last twenty years are as follows:

Annual Rate Of Return (%)							
Year	Nominal Return	CPI	Real Return	Year	Nominal Return	CPI	Real Return
2012	9.89	0.80	9.09	2002	-3.70	3.80	-7.50
2011	3.55	2.30	1.25	2001	2.20	0.70	1.50
2010	11.12	2.40	8.72	2000	11.00	3.20	7.80
2009	17.17	1.30	15.87	1999	7.10	2.60	4.50
2008	-19.50	1.20	-20.70	1998	8.80	1.00	7.80
2007	2.40	2.40	0.00	1997	10.50	0.70	9.80
2006	13.40	1.70	11.70	1996	16.40	2.20	14.20
2005	16.50	2.10	14.40	1995	18.40	1.70	16.70
2004	12.80	2.10	10.70	1994	0.30	0.20	0.10
2003	16.60	2.10	14.50	1993	19.50	1.70	17.80

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

## 20-Year Annualized Returns



# Pension Plan Expenses

Description	2012 (\$ Thousands)
<b>Actuarial Services:</b>	
Aon Hewitt Consulting	\$90
<b>Audit Services:</b>	
KPMG LLP	9
<b>Custodial &amp; Performance Management Fees:</b>	
Northern Trust Corporation	110
<b>Investment Manager Fees:</b>	
Greystone Managed Investments	198
TD Asset Management	26
Franklin Templeton Investments Corp.	244
Pictet Asset Management	102
Scheer Rowlett and Associates	74
	<b>644</b>
<b>Legal Services:</b>	
Davies Ward	5
<b>Other Administrative Expenses:</b>	
Pensions & Disability - Salaries & Benefits	203
Aon Hewitt Consulting	31
SaskCentral	13
CPAS	39
City of Regina	10
Conferences, Seminars and Travel	18
Printing and Photocopying	4
Courier and Postage	4
eASE Analytics	3
Government of Saskatchewan	3
SaskTel	1
Stonefield Systems Group	1
	<b>330</b>
<b>Total for the Plan:</b>	<b>\$1,188</b>



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## INDEPENDENT AUDITORS' REPORT

To the Administrative Board of The Regina Police Pension Plan:

We have audited the accompanying financial statements of The Regina Police Pension Plan, which comprise the statement of financial position as at December 31, 2012 and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal 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.

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Regina Police Pension Plan as at December 31, 2012, and the changes in its net assets available for benefits and the changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

### *Other Matter*

The financial statements of The Regina Police Pension Plan as at and for the year ended December 31, 2011 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 26, 2012.

Chartered Accountants

**KPMG LLP**

Regina, Canada  
May 30, 2013



# Audited Financial Statements


## STATEMENT OF FINANCIAL POSITION (in thousands of dollars)

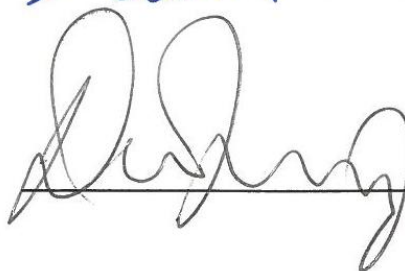
As at December 31

	2012	2011
<b>ASSETS</b>		
Investments – Note 4	\$ 203,518	\$ 204,296
Investments Under Securities Lending – Note 4	44,557	27,911
Accrued Income Receivable	262	225
	<b>248,337</b>	<b>232,432</b>
<b>LIABILITIES</b>		
Accounts Payable	170	1,192
Net Assets Available for Benefits	248,167	231,240
Pension Obligations – Note 5	288,210	274,868
Deficit	\$ (40,043)	\$ (43,628)

See accompanying notes

APPROVED BY:

 Board Member

 Board Member

# Audited Financial Statements

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in thousands of dollars)

