CCWIPP

2020
Annual Report

Canadian Commercial Workers Industry Pension Plan
Registration No. 0580431

ccwipp.ca

Index

Highlights

MEMBERSHIP[i]

395,000
Active, deferred, and qualifying members

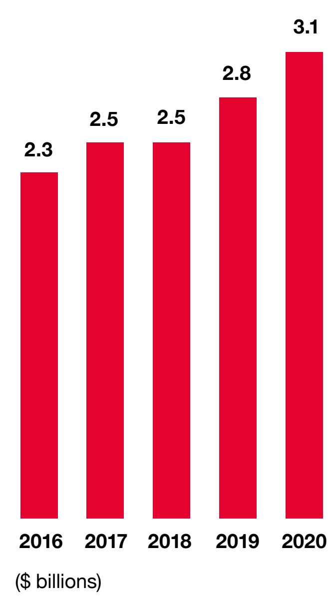
32,000
Retired members, surviving spouses, and beneficiaries

1,750
Newly retired members durring 2020

ANNUALIZED RETURNS

1 Year	11.9%
5 Years	8.6%
10 Years	6.8%
Target Return	6.0%

NET ASSETS



2020 In Review

A Message from the Board of Trustees

It is our pleasure to present the Annual Report of the Canadian Commercial Workers Industry Pension Plan (the “Plan”) for the year ended December 31, 2020.

This past year brought events that changed our world in profound ways and demanded so much from the frontline workers who comprise the Plan’s membership. Standing witness to our members’ dedication throughout the COVID-19 pandemic has strengthened our resolve to deliver on our commitment to provide a stable and sustainable pension plan.

In spite of the headwinds posed by this global health crisis, the Plan generated an 11.9% rate of return for the year, outperforming both its passive benchmark (11%) and its actuarial discount rate (6%). Moreover, preliminary estimates indicate continued improvement to the Plan’s funded status at year end, both on a going-concern and solvency basis.

Meanwhile, we continued working to position the Plan for lasting success. Efforts during 2020 included significant changes to our investment portfolio and ongoing work to enhance governance. The Plan continues to be invested in a broadly diversified portfolio of high-quality assets, with an investment strategy designed with resilience in mind.

We are pleased with the Plan’s financial results for 2020, and we look forward to sharing further results in the years to come.

Investments

INVESTMENT RESULTS

Over the trailing five years ended December 31, 2020, the portfolio returned an annualized rate of return of 8.6%, exceeding the Plan's 6.0% target return (or the rate of return deemed necessary to meet pension obligations as they come due), on a relative basis, by 2.6% per year.

Following a period of extreme volatility in the first half of the year coinciding with the onset of the pandemic, the portfolio rebounded, along with global capital markets, ending 2020 with double-digit returns for the year in both global equity (13.3%) and fixed income (10.8%).

Private assets also continued their strong performance, with gross internal rates of return since inception ranging from 6.1% to 13.8% for real estate, 8.5% to 14.9% for private debt, 16.0% to 19.3% for infrastructure, and 19.0% to 28.0% for private equity.

The Plan's hedge fund allocation underperformed for the year, posting a negative rate of return of -19.1%.

PUBLIC MARKET INVESTMENTS AND HEDGE FUNDS

	2020 Rates of Return[ii]
Fixed Income	10.8%
Global Equity	13.3%
Hedge Funds	-19.1%
Return Seeking Bonds[iii]	9.1%

PRIVATE MARKET INVESTMENTS

	Internal Rates of Return Range Since Inception[iv]		
Infrastructure	16.0%	—	19.3%
Private Debt	8.5%	—	14.9%
Private Equity	19.0%	—	28.0%
Real Estate	6.1%	—	13.8%

GLOBAL DIVERSIFICATION

The Plan's portfolio is well diversified in a wide range of asset classes and includes both publicly traded and privately held investments. This diversification also includes both Canadian investments and investments outside of Canada in order to reduce concentration risk in any one market.

$1.1 Billion
invested in Canada

$2 Billion
invested globally

INVESTMENT ACTIVITIES

Each year the Trustees meet at least quarterly with the Plan's investment consultant, Aon Hewitt Inc., to review the Plan's asset mix, performance, investment partners, and investment compliance status.

