



Consolidated financial statements

IWA – Forest Industry Pension Plan

December 31, 2009

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Auditors' report

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To the Trustees of the

IWA – Forest Industry Pension Plan

We have audited the consolidated statement of net assets available for members of the IWA – Forest Industry Pension Plan as at December 31, 2009 and the consolidated statement of changes in net assets available for members for the year then ended. These consolidated financial statements are the responsibility of the Trustees. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

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



Vancouver, Canada

April 12, 2010

Chartered accountants

IWA – Forest Industry Pension Plan

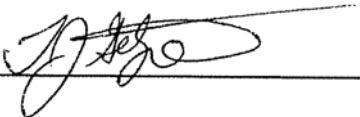
Consolidated statement of net assets

available for members

December 31	2009	2008
Assets		
Cash	\$ 26,550,085	\$ 21,235,525
Investment income receivable	3,736,545	4,968,101
Contributions and other receivables (Note 12)	6,155,317	7,635,606
Investments (Note 4)	<u>2,765,499,421</u>	<u>2,523,879,933</u>
	<u>2,801,941,368</u>	<u>2,557,719,165</u>
Liabilities		
Payables and accruals (Note 12)	2,663,708	2,496,351
Commuted values payable (Note 5 and 12)	5,238,238	4,679,501
Mortgages payable (Note 7 and 12)	<u>36,285,174</u>	<u>37,313,580</u>
	<u>44,187,120</u>	<u>44,489,432</u>
Net assets available for members	<u>\$ 2,757,754,248</u>	<u>\$ 2,513,229,733</u>

Commitment (Note 9)

Approved by the Trustees


 _____ Trustee


 _____ Trustee

See accompanying notes to the consolidated financial statements.

IWA – Forest Industry Pension Plan

Consolidated statement of changes in net assets available for members

Year ended December 31	2009	2008
Revenue		
Investment income (Note 8)	\$ 98,561,363	\$ 141,840,602
Loss on sale of investments	(59,520,551)	(97,209,368)
Unrealized gain (loss) on investments	367,940,542	(624,648,473)
	406,981,354	(580,017,239)
Contributions		
Employers'	41,742,509	57,871,718
Employees'	26,023,256	31,662,202
	474,747,119	(490,483,319)
Expenses		
Benefit payments	219,378,549	198,291,734
Administrative (Page 17)	3,991,548	3,819,578
Non-administrative (Page 17)	6,852,507	6,880,495
	230,222,604	208,991,807
Increase (decrease) in net assets available for members	244,524,515	(699,475,126)
Net assets available for members, beginning of year	2,513,229,733	3,212,704,859
Net assets available for members, end of year	\$ 2,757,754,248	\$ 2,513,229,733

See accompanying notes to the consolidated financial statements.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

1. Description of the Plan

The following description of the IWA - Forest Industry Pension Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan document.

Funding policy

Each employing company contributes an hourly rate as stipulated in the respective collective agreements. Effective July 1, 1993, most Plan members also contributed an hourly rate as specified in the collective agreements.

Objective of the Plan

The purpose of the Plan is to provide monthly retirement income to members in respect of their service under the Plan.

Normal retirement

A monthly pension determined by reference to credited service is payable upon the attainment of age sixty-five. The normal form of pension for members at the time of retirement is a life annuity with 60 payments guaranteed.

Early retirement

A reduced monthly pension determined by reference to credited service is payable upon retirement after the attainment of age fifty-five. For Plan members who are accruing credited service, the reductions are in accordance with the favourable early retirement factors under the Plan. For former Plan members, benefits are actuarially reduced.

Break in service

A member who breaks service after December 31, 1997, with at least two consecutive years of continuous employment, is entitled to a monthly pension upon the attainment of age sixty-five.

Pre-retirement death

Benefits equal to 60% of the commuted value of a member's vested accrued pension are payable if a member or former member dies prior to retirement.