For the Year Ended December 31

	2012	2011
<b>INCREASE IN NET ASSETS</b>		
Investment Income – Note 6	\$ 8,861	\$ 9,261
Increase in Fair Value of Investments	13,759	-
Contributions		
Member	5,914	5,689
Employer	6,102	5,876
	<b>34,636</b>	<b>20,826</b>
<b>DECREASE IN NET ASSETS</b>		
Decrease in Fair Value of Investments	-	920
Benefit Payments	16,047	15,238
Pension Refunds	474	355
Administration Expenses – Note 11	1,188	1,214
	<b>17,709</b>	<b>17,727</b>
Net Increase for the Year	<b>16,927</b>	<b>3,099</b>
Net Assets Available for Benefits, Beginning of Year	<b>231,240</b>	<b>228,141</b>
Net Assets Available for Benefits, End of Year	<b>\$ 248,167</b>	<b>\$ 231,240</b>

See accompanying notes

# Audited Financial Statements

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## STATEMENT OF CHANGES IN PENSION OBLIGATIONS

(in thousands of dollars)

For the Year Ended December 31

	2012	2011
<b>INCREASE IN PENSION OBLIGATIONS</b>		
Interest Accrued on Obligations	\$ 18,535	\$ 17,876
Accrual of Pension Obligations	7,952	7,649
Experience Losses	2,122	-
Change in Assumptions – Note 5	1,254	-
	<b>29,863</b>	<b>25,525</b>
<b>DECREASE IN PENSION OBLIGATIONS</b>		
Benefit Payments	16,047	15,238
Pension Refunds - Note 8	474	355
	<b>16,521</b>	<b>15,593</b>
Net Increase for the Year	<b>13,342</b>	<b>9,932</b>
Pension Obligations, Beginning of Year	<b>274,868</b>	264,936
Pension Obligations, End of Year	<b>\$ 288,210</b>	<b>\$ 274,868</b>

See accompanying notes

# Audited Financial Statements

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## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 1. Description of 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 \$3,610 in 2012 (\$3,490 in 2011) is being applied to meet the Plan's obligation under *The Pension Benefits Act, 1992* (Saskatchewan) to liquidate the unfunded liabilities on a going concern and solvency basis as disclosed in the 2009 actuarial valuation of the Plan. The Plan does not have provisions for transfers in or purchases of past service.

#### (b) Benefits

Retirement pensions are based on the number of years of service multiplied by 1.26% to 2% of the best three years average salary.

Termination and survivor benefits are also available under the Plan.

The Plan also provides for 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. Basis of Preparation

#### (a) Statement of compliance

The financial statements for the year ended December 31, 2012, have been prepared in accordance with Canadian accounting standards for pension plans as outlined in Part IV of the Canadian Institute of Chartered Accountants (CICA) Handbook section 4600, Pension Plans. For matters not addressed in section 4600, International Financial Reporting Standards (IFRS) guidance has been implemented. The financial statements were authorized and issued by the Plan's Administrative Board on May 30, 2013.

# Audited Financial Statements

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## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 2. Basis of Preparation (continued)

(b) Basis of measurement

The financial statements have been prepared using the historical cost basis except for financial instruments which have been measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Plan's functional currency and are rounded to the nearest thousand unless otherwise noted.

### 3. Summary of Significant Accounting Policies

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 Plan 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.

The employer of members is responsible for the accuracy and completeness of members' contributions remitted and of employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the members' contributions and payroll information received from the employer of the members.

(b) Investments

Investments are recorded at fair value. The fair value is based on year end market quotations obtained from recognized security dealers. The fair value of private equities is based on values supplied by the investment manager. The fair value of bonds is based on model pricing techniques that effectively discount prospective cash flows to present value taking into consideration duration, credit quality and liquidity.

The fair value of pooled funds is based on the quoted market values of the underlying investments.

The fair value of short term investments is based on cost, which approximates fair value due to the immediate or short term nature of these investments.

