



# Annual Report

For the Year Ended December 31, 2009

Canadian Commercial Workers Industry Pension Plan

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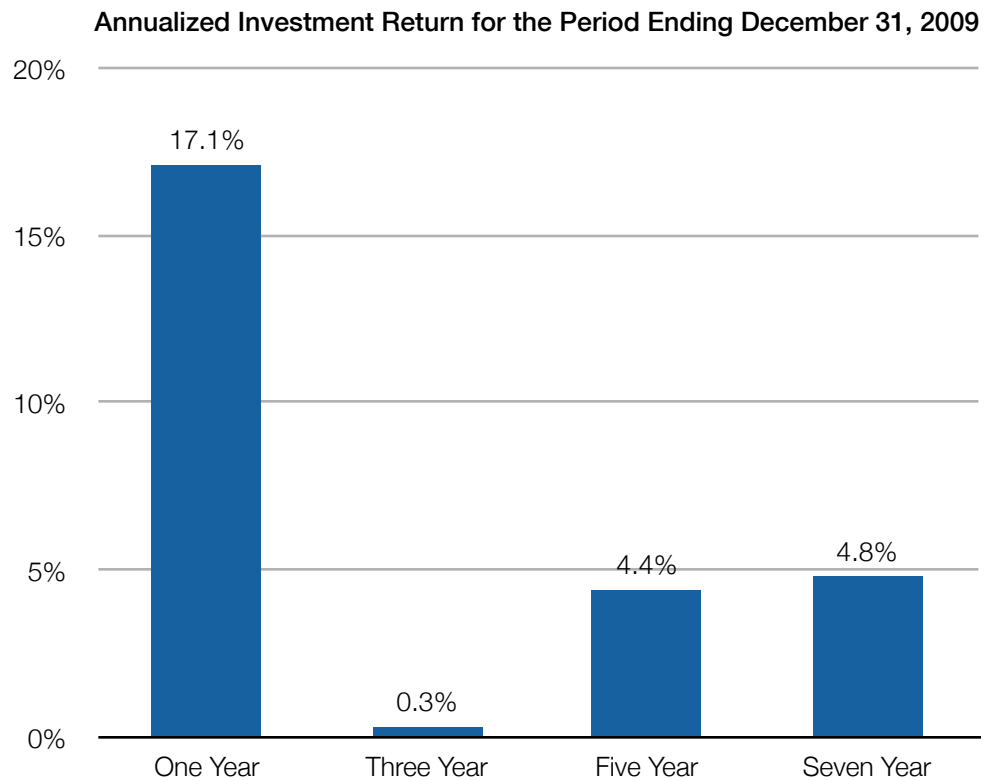
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# Investment Performance

## Investment Return

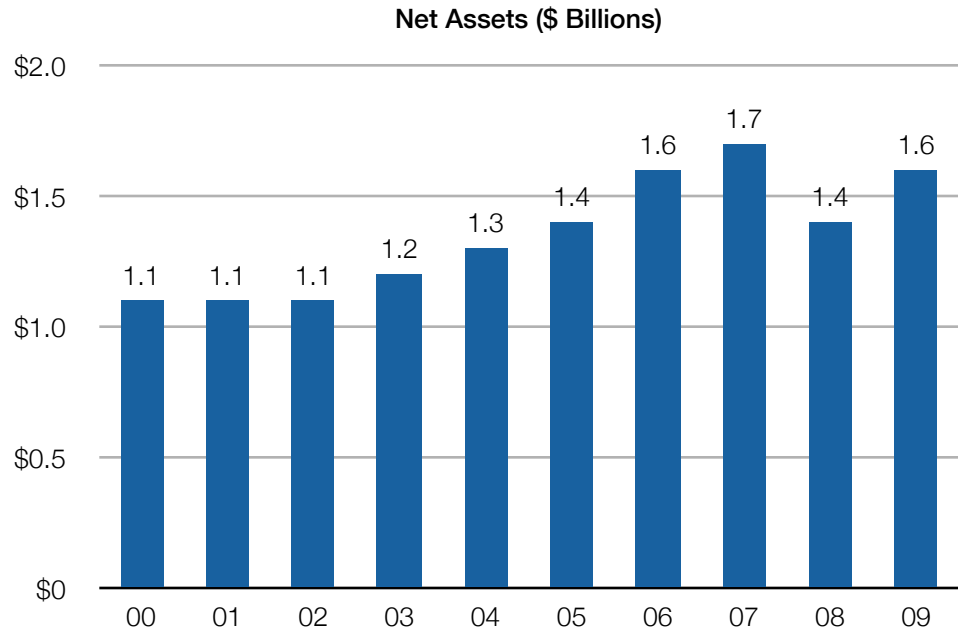
The Canadian Commercial Workers Industry Pension Plan (the “Plan”) had a strong year in 2009, achieving an aggregate rate of return of 17.1%, which outperformed the average<sup>1</sup> Canadian pension fund return of 15.4%.