Post-retirement death

Effective January 1, 1993 there is a requirement under the B.C. Pension Standards Act for members who have a spouse at the time of retirement to elect a joint and 60% survivor annuity, actuarially reduced to reflect the provision of the survivor benefit unless the spouse signs a form waiving this entitlement.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

2. Summary of significant accounting policies

These consolidated financial statements show the assets under the control of the Trustees of the Plan and do not purport to show the adequacy of the assets of the Plan to meet the obligations of the Plan. They present the aggregate financial position of the Plan as a separate financial reporting entity independent of the employers and Plan members. These consolidated financial statements are prepared to assist Plan members and others in reviewing the activities of the Plan for the year but do not portray the funding requirements of the Plan or the benefit security of individual Plan members. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Principles of consolidation

These consolidated financial statements include the accounts and the fair market value adjustments of real estate appraisals of the 100% wholly-owned subsidiaries: 130 West Broadway Investments Inc. and Scott Hill Investments Inc. All intercompany transactions and balances have been eliminated in these consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash within three months of deposit.

Investments

Investments are recorded on a trade date basis and are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Fair value is determined as follows:

- a Short-term notes and deposits are valued at quoted market prices.
- b Bonds and other fixed income securities are valued at quoted market prices. Where the market price is not available, fair value is calculated using discounted cash flows based on current market yields of instruments with similar characteristics.
- c Equities are valued on quoted market prices. Where the market price is not available or reliable, fair value is determined using accepted industry valuation methods.
- d Mortgages and mortgage funds are valued at the net asset values of the funds as determined by the investment managers
- e Currency forwards are financial contracts the value of which is derived from the value of underlying assets, indices, interest rates or exchange rates.
- f Real estate investment valuations are based on periodic appraisals for privately-held real estate.

Investment income

Income from investments is recognized on an accrual basis and includes realized gains and losses from investments, dividend income (recognized on ex-dividend date), interest income, net operating income from private real estate investments, and net of investment counsellor fees (Note 8).

Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition and disposal of an investment. Transaction costs are included in the investment balance.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

2. Summary of significant accounting policies (continued)

Translation of foreign currencies

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Investments and other monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the year-end date with any resulting foreign exchange gain or loss included in investment income.

Contributions

Contributions from the members and employers are recorded on an accrual basis. Cash received from members for credited service and from other pension plans for transfers are recorded when received.

Income taxes

The Plan is not subject to income tax.

Use of estimates

In conformity with GAAP, management is required to make estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from those reported.

Statement of cash flows

A statement of cash flows is not required for pension plans under current GAAP.

Comparative figures

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

Future accounting standards

The Canadian Accounting Standards Board ("AcSB") confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises. As a result of this change, AcSB issued Part IV of the *Accounting Handbook – Accounting Standards for Pension Plan* in April 2010. This new standard will replace The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 4100 and will follow IFRS standards on the measurement, presentation and disclosure of the Plan's investment portfolio and pension obligation. This new standard will apply for financial statements relating to fiscal years beginning on or after January 1, 2011. Based on management's current evaluation of the difference between Section 4100 and the new standard, management expects that net assets available for members will be significantly affected by the changeover due to the recording of the actuarial value of the accrued pension liability in the statement of net assets available for members. Management also expects that there will be additional disclosures and potentially different presentation.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

3. Change in accounting standards

Effective January 1, 2009 the Plan adopted the following new accounting standards:

a Financial instruments – disclosures

The Plan adopted the recent amendments to CICA Handbook Section 3862 *Financial Instruments – Disclosures*. Disclosures about fair value of financial instruments requires the disclosures of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Plan's financial instruments are recorded at fair value or at amounts that approximates fair value in financial statements.

The amendments to CICA Handbook Section 3862 establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lower priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the investment manager has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered active.
- Level 3 Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

The impact of these new standards is disclosed in Note 12.

b Credit risk and fair value of financial assets and financial liabilities

In January 2009 the EIC issued Abstract No. 173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* (EIC-173). EIC-173 requires an entity to take into account its own credit risk and that of the relevant counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The adoption of the EIC did not result in a material impact to the valuation of the Plan's financial assets and financial liabilities.