# Audited Financial Statements

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## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 3. Summary of Significant Accounting Policies (continued)

#### (c) Investments under Securities Lending Program

Securities lending transactions are entered into on a collateralized basis. The securities lent are not derecognized on the statement of financial position given that the risks and rewards of ownership are not transferred from the Plan to the counterparties in the course of such transactions. The securities are reported separately on the statement of financial position on the basis that the counterparties may resell or re-pledge the securities during the time that the securities are in their possession.

Securities received from counterparties as collateral are not recorded on the statement of financial position given that the risks and rewards of ownership are not transferred from the counterparties to the Plan in the course of such transactions.

#### (d) Investment Income and Transaction Costs

Investment income includes interest and dividends. Interest income is recorded on the accrual basis. Dividend income from equity securities is recognized as entitlement arises. Changes in fair value of investments include realized and unrealized gains and losses. Realized gains and losses from the sale of investments are calculated using a weighted average cost basis and are reflected in earnings as incurred. The change in fair value of investments includes the change in unrealized fair value of investments held at year end. Investment transactions are recorded on the trade date. Transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

#### (e) Foreign Exchange

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

#### (f) Contributions

Contributions are accounted for on the accrual basis.

#### (g) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for pension plans 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 estimates. Significant estimates subject to estimates and assumptions include the valuation of investments and the determination of the pension obligations.

# Audited Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 3. Summary of Significant Accounting Policies (continued)

#### (h) Future Accounting Policy Changes

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2012, and have not been applied in preparing these financial statements. In particular, the following new and amended standards which become effective for annual periods beginning on or after January 1, 2013:

- IFRS 9 Financial Instruments
- IFRS 13 Fair Value Measurement

The extent of the impact on adoption of these standards is not known at this time, but is not expected to be material.

### 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 Plan's benefits, the Plan takes a long term investment perspective. The Plan holds the following investments:

	December 31, 2012	December 31, 2011
	Carrying Value	Carrying Value
Short Term Investments	\$ 404	\$ 214
Canadian Bonds	14,398	28,133
Canadian Equities	19,176	15,609
Non-North American Equities	15,764	12,873
Private Equities	5,676	3,287
Cash	1,057	2,766
Pooled Funds:		
Canadian Bonds	71,945	69,489
US Equities	29,687	28,909
Global Equities	31,705	27,107
Real Estate	13,706	15,909
	<b>203,518</b>	204,296
Investments Under Securities Lending		
Short Term Investments	60	-
Canadian Bonds	13,845	-
Canadian Equities	30,529	27,911
Non-North American Equities	123	-
Total Investments Under Securities Lending	<b>44,557</b>	27,911
Total Investments	<b>\$ 248,075</b>	<b>\$ 232,207</b>



# Audited Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 4. Investments (continued)

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

To achieve its long term investment goal, the Board has adopted the following asset mix which includes equity for returns and a well-diversified portfolio of assets:

Asset Class		2012 Benchmark		
		Min Weight (%)	Weight (%)	Max Weight (%)
Equities	Canadian Equities	15	20	30
	US Equities	9	12	15
	Non North American	3	6	9
	Global Equities	9	12	15
	Private Equities	0	5	10
Fixed Income	Canadian Bonds	0	40	50
Alternatives	Real Estate	3	5	7
<b>Total</b>			<b>100</b>	

The Plan's assets may be invested through in-house investment activities or through external investment managers including without limitation, mutual funds, pooled funds, segregated funds, unit trusts, limited partnerships, and similar vehicles as described in the regulations of the *Pension Benefits Standards Act, 1993*.

The Plan may invest in cash and short term investments which consist of cash on hand, Canadian and U.S. 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. The Plan may also 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, instalment receipts, private placements equities, American and global depository receipts, publicly traded investment trusts and/or index replicating vehicles.

#### Canadian Bonds

Canadian bonds consist of government bonds as well as investments in a pooled bond fund which holds government and corporate bonds and debentures. The Plan holds Government of Canada bonds with a term to maturity greater than five years with a carrying value of \$28,243 (2011 - \$28,133). The effective average interest rate on the bonds is 1.0% (2011 - 1.0%).