The Plan's investment portfolio generated investment income of \$232 million, increasing its net assets<sup>2</sup> to approximately \$1.6 billion.

<sup>1</sup> Source: CIBC Mellon Analytics.

<sup>2</sup> Defined as the Plan's total assets less total liabilities.



The strong 2009 investment return resulted in the Plan recovering substantially from the 2008 market collapse. This recovery was achieved despite the Plan's rate of return being partially offset by currency fluctuation.

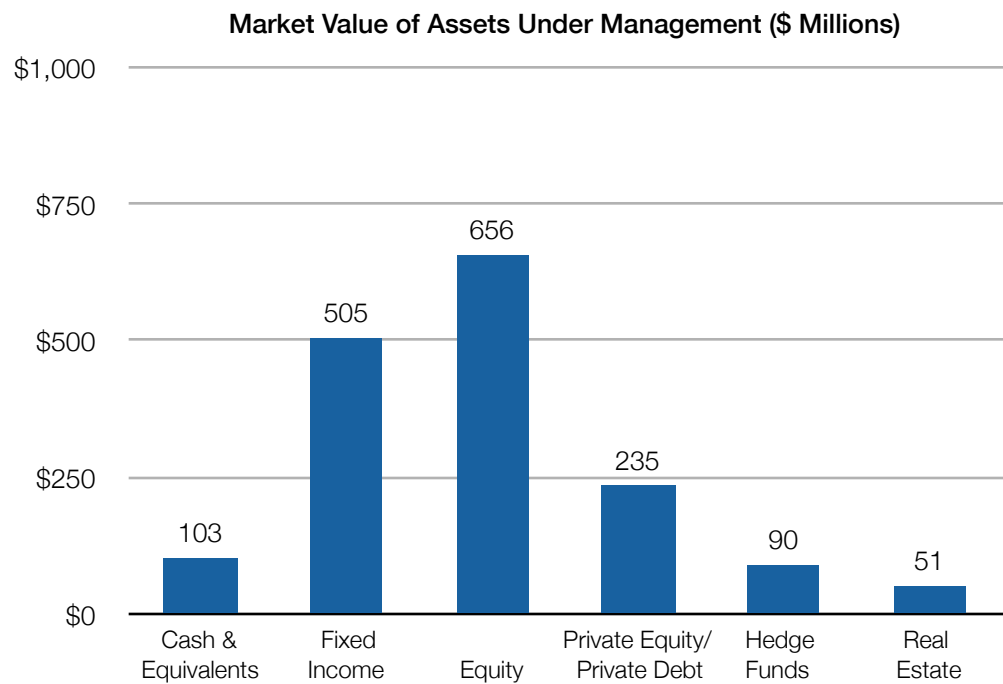
## Management of Invested Assets

The Trustees enlist the services of professional investment management firms who invest the Plan's assets in domestic and foreign equities and fixed income, both in public and private markets. The Plan's investment management firms are:

- Acuity Investment Management Inc.  
[www.acuityfunds.com](http://www.acuityfunds.com)
- Addenda Capital  
[www.addenda-capital.com](http://www.addenda-capital.com)
- CIBC Global Asset Management  
[www.cibc.com/ca/am](http://www.cibc.com/ca/am)
- Dynamic Mutual Funds Ltd.  
[www.dynamic.ca](http://www.dynamic.ca)
- Goodman & Company Investment Counsel Ltd.  
[www.goodmanprivatewealth.com](http://www.goodmanprivatewealth.com)
- Harris Investment Management  
[www.harrisbank.com](http://www.harrisbank.com)
- Leith Wheeler Investment Counsel Ltd.  
[www.leithwheeler.com](http://www.leithwheeler.com)
- Mondrian Investment Partners  
[www.mondrian.com](http://www.mondrian.com)

- Performance Group of Funds  
[www.performance-group.ca](http://www.performance-group.ca)
- Philadelphia International Advisors, LP  
[www.piadvisors.net](http://www.piadvisors.net)
- Vontobel Asset Management  
[www.vusa.com](http://www.vusa.com)
- Wise Capital Management Inc.  
[www.wisecapitalmanagement.com](http://www.wisecapitalmanagement.com)

The Trustees regularly evaluate the performance of these firms and monitor their compliance with their respective investment mandates. In order to maximize returns and add value to the Plan's portfolio while minimizing its overall risk exposure, the Plan also engages API Asset Performance Inc. ([www.apiasset.com](http://www.apiasset.com)), an independent consulting and advisory firm, to provide ongoing investment performance measurement services and to conduct ongoing searches for new investment management firms, if required. During the year, there were no investment management firms added or terminated.



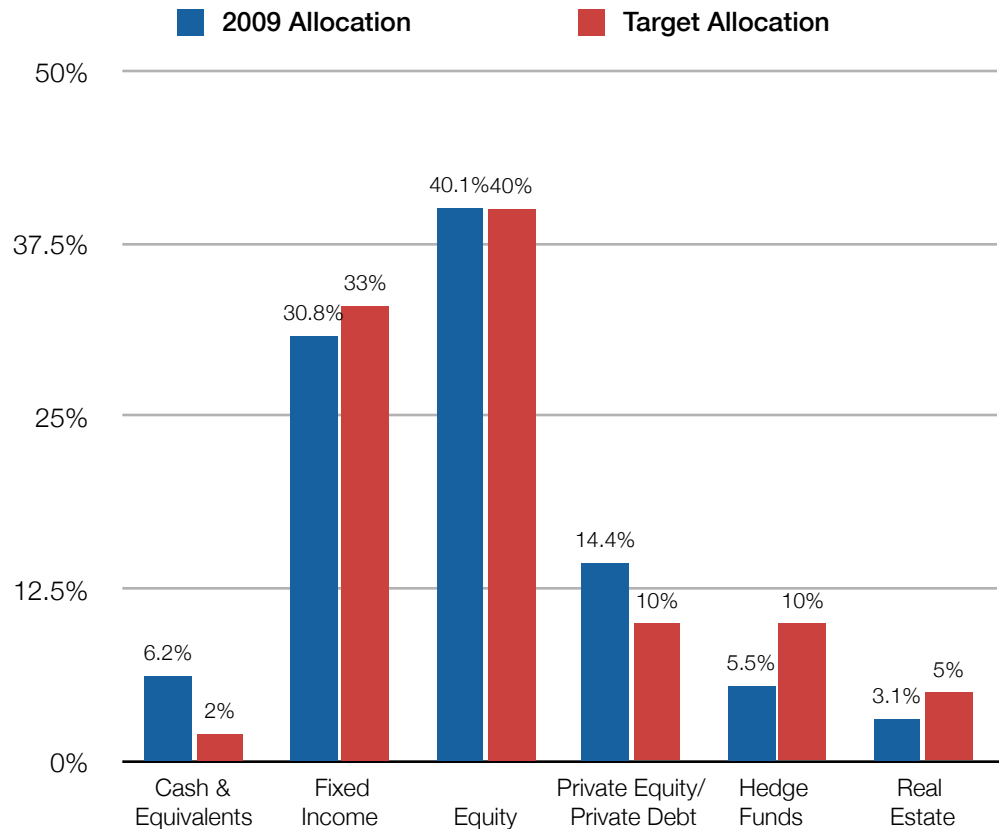
As part of their investment strategy, the Trustees continue to reduce the Plan's portfolio of investments held directly through wholly-owned investment corporations.<sup>3</sup> As at December 31, 2009, the Plan has reduced its allocation within these corporations to