4. Investments	2009	2008
Short-term notes and deposits	\$ 27,022,478	\$ 37,289,083
Currency forwards	5,976,902	155,562
Bonds and debentures (Note 12)	181,044,351	227,395,777
Fixed income pooled funds (Note 12)	534,620,990	567,239,593
Equities	1,901,869,090	1,555,481,571
Mortgages and mortgage funds (Note 12)	42,885,610	58,728,347
Real estate	72,080,000	77,590,000
	<u>\$ 2,765,499,421</u>	<u>\$ 2,523,879,933</u>

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

4. Investments (continued)

Bonds and other fixed income securities include Master Asset Vehicles II Notes (“MAV Notes”) with fair value of \$10,849,680 as at December 31, 2009. These MAV Notes were received in exchange for non-bank sponsored asset backed commercial paper (ABCP) investments held by the Plan prior to its restructuring on January 21, 2009.

On December 31, 2008 the fair value of the ABCP of \$11,971,068 was established by estimating discounted future cash flows using the best available market data. In 2009 there was an emergence of a credible market for the MAV Notes. As a result, the MAV Notes are valued based on the bids from multiple dealers to the extent that these are available. These estimates are subject to measurement uncertainties and the fair values of the MAV Notes could differ from the actual fair values that will be realized.

5. Commuted values payable

After 1992 the Plan text was amended to allow members to elect to receive the commuted value of their pension contributions if one of the following breaks in service occurs:

- the owner, operator or an employing company opts out of the Plan;
- the member is transferred to a management position;
- the member dies; or
- the member does not work or otherwise acquire at least 350 qualifying hours in the preceding two calendar year period.

Since 2004, members who elected to transfer their entitlement from the Plan received 94% of the commuted value.

Effective January 1, 2005 the Board of Trustees to the Plan approved a change to limit the eligible time period after a break in service to elect to transfer one’s entitlement to 180 days. If a member does not make the election within 180 days, they will be eligible to receive a retirement benefit when they are age eligible to retire.

6. Actuarial value of accrued pension benefits

The present value of accrued pension benefits was determined using the unit credit actuarial funding method and the actuarial assumptions adopted by the Trustees. The latest filed actuarial valuation is as of December 31, 2006, prepared by Towers Perrin. For more complete information, reference should be made to the actuarial valuation. The following is a summary only of the significant actuarial assumptions used in the valuation:

- 6.5% future rate of investment return, net of investment expenses per annum
- assumed retirement incidence varies by age
- contributory hours are assumed to be 31,000,000 in 2008 and 30,000,000 in 2009

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

6. Actuarial value of accrued pension benefits (continued)

The actuarial present value of benefits as at December 31, 2006 and the principal components of changes in actuarial present values for 2006 are as follows:

Actuarial present value of accrued pension benefits as at December 31, 2004	\$ 2,676,720,000
Actuarial present value of benefits accrued	145,705,000
Interest accrued	347,464,000
Benefits paid	(337,350,000)
Experience loss	79,369,000
	<u>2,911,908,000</u>
Actuarial present value of accrued pension benefits as at December 31, 2006	2,911,908,000
Actuarial value of net assets available for members as at December 31, 2006	3,174,254,465
Net plan surplus as at December 31, 2006	\$ <u>262,346,465</u>

The next actuarial valuation is expected to be valued as of December 31, 2009. The anticipated completion of this valuation is in fall 2010.

7. Mortgages payable

The subsidiaries of the Plan have mortgages payable to the following lenders: Sun Life Assurance Company of Canada, Citizens Bank of Canada, GMAC Commercial Finance, Global Servicing Canada, Canadian Western Bank, Co-operators Investment Counselling Limited, and MCAP Financial.

Mortgages payable bear interest at various rates between 4.45% and 5.87% (2008: between 4.45% and 5.87%), and mature on various dates between June 2010 and March 2016 (2008: November 2009 and March 2016). Mortgage repayments range between \$7,260 and \$43,944 (2008: \$7,260 and \$43,944) per month. The mortgages are secured by the underlying assets of the mortgage.