Following the 2019 completion of a new asset-liability modelling ("ALM") study–an exercise that analyzes the impacts of plan design, funding and benefit policy, and investment strategy, in an effort to aid the Trustees in their decision making–the Trustees worked diligently to rebalance the Plan's investment portfolio in a manner consistent with the findings of the ALM study. These rebalancing efforts involved the following changes during 2020.

- The introduction of a multi-asset credit strategy, managed by PIMCO, designed to provide access to higher-yielding fixed income securities while increasing diversification.
- The elimination of a discrete Canadian equity allocation in favour of more broadly diversified global equities.
- The establishment of a trust, managed by Aon Investments Canada Inc., to invest in a portfolio of hedge funds (including funds managed by Brevan Howard Capital Management, Capstone Investment Advisors, Davidson Kempner Capital Management, Elementum Advisors, and HBK Capital Management).

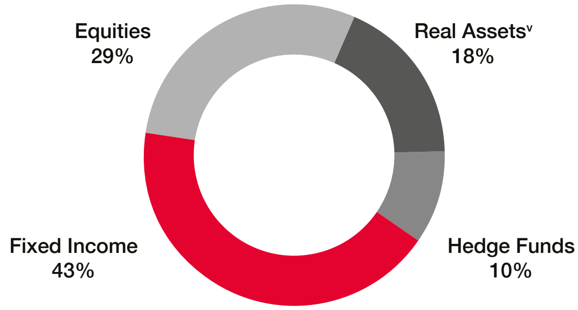
LOOKING AHEAD

Over the next year, the Trustees will continue to work with the Plan's investment consultant to address the findings of the ALM study. Upcoming changes to the Plan's asset mix include a reduction in public equities and the introduction of an allocation to farmland, an asset class that has historically generated attractive returns with low volatility.

Additionally, the Trustees plan to restructure the Plan's global equity portfolio and conduct a private equity investment manager search, as the latter asset class has seen, and will continue to see, significant liquidity in the near term.

Over the longer term, the Trustees will continue to monitor the Plan's asset mix and investment partners for ongoing performance, compliance, and suitability.

TARGET ASSET MIX

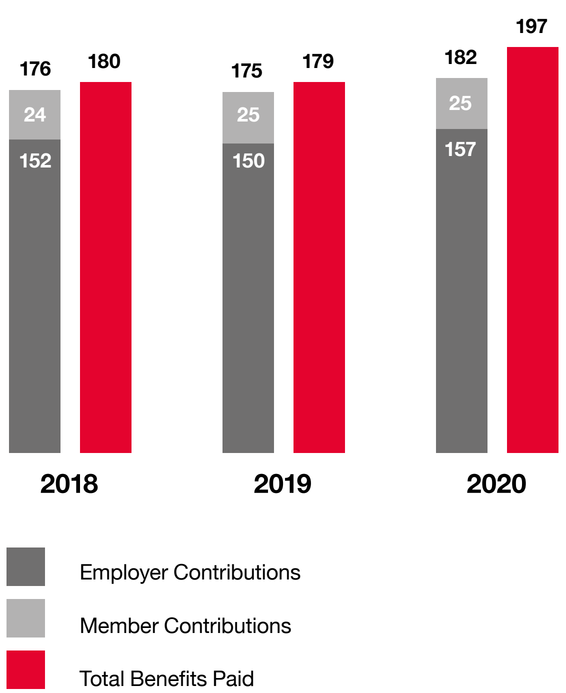


Funding

FUNDING SOURCES

In 2020, employer contributions to the Plan totalled $157 million, while member contributions totalled $25 million. An additional $334 million in income was generated by the Plan's investment portfolio. After benefit payments and expenses (the latter of which remained below 1% of Plan assets in 2020), net assets available for benefits grew by approximately $298 million in 2020.