<sup>3</sup> Defined as subsidiary pension investment corporations through which the Plan's direct investments are held for the purpose of limiting liability.

six investments, representing approximately 8% of the Plan's assets. The Trustees sold an additional three investments held through these corporations during 2009.

## Asset Allocation

To ensure greater diversification and to minimize risk, the Plan follows an asset allocation model which sets target ranges for investing within each asset class of the investment portfolio. The asset allocation is designed to improve the probability of the Plan achieving its actuarial assumption of a 6.75% average rate of return over the long term which, if achieved, will result in the Plan having sufficient assets to provide the prescribed benefits. This is the rate which the Plan's independent actuary, Buck Consultants ([www.acsbuckcanada.com](http://www.acsbuckcanada.com)), has assumed as being required to satisfy all pension obligations for members. The table below outlines the actual asset allocation as at December 31, 2009 compared to the Plan's target<sup>4</sup> allocation.



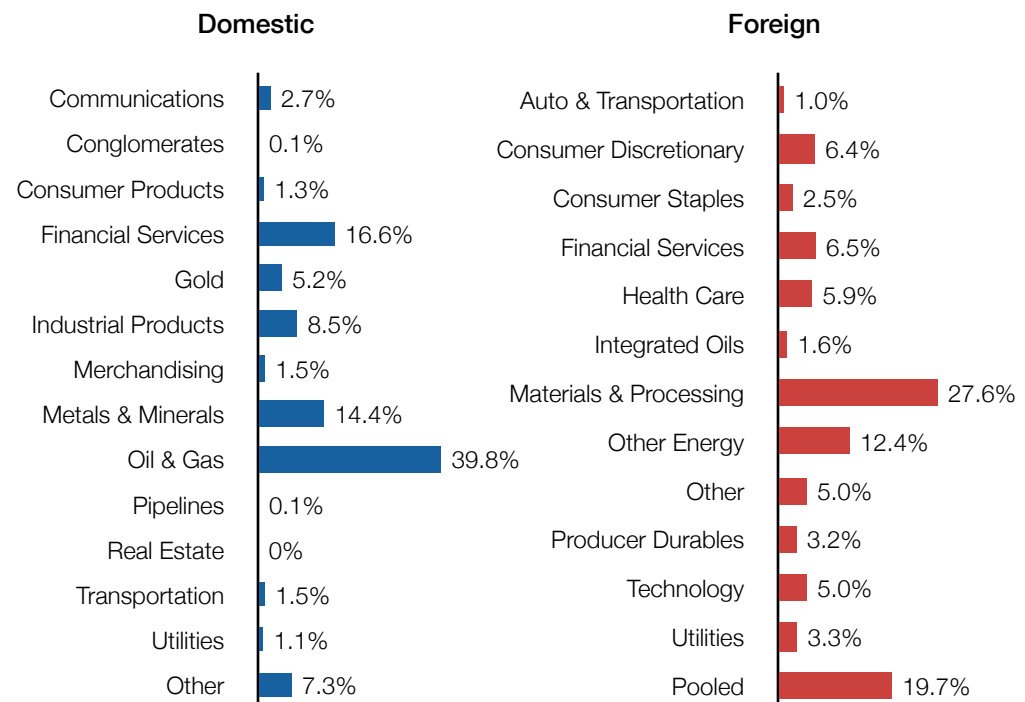
During 2009, each of the asset classes remained within their established minimum and maximum limits, as set out in the Plan's Statement of Investment Policies and Procedures ("SIPP"). The asset allocation is regularly monitored throughout the year

<sup>4</sup> The Target Allocation (or the Fund Benchmark) for each asset class is outlined in Section 6.1 of the SIPP.

by Buck Consultants, as instructed by the Board of Trustees, to ensure ongoing compliance with the established limits.