# Audited Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 4. Investments (continued)

#### Equities

Asset Class	December 31, 2012		
	Target (%)	Actual (%)	Actual (\$)
Canadian Equities	36.3	37.7	49,705
U.S. Equities	21.8	22.5	29,687
Non-North American Equities	10.9	12.1	15,887
Global Equities	21.8	24.1	31,705
Private Equities	9.2	3.6	4,769
<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>131,753</b>

Asset Class	December 31, 2011		
	Target (%)	Actual (%)	Actual (\$)
Canadian Equities	36.3	37.8	43,520
U.S. Equities	21.8	25.1	28,909
Non-North American Equities	10.9	11.2	12,873
Global Equities	21.8	23.6	27,107
Private Equities	9.2	2.3	2,626
<b>Total</b>	<b>100</b>	<b>100</b>	<b>115,035</b>

Equities consist of both publicly traded shares and private equity investments. Privately held equity investments are made through limited partnership vehicles. Non-North American equities refers to investments outside of Canada and the United States. Global equities refer to investments held in a global equity pooled fund which has a portfolio of securities from around the world, excluding Canada.

The Plan holds equity investments in Canada, the United States and International markets through a combination of separately managed accounts and pooled funds. The dividend yield on those accounts was 2.43% at the end of 2012 (2011 – 2.37%). The Plan reinvests those earnings and does not rely upon them to fund benefit payments.

# Audited Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 4. Investments (continued)

#### Private Equities

During 2010, the Plan developed a strategy to move into private equities through limited partnership arrangements. Initial commitments of \$7.0 million were made to Northleaf Global Private Equity Investors V and Hamilton Lane Private Equity Fund VII. Subsequently, the commitment to Northleaf Global Private Equity Investors V was increased to \$10.0 million. The private equity program has continued to evolve since that time with a commitment of \$10.0 million to Hamilton Lane Private Equity Fund VIII in 2012. At December 31, 2012 the Plan had made commitments to private equity limited partnerships of \$27.0 million. The fair value of the capital invested in those partnerships was \$5.7 million, which included \$906,000 held in cash at December 31, 2012.

Asset Class	Commitment	Invested Capital
Northleaf Global Private Equity Investors V	\$ 10,000	\$ 2,189
Hamilton Lane Private Equity Fund VII	7,000	2,859
Hamilton Lane Private Equity Fund VIII	10,000	628
<b>Total Private Equities</b>	<b>\$ 27,000</b>	<b>\$ 5,676</b>

The Plan's investment strategy targets 10% of the Plan's assets invested in private equity investments to a maximum of 15%.

Private equity managers use various methods to determine market value including the use of: discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics, or other pricing models as appropriate.

#### Pooled Funds

The Plan owns units in United States and Non-North American pooled equity funds, Canadian bonds and a pooled real estate fund. These pooled funds have no fixed distribution rate. Fund returns are based on the success of the fund managers.

#### Securities Lending program

Through its custodian, the Plan participates in an investment securities lending program for the purpose of generating fee income. Non-cash collateral of at least 105% of the market value of the loaned securities is retained by the Plan until the loaned securities have been returned. The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

# Audited Financial Statements

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## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 4. Investments (continued)

At December 31, 2012, the Plan held collateral of \$46,800 (2011 – \$28,600) for the loaned securities.

#### Fair Value of Investments

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgement and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – where quoted prices are readily available from an active market.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (for example, as prices) or indirectly (for example, derived from prices).

Level 3 – inputs for the investment that are not based on observable market data.