CONTRIBUTIONS VS. BENEFITS PAID



($ millions)

FUNDED STATUS

The Plan's most recent actuarial valuation, as of December 31, 2018, was filed with the pension regulator, the Financial Services Regulatory Authority of Ontario ("FSRA"), in late 2019. This valuation indicated a going-concern funded status of 83% and a transfer ratio (or ratio of assets to liabilities, assuming a hypothetical wind up of the Plan as of the date of calculation) of 51.3%.

The pandemic-related market volatility caused a significant short-term impact to the Plan's transfer ratio, with a decrease in excess of 10% necessitating the interim filing of an updated transfer ratio with FSRA. As a result, as of March 31, 2020 the Plan's transfer ratio was reset to 44.8%.

These figures mean that, had the Plan been wound up during the year, accrued benefits would have had to be reduced. However, there is no intention to wind up the Plan; it is managed with the expectation that it will remain active indefinitely.

Fortunately, the sharp decline in the Plan's transfer ratio during the first half of the year was short lived, with preliminary estimates indicating a recovery to approximately 52.7% as of December 31, 2020. Furthermore, the Plan's going-concern funded status is also estimated to have improved during the year.

The next actuarial valuation required to be filed with FSRA must be prepared as of a date no later than December 31, 2021.

Governance

THE BOARD OF TRUSTEES

The Plan is governed by a Board of Trustees. The Board is the legal Administrator of the Plan and is responsible for both the administration of the Plan and the investment of its assets.

GOVERNING DOCUMENTS

The Trustees are appointed pursuant to a Trust Agreement, which sets out the Board's powers and duties and defines the relationship between the Plan's various stakeholders.

A Plan Text outlines members' entitlements. Amendments to the Plan Text are communicated to members.

Together with a series of supporting policies addressing topics such as privacy, conflicts of interest, and trustee education, a Governance Document provides a working guide for the governance of the Plan, and further specifies the roles and responsibilities of the parties involved in the Plan's governance.

OTHER POLICIES

The Trustees also maintain a Funding and Benefit Policy, which sets out the framework for maximizing the likelihood that Plan assets will be sufficient to meet the scheduled benefits, and a Statement of Investment Policies and Procedures ("SIPP") that, among other things, states the investment objectives, guidelines, benchmarks, and applicable environmental, social, and governance-related considerations used in investing the capital of the Plan in an effort to ensure that these assets are invested prudently and in compliance with all applicable regulatory requirements.

Governance policies and practices established by the Trustees are monitored and amended, as they deem appropriate, to ensure they remain responsive to the needs of the Plan and its membership.

COMPLIANCE

The Plan is required to comply with both provincial and federal legislation that governs pensions. The Trustees monitor and enhance compliance practices, as necessary, and retain an external Compliance Officer responsible for quarterly compliance reporting to FSRA. The Plan was fully compliant with its SIPP and all applicable regulatory requirements during 2020.

[i] Membership figures are approximations.
[ii] 2020 investment performance expressed using time-weighted rates of return.
[iii] Since-inception return from June 2020.
[iv] Since-inception investment performance expressed using a range of gross internal rates of return earned by the individual investments.
[v] Composed of the following asset classes (and target allocations): real estate (8%), infrastructure (5%), and farmland (5%).

INVESTMENT PARTNERS

AllianceBernstein
Aon Investments Canada
Auven Therapeutics
BlackRock
Brevan Howard Capital Management
Brookfield Asset Management
Capstone Investment Advisors
CBRE Global Advisors
CIBC Asset Management
Clairvest Equity Partners
Davidson Kempner Capital Management
Elementum Advisors
HBK Capital Management
Macquarie Infrastructure and Real Assets
Marathon Asset Management
Neuberger Berman
PIMCO
Royalty Pharma
TD Asset Management
Wellington Management Company

SERVICE PROVIDERS

ACTUARIAL Benchmark Decisions Ltd., Buck Canada HR Services Ltd.
ADMINISTRATION Prudent Benefits Administration Services Inc.
AUDIT BDO Canada LLP
CUSTODIAL / PENSION PAYMENTS RBC Investor & Treasury Services
INVESTMENT CONSULTING / COMPLIANCE Aon Hewitt Inc.
LEGAL COUNSEL Koskie Minsky LLP

BOARD OF TRUSTEES