## Equity in Publicly Traded Companies

The equity component (both domestic and foreign) of the Plan's investment portfolio realized a combined 68.3% return in 2009, which outperformed each of its respective benchmarks (S&P/TSX Composite and MCSI World - CAD) of 35.1% and 12.9%. As at December 31, 2009, the Plan's total equity allocation was valued at \$657 million. The charts below reflect the sector weighting of each industry grouping as at December 31, 2009.



## Fixed Income

The fixed income component of the Plan's investment portfolio achieved a 7.5% rate of return in 2009, which outperformed its benchmark (DEX Universe Bond Index) of 5.4%. Included in the Plan's fixed income investments are a series of segregated<sup>5</sup> long-term bond portfolios, collectively valued at \$268 million, which are under management by CIBC Global Asset Management. As at December 31, 2009, the Plan's total fixed income allocation was valued at \$505 million.

<sup>5</sup> Assets that were transferred into the Plan and for which the Plan has assumed a separate obligation for benefits.

## Hedge Funds

The hedge fund component of the Plan's investment portfolio achieved a 32.9% rate of return in 2009, which outperformed its benchmark (HFRI Hedge Fund of Funds Index - CAD) of negative 3.8%. The Plan invests in hedge funds in an effort to increase diversification and generate returns, in both rising and falling markets, that are not highly-correlated to major stock market indices. As at December 31, 2009, the Plan's total hedge fund allocation was valued at \$90 million.

## Private Equity/Private Debt

The private equity/private debt component of the Plan's investment portfolio achieved a negative 28.2% rate of return in 2009. However, based on the assets held within this asset class, there is no industry-recognized benchmark from which to draw a comparison. The portfolio generated income of \$5.3 million, which was offset by: a) currency adjustment in the amount of \$38.6 million, resulting from the appreciation of the Canadian dollar; and, b) a negative market value adjustment in the amount of \$55.2 million, resulting from the economic impact of the post-2008 worldwide reduction in travel on the Plan's hospitality-related investments. The Plan's private equity/private debt investments are:

### Private Equity

- British Colonial Property Holdings Limited  
[www.hiltoncaribbean.com](http://www.hiltoncaribbean.com)
- Celtic Pharmaceutical Holdings L.P.  
[www.celticpharma.com](http://www.celticpharma.com)
- Celtic Therapeutics Holdings L.P.  
[www.celtictherapeutics.com](http://www.celtictherapeutics.com)
- Clairvest Equity Partners III  
[www.clairvest.com](http://www.clairvest.com)
- Royalty Pharma AG  
[www.royaltypharma.com](http://www.royaltypharma.com)

### Private Debt

- New South Ocean Development Company mortgages
- Crane Ridge Resort mortgage
- Wellington Financial Fund III  
[www.wellingtonfund.com](http://www.wellingtonfund.com)
- Westmount-Keele mortgage

As at December 31, 2009, the Plan's total private equity/private debt allocation was valued at \$233 million.

### **Real Estate and Loans**

The real estate and loan component of the Plan's investment portfolio realized a negative 0.8% rate of return in 2009. As in the case of private equity/private debt, based on the assets held within this asset class, there is no industry-recognized benchmark from which to draw a comparison. As at December 31, 2009, the Plan's total real estate allocation was valued at \$51 million, the largest portion of which is comprised of the Plan's investment in Citi Plaza ([www.citiplazalondon.com](http://www.citiplazalondon.com)), a mixed-use commercial property located in London, Ontario.