# Audited Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 4. Investments (continued)

Asset Class	December 31, 2012				Total
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Cash & Short Term	\$ 1,521	\$ -	\$ -	\$ -	\$ 1,521
Equities	65,592	-	-	-	65,592
Canadian Bonds	-	28,242	-	-	28,242
Pooled Funds					
Canadian Bonds	-	71,946	-	-	71,946
Equities	-	61,392	5,676	-	67,068
Real Estate	-	13,706	-	-	13,706
<b>Total Investments</b>	<b>\$ 67,113</b>	<b>\$ 175,286</b>	<b>\$ 5,676</b>	<b>\$ -</b>	<b>\$ 248,075</b>

Asset Class	December 31, 2011				Total
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Cash & Short Term	\$ 2,980	\$ -	\$ -	\$ -	\$ 2,980
Equities	56,393	-	-	-	56,393
Canadian Bonds	-	28,133	-	-	28,133
Pooled Funds					
Canadian Bonds	-	69,489	-	-	69,489
Equities	-	56,016	3,287	-	59,303
Real Estate	-	15,909	-	-	15,909
<b>Total Investments</b>	<b>\$ 59,373</b>	<b>\$ 169,547</b>	<b>\$ 3,287</b>	<b>\$ -</b>	<b>\$ 232,207</b>

There were no transfers of investments between levels during the current year.

# Audited Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 5. Pension Obligations

The present value of pension obligations 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 Hewitt Consulting is the appointed actuary for the Plan. The actuarial value of the pension obligations has been determined as of December 31, 2012 by extrapolating the figures from December 31, 2011, the date of the last actuarial valuation.

Because the Plan has a solvency deficiency, there is a requirement for a transfer deficiency holdback to be withheld from payouts of commuted value for a period of five years. Transfer deficiency holdbacks owing as of December 31, 2012 totalled \$124 (2011 - \$57).

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:

	December 31, 2012	December 31, 2011
	Rate	Rate
Assumption	(%)	(%)
Inflation Rate	2.5	2.5
Discount Rate	6.9	6.85
Rate of Salary Increase	3.0	3.8 – 4.4

As the Plan benefits are based on final highest average consecutive three years earnings the pension obligation is sensitive to changes in the assumed real rate of pensionable earnings increases which impacts future benefits and the assumed real rate of return on plan assets, which is used in the discounting of these future benefits.

A change in the following assumptions (with no change in other assumptions) would have the following approximate effects on the accrued pension obligations.

50 Basis Point Decrease/Increase	Approximate Effect on Pension Obligations
Real rate of pensionable earnings increases	+\$4,400/-\$2,900
Real return on plan assets and discount rate	-\$16,800/+\$18,700

# Audited Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 6. Investment Income

	December 31, 2012		December 31, 2011	
Investment Income	Total		Total	
Cash and Short Term Investments	\$	20	\$	56
Bond Interest		5,616		6,315
Dividend Income		3,225		2,890
<b>Total</b>	<b>\$</b>	<b>8,861</b>	<b>\$</b>	<b>9,261</b>

### 7. Contributions

	2012		2011	
Member Contributions	Total		Total	
Required Contributions from Members	\$	4,110	\$	3,952
Special Contributions from Members		1,805		1,737
<b>Total</b>	<b>\$</b>	<b>5,915</b>	<b>\$</b>	<b>5,689</b>
<b>Employer Contributions</b>				
Required Contributions from Employers	\$	4,297	\$	4,139
Special Contributions from Employers		1,805		1,737
<b>Total</b>	<b>\$</b>	<b>6,102</b>	<b>\$</b>	<b>5,876</b>

### 8. Pension Refunds

	2012		2011	
Pension Refunds	Total		Total	
Termination Benefit Payments	\$	474	\$	242
Death Benefit Payments		-		113
<b>Total</b>	<b>\$</b>	<b>474</b>	<b>\$</b>	<b>355</b>



## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 9. Capital Management

The Plan defines its capital as consisting of net assets available for benefits, which consists primarily of investments. Investments are managed to fund future pension obligations. The extent that net assets available for benefits are greater than pension obligations is reflected as a surplus or deficit. The objective of managing the Plan's capital is to ensure that the Plan is fully funded on a going-concern basis to pay the Plan's benefits over the long term.