8. Investment income

a Investment income is comprised of:

	2009	2008
Investment income before the following:	\$ <u>98,461,149</u>	\$ <u>141,148,004</u>
Investment counsellor fees (Note 8 b)	<u>(2,300,000)</u>	<u>(1,800,000)</u>
Real estate investment income from subsidiaries (Note 8 c)		
Rental income	7,140,658	7,254,793
Expenses		
Operating	(2,895,768)	(2,851,000)
Mortgage interest	(1,844,676)	(1,911,195)
	<u>2,400,214</u>	<u>2,492,598</u>
	\$ <u>98,561,363</u>	\$ <u>141,840,602</u>

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

8. Investment income (continued)

- b Included in investment income is \$2,300,000 (2008: \$1,800,000) of certain investment counsellor fees that are netted against investment income. Other investment counsellor fees that are not netted against investment income are included in non-administrative expenses (Page 17).
- c The land, building, and property of the two wholly-owned subsidiaries are adjusted to market value based on periodic appraisals by external consultants. The unrealized market value loss of \$6,740,000 (2008: gain of \$3,482,841) is recorded in the increase (decrease) in unrealized gain on investments in the statement of changes in net assets available for members.

9. Commitment

In 2002 the Plan entered into a ten year lease agreement for its operating premises. The annual rent of premises consists of a minimum rent plus realty taxes, maintenance, heat and certain other expenses. Minimum rent payable for premises and equipment in aggregate and for each of the next three years is as follows:

2010	\$	311,000
2011		311,000
2012		259,000
		<hr/>
	\$	881,000

The lease includes a two year rent-free period and the Plan is amortizing the benefits of these lease inducements over the term of the lease.

10. Pension plans

IWA – Forest Industry Pension Plan and IWA – Forest Industry LTD Plan and IWA – Forest Industry LTD Trust Fund, related entities, provide pension benefits to employees through either a defined benefit plan or a defined contribution plan.

The latest actuarial valuation of the defined benefit plan is as of December 31, 2007, prepared by Towers Perrin. For more complete information, reference should be made to the actuarial valuation. The following is a summary only of the significant actuarial assumptions used in the valuation:

- 6.50% discount rate applied to the accrued benefit obligation
- 3.5% salary increase per year

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

10. Pension plans (continued)

The actuarial present value of the accrued benefit obligation and the market value of assets at December 31, 2007 and the principal components of changes of the defined benefit plan are as follows:

Actuarial benefit obligation as at December 31, 2004	\$	1,981,344
Current service cost		361,160
Employee contributions		20,392
Interest cost		446,324
Benefits paid		(197,794)
Net actuarial gains		(100,671)
Changes in assumptions		189,036
Changes in plan provisions		150,034
		<hr/>
Actuarial benefit obligation as at December 31, 2007	\$	2,849,825
Market value of assets as at December 31, 2004	\$	2,156,005
Adjustment for net benefits outstanding		(1,945)
Employer contributions		361,160
Employee contributions		20,392
Investment income		649,643
Benefits paid		(197,794)
		<hr/>
Market value of assets as at December 31, 2007	\$	2,987,461

In 2009 the minimum required contributions of \$165,472 (2008: \$134,067) were remitted to the defined benefit plan.

In 2009 contributions of \$72,028 (2008: \$65,938) were remitted to the defined contribution plan.

The next actuarial valuation is expected to be valued as of December 31, 2010. The anticipated completion of this valuation is in fall 2011.

11. Related party transactions

The Plan has common board members with IWA – Forest Industry LTD Plan and IWA – Forest Industry LTD Trust Fund, IWA – Forest Industry Education Trust, and IWA – Forest Industry Safety and Health Research and Education Trust.

During the year, the Plan received \$9,000 (2008: \$9,000) in income from IWA – Forest Industry Education Trust for administration services.

During the year, the Plan received \$9,000 (2008: \$9,000) in income from IWA – Forest Industry Safety and Health Research and Education Trust for administration services.

Transactions with related parties are in the normal course of business and are recorded at the exchange amount which is the amount of considerations established and agreed to by the related parties.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

12. Financial instruments

The Plan's financial instruments consist of cash, receivables, investments, payables and accruals, commuted values payable, and mortgages payable. The Plan is exposed to the following risks from its use of financial instruments:

Financial instruments risk exposure and management

a Credit risk

The Plan is exposed to the risk that a counterparty defaults or becomes insolvent. Financial instruments that potentially subject the Plan to concentrations of credit risk are contributions receivable and holdings in bonds, debentures and other fixed income securities.

i Contributions receivable

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk in terms of contributions and other receivable as at December 31, 2009 and December 31, 2008 was:

	2009	2008
Contributions receivable	\$ 7,259,510	\$ 8,421,404
Allowance for doubtful accounts	(1,223,076)	(946,174)
Others	<u>118,883</u>	<u>160,376</u>
	<u>\$ 6,155,317</u>	<u>\$ 7,635,606</u>