### **Cash and Cash Equivalents**

The Plan's professional investment management firms are encouraged to, and do typically, maintain minimum cash-equivalent balances. As at December 31, 2009, the total short-term cash and cash-equivalent investments were valued at \$103 million, up from \$87 million a year earlier.

# Assets Available to Pay Benefits

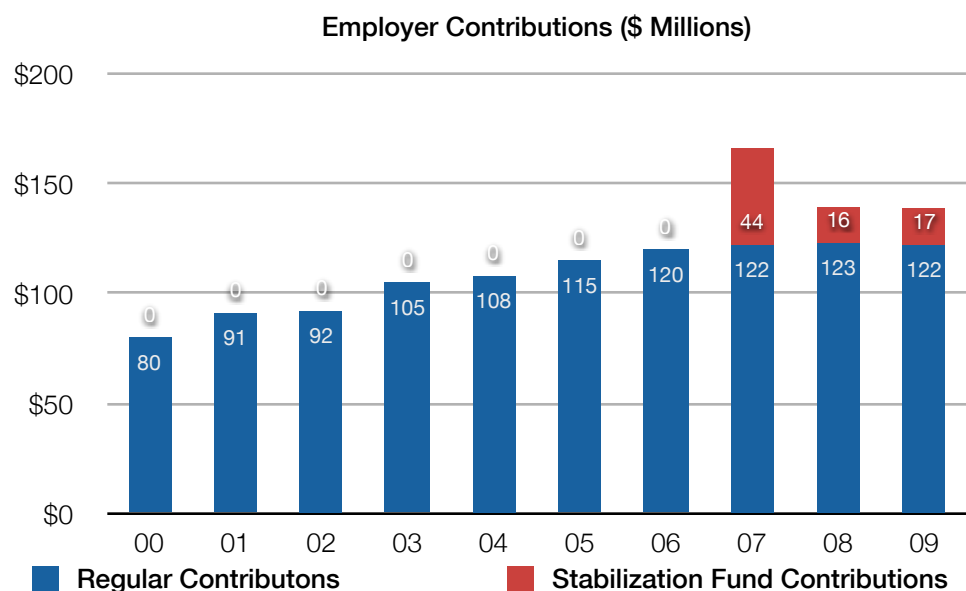
## Membership

The Plan provides pension benefits to approximately 360,000 current and former Members of UFCW Canada ([www.ufcw.ca](http://www.ufcw.ca)), employed by 256 participating employers. Preliminary membership data as at December 31, 2009 is as follows:

	Active & Disabled	Potential Terminations (Vested)	Potential Terminations (Non-Vested)	Deferred Vested Pensioners	Pensioners (Healthy & Disabled)	Survivors
Dec. 31, 2008	173,667	37,260	48,714	166,940	17,571	1,782
Dec. 31, 2009	154,043	34,557	48,267	162,271	18,089	1,937