The Plan receives new capital from member and employer contributions which is sufficient to meet its obligations in the short term. The Plan conducts regular actuarial valuations to identify contribution requirements to meet its future obligations. The Plan sponsors have not implemented contribution rate increases or benefit changes as identified in the 2009 valuation. This increases the risk that the Plan will not be able to meet its long term obligations.

### 10. Financial Risk Management

Financial risk management relates to the understanding and active management of risks associated with invested assets. Investments are primarily exposed to foreign currency, interest rate volatility, market, and credit risk. They may also be subject to liquidity risk and real estate risk. Investments held by the Plan are subject to *The Pension Benefits Act, 1992* (Saskatchewan) 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. The Board of Trustees approves the Statement of Investment Policies and Procedures and reviews them at least annually.

#### 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. The target asset mix is defined in Note 4. The Plan also uses investment managers with differing investment styles to further address risk.

# Audited Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 10. Financial Risk Management (continued)

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, 2012 would result in an increase/decrease of 9.7% (2011 - 8.6%) in the value of the portfolio.

#### Credit Risk

Credit risk refers to the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from certain investments. 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.

The maximum credit risk to which the Plan is exposed at December 31, 2012 is limited to the carrying value of the financial assets summarized as follows:

Asset Class	December 31, 2012	December 31, 2011
Canadian Bonds	\$ 28,243	\$ 28,133
Cash	1,057	2,766
Short Term Investments	464	214
Accrued Income Receivable	262	225
<b>Total</b>	<b>\$ 29,562</b>	<b>\$ 31,124</b>

The Plan's Canadian Bonds consist of Government of Canada Bonds rated AAA. The Plan also invests in a Canadian Bond pooled fund which invests in Canadian bonds with a minimum credit rating of BBB or equivalent.

#### 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 arises from the potential 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.

At December 31, 2012 a 1% increase/decrease in interest rates would result in a 13.8% (2011 - 12%) change in the value of the Plan's fixed income portfolio or \$13,881 (2011 - \$12,173).

# Audited Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 10. Financial Risk Management (continued)

#### 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 the investments. The Plan manages foreign currency risk by limiting investment in foreign securities. The Board has adopted a non-hedge policy benchmark.

The Plan's foreign currency exposure is as follows:

Currency	December 31, 2012	December 31, 2011
USD	\$ 47,742	\$ 39,785
EUR	12,463	11,305
GBP	7,092	5,781
YEN	4,814	4,773
CHF	4,058	3,428
Other *	6,021	6,443
<b>Total</b>	<b>\$ 82,190</b>	<b>\$ 71,515</b>

\* 'Other' includes small investments in over ten different currencies, each representing less than 1% of the total portfolio. Changes in these underlying currencies would have a nominal effect on the Plan.

As 19.2% 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 10% change in the US exchange rate will result in a 1.5% change in the value of the portfolio. As of December 31, 2012 a 10% increase in the value of the US dollar, relative to the Canadian Dollar, would have resulted in a \$3,647 loss in the value of the Plan's investments (2011 - \$3,699 loss).

#### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Plan maintains an adequate amount of liquid assets with varying maturities in order to ensure the Plan can meet all of its financial obligations as they fall due. 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.

# Audited Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2012

### 11. Related Party Transactions

	December 31, 2012	December 31, 2011
Accounts Payable include the following amounts due to:		
Regina Civic Employees Superannuation and Benefits Plan	\$ 74	\$ -
Expenditures include the following amounts paid to:		
City of Regina	10	15

### 12. Administration Expenses

	2012	2011
Administration Expenses	Total	Total
Actuarial Services	\$ 90	\$ 155
Audit Services	9	10
Custodial and Portfolio Measurement Fees	110	124
Investment Manager Fees	644	593
Legal Services	5	10
Other Administrative Expenses	330	322
<b>Total</b>	<b>\$ 1,188</b>	<b>\$ 1,214</b>

### 13. Comparative Figures

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