The aging of contributions receivable as at December 31, 2009 and December 31, 2008 was:

	2009	2008
Current (0 - 60 days)	\$ 5,752,438	\$ 6,354,776
Past due (61 - 90 days)	51,876	198,816
Past due greater than 90 days	<u>1,455,196</u>	<u>1,867,812</u>
	<u>\$ 7,259,510</u>	<u>\$ 8,421,404</u>

The Plan made provisions for doubtful accounts at year-end by reviewing each outstanding account and determining the collectability based on its knowledge of the participating employers' situation.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

12. Financial instruments (continued)

Financial instruments risk exposure and management (continued)

a Credit risk (continued)

ii *Investments and investment income receivables*

The Plan's fixed income investments are primarily in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. In order to minimize the exposure to risk, a comprehensive investment policy has been developed such that the Plan's investment managers maintain an average bond portfolio credit rating of A or higher as rated by an established bond rating service. Specifically, 95% of the portfolio's holdings are rated from AAA to BBB and are readily marketable. The maximum credit risk exposure as at December 31, 2009 is \$795.3 million (2008: \$895.8 million) comprised of accrued interest and dividends receivable of \$3.7 million (2008: \$5.0 million) and short-term notes, deposits, currency forwards, bonds, pooled funds and mortgage funds of \$791.6 million (2008: \$890.8 million).

b Market risk

There is a risk that fluctuations in market prices will affect the Plan's net assets available for members and the value of its holdings of investments. Market risk is comprised of the following:

i *Interest rate risk*

Interest rate risk refers to the effect on the market value of the Plan's assets and liabilities due to fluctuations in interest rates. The value of the Plan's assets is affected by short-term changes in nominal and real interest rates. The Plan's mortgages bear fixed interest rates, which reduces the future effects on its earnings should interest rates change. Pension liabilities are exposed to fluctuations in long-term interest rates as well as expectations for salary escalation.

The market value of the Plan's investment in bonds and other fixed income securities is also affected by changes in market interest rates. To properly manage the Plan's interest rate risk, appropriate guidelines on the weighting and duration for the bond and other fixed income investments are set and monitored.

An immediate hypothetical 100 basis point or 1 percent increase in interest rates, with all other variables held constant, would impact fixed income investments by an estimated loss of \$72.8 million as at December 31, 2009.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

12. Financial instruments (continued)

Financial instruments risk exposure and management (continued)

b Market risk (continued)

ii Foreign currency risk

Foreign currency exposure arises from the Plan's holdings of foreign currency denominated investments and related currency forwards. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments. As of December 31, 2009, the Plan had the following exposure to currency risk.

Currency	<u>Net exposure</u>	<u>Percentage of total</u>
Australia dollar	\$ 11,026,885	1.12%
Brazilian real	10,297,294	1.05%
Danish krone	3,729,043	0.38%
Euro	155,632,014	15.83%
Hong Kong dollar	29,644,806	3.02%
Indian rupee	10,860,488	1.10%
Indonesian rupiah	2,013,039	0.20%
Israeli new shekel	2,008,536	0.20%
Japanese yen	64,060,160	6.52%
Malaysian ringgit	4,197,447	0.43%
Mexican peso	1,945,476	0.20%
Norwegian krone	5,193,825	0.53%
Singapore dollar	8,795,172	0.89%
South African rand	6,559,048	0.67%
South Korean won	14,181,343	1.44%
Swiss franc	40,628,142	4.13%
Taiwanese new dollar	6,137,587	0.62%
Thai baht	3,604,425	0.37%
Turkish lira	2,002,023	0.20%
U.K. pound sterling	90,356,525	9.19%
United States dollar	504,838,241	51.35%
Others	5,424,668	0.55%
	<u>\$ 983,136,187</u>	<u>100%</u>

As at December 31, 2009, a \$0.01 appreciation (depreciation) of the Canadian dollar versus the foreign currencies would result in an increase (decrease) in the fair value of the investments of approximately \$9.8 million. The Plan uses foreign exchange contracts to reduce its exposure to fluctuations in foreign exchange rates. With the use of foreign currency hedges, the foreign currency risk exposure is reduced to \$7.5 million.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

12. Financial instruments (continued)

Financial instruments risk exposure and management (continued)

b Market risk (continued)

iii Other price risk

Approximately 90 percent of the Plan's investments are in liquid securities traded in public markets. These include all equities, which are exchange traded and fixed income portfolios. The market value of these securities will fluctuate because of market factors that are specific to the issuer of securities, or factors affecting all similar securities traded in the market. To manage the Plan's other price risk, a comprehensive investment policy has been developed to limit the percentage ownership in individual securities and industry sectors and to use services of numerous investment counsellors.