## Contributions

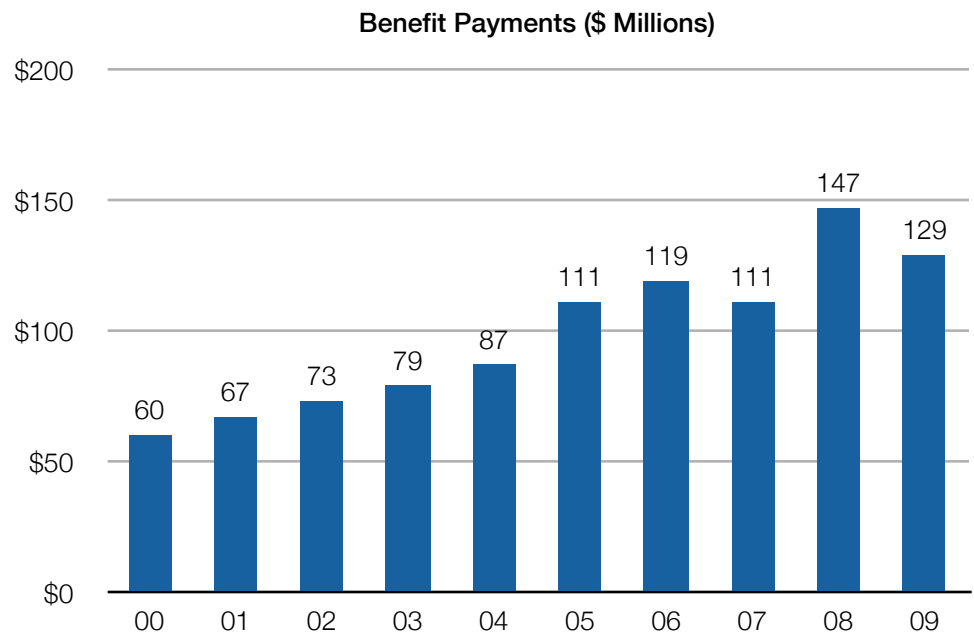
In accordance with collective bargaining agreements negotiated with Locals of UFCW Canada, the participating employers are required to make contributions to the Plan. During 2009, the employers contributed \$139 million (including \$17 million into the Stabilization Fund), with an equivalent amount contributed during 2008 (with \$16 million into the Stabilization Fund). Employees are not required to contribute to the Plan.



# Benefit Payments

## Total Payments

Benefit payments totaled \$129 million in 2009. The number of retired Members, surviving spouses and beneficiaries receiving monthly benefits grew to 20,145 from 19,174 in 2008.



## Pension

Pension payments increased by \$4 million in 2009 to \$88 million. Benefits are based on the hours worked by each Member and the contribution rate paid by employers, in accordance with the various collective agreements negotiated between Locals of UFCW Canada and the participating employers. During 2009, 1,068 newly-retired Members received pension payments for the first time.

## **Termination**

Termination payments decreased by \$21 million in 2009 to \$38 million, with 6,719 Members leaving the plan as the result of changes in their employment, compared with 9,671 in 2008. Termination payments are affected by several factors including membership turnover, regulatory rules that vary by Province with respect to determining termination dates and portability rights, the timing of processing termination payments, and the rules for calculating commuted values (how much a Member leaving the plan is entitled to as a lump sum payment).

## **Death Benefits**

The Plan paid out \$2.8 million in lump sum death benefits to surviving spouses and other designated beneficiaries during 2009, compared with the \$3.4 million in lump sum death benefits paid out during 2008.

# Funded Status

## Financial Position

The Plan's actuary, Buck Consultants, prepares an annual valuation of the Plan's financial position, which is filed with the Ontario regulatory authorities (Financial Services Commission of Ontario). The most recent valuation established a going-concern funding deficiency of \$760 million as at December 31, 2008, based on a \$1.68 billion actuarial value<sup>6</sup> of assets and total liabilities of \$2.44 billion. A going concern funding deficiency is not uncommon for a multi-employer pension plan (MEPP), particularly in the aftermath of the 2008 market meltdown.

The going-concern funded status assumes the Plan continues indefinitely. The Plan was 69% funded<sup>7</sup> as at December 31, 2008, a decline of 12% over the previous year, and not surprising given the financial turmoil of 2008. The very favourable investment performance in 2009 will have a positive impact on the financial position of the Plan.

On a windup basis the Plan was 42% funded<sup>8</sup> as of December 31, 2008, meaning that, if the Plan had been wound up on that date, accrued benefits would have had to be reduced significantly.

As part of the process in dealing with the deficiency in the 2008 valuation, the Trustees have approved a Funding Improvement Plan (FIP) designed to provide the Plan with a more solid financial foundation. In addition, the Plan is electing to become a Specified Ontario MEPP (SOMEPP), which allows for a more favourable funding framework to be applied.

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<sup>6</sup> Defined as the value of assets after the actuary's averaging of market values over a five-year period.

<sup>7</sup> Ratio of actuarial value of assets to going concern liabilities.

<sup>8</sup> Ratio of market value of assets to solvency/windup liabilities.

# Plan Governance and Policies

## Federal and Provincial Regulation

The Plan is required to comply with the Federal and Provincial legislation that governs pensions, as set by the Income Tax Act and the Provincial Pension Benefits Acts and Regulations.

The Trustees independently continue to monitor and enhance governance and compliance practices as deemed appropriate. The pension plan has retained Buck Consultants to be responsible for providing quarterly compliance monitoring reports to the Board of Trustees including the following.

- Total Fund Asset Allocation
- SIPP Asset Allocation Ranges and Fund Benchmark
- Top 10 Securities Holdings Analysis
- Non-Permitted Investments
- Requirements of Federal Pension Benefits Standard Regulations, Schedule III (Section 6) Permitted Investments
- SIPP Constraints

The Plan's external auditor, BDO Canada LLP ([www.bdo.ca](http://www.bdo.ca)) prepares a compliance report which is filed with Financial Services Commission of Ontario annually along with the annual audited financial statements and investment schedules.

## Investments

The Plan's investment governance practices are reflected in its SIPP. The SIPP is monitored, reviewed, revised and updated by Buck Consultants, as instructed by the Board of Trustees. The SIPP includes the following.

- Investment strategies, benchmarks, risk tolerance, investment manager selection, all classes of assets, proxy voting, mandates.
- Monitoring of practices and conflicts of interest.
- Monitoring of fund managers to ensure compliance with investment mandates.

To ensure that investment governance practices follow the SIPP, advisors, including external investment consultants and a compliance officer, monitor and report to the Board of Trustees on compliance, performance and proxy voting.

## **Plan Text**

The Plan Text defines all Members' entitlements under the Plan. Any change requires a resolution of the Trustees and/or amendment to the Plan Text, which is filed with the Provincial and Federal regulators. Members are notified in advance of any changes taking effect.

## **Communication**

The Trustees distribute benefit booklets, annual statements, news bulletins and brochures on the relevant information to Members and Pensioners. A website ([www.ccwipp.ca](http://www.ccwipp.ca)) is also available for those who wish to receive information about the Plan.

## **Members of the Board of Trustees**

The Plan is administered by a Board of Trustees, consisting of an equal number of individuals appointed by UFCW Canada and by the participating employers. The current members of the Board are as follows:

Robert Armstrong (appointed July 2010)  
Gordy Cannady  
Bernard Christophe  
Antonio Filato (resigned June 2010)  
Wayne Hanley  
Paul Meinema  
Lucy Paglione  
Alain Picard  
Tom Zakrzewski

The Trustees receive no personal benefit, financial gain or fee payment from the Trust Fund<sup>9</sup> for their role as fiduciaries of the Plan.

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<sup>9</sup> Defined as all of the Plan's assets, consolidated with all funds and assets received, from time to time, by way of Contributions, or merger, together with all increments, earnings and profits accruing from the administration of said Trust Fund.

## Professionals and External Consultants

To assist the Board with carrying out its fiduciary responsibilities, it employs the services of, and seeks advice from, specialists as follows:

Actuary.....	Buck Consultants (External) Benchmark Decisions (Internal)
Administrator.....	Prudent Benefits Administration Services Inc.
Asset Manager.....	HVS International
Auditor.....	BDO Canada LLP
Compliance Officer.....	Buck Consultants
Custodian / Pension Payroll Agent.....	RBC Dexia Investor Services
Investment Consultants.....	API Asset Performance Inc. Allen & Company Levine Consulting Services
Legal Counsel.....	Koskie Minsky LLP Lenczner Slaght Royce Smith Griffin LLP Loopstra Nixon LLP
Real Estate Consultants & Valuators.....	CB Richard Ellis Canada Colliers International Cushman & Wakefield
Real Estate Property Manager.....	Arcturus Realty Corporation