The Plan's investments in equities are sensitive to market fluctuations. An immediate hypothetical decline of 10 percent in equity values will impact the Plans' equity investments by approximate loss of \$248.1 million. The Plan employs diversification to manage this risk.

c Liquidity risk

Liquidity risk is the risk that the Plan will not be able to meet its obligations as they fall due. Management believes that cash flows generated from investments and monthly contributions will be sufficient to cover its normal operating expenditures. The Plan monitors cash flows to ensure there is sufficient cash on hand to meet forecasted pension benefit payments, operating expenses and other financial obligations.

The following are the contractual maturities of financial liabilities as at December 31, 2009:

	Payments due by year ending December 31				
	<u>Total</u>	<u>Less than one year</u>	<u>1 to 3 years</u>	<u>4 to 5 years</u>	<u>After 5 years</u>
Payables and accruals	\$ 2,663,708	\$ 2,663,708	\$ -	\$ -	\$ -
Commuted values payable	5,238,238	94,243	3,659,455	1,477,688	6,852
Mortgages payable	36,285,174	13,242,582	10,227,259	5,322,982	7,492,351
	<u>\$ 44,187,120</u>	<u>\$ 16,000,533</u>	<u>\$ 13,886,714</u>	<u>\$ 6,800,670</u>	<u>\$ 7,499,203</u>

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2009

12. Financial instruments (continued)

Fair value disclosure

The Plan's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. See Note 3a for a discussion of the Plan's policies regarding this hierarchy. The following fair value hierarchy table presents information about the Plan's assets measured at fair value on a recurring basis as of December 31, 2009.

Financial assets at fair value as at December 31, 2009				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 26,550,085	\$ -	-	\$ 26,550,085
Investment income receivable	3,736,545			3,736,545
Short-term notes and deposits	27,022,478	-	-	27,022,478
Currency forwards	-	5,762,917	213,985	5,976,902
Bonds and debentures	-	170,194,671	10,849,680	181,044,351
Fixed income pooled funds	534,620,990	-	-	534,620,990
Equities	1,365,249,640	536,591,334	28,116	1,901,869,090
Mortgages and mortgage funds	42,885,610	-	-	42,885,610
Real estate	-	72,080,000	-	72,080,000
	<u>\$ 2,000,065,348</u>	<u>\$ 784,628,922</u>	<u>\$ 11,091,781</u>	<u>\$ 2,795,786,051</u>

13. Capital management

The Plan defines its capital as the funded status (surplus/(deficiency) of the Plan, as determined annually based on the fair value of net assets and actuarial liabilities, provided by the actuarial valuation prepared by the Plan's independent actuary (Note 6). The Plan's objective is to ensure the IWA – Forest Industry Pension Plan is fully funded over the long-term through the management of investments, contribution rates and benefits. Investments are based on an asset mix that is projected to enable the Plan to meet or exceed its long-term funding requirement within an acceptable level of risk, consistent with the Statement of Investment Policies, Procedures and Goals approved by the Board of Trustees. The funded status of the Plan and related cash flows are also impacted by the level of contributions received and benefits paid.

The Plan is subject to the Regulation to the Pension Benefits Standards Act (British Columbia) which require a pension plan to file an actuarial valuation report for a funding and solvency valuation at least once every three years.

There has been no change in the overall capital requirements strategy employed during the year ended December 31, 2009.

IWA – Forest Industry Pension Plan

Consolidated schedule of administrative expenses

Year ended December 31	2009	2008
Association dues and publications	\$ 13,996	\$ 17,363
Bank charges	22,808	18,992
Computer, software, licences and supplies	295,992	263,972
Contract services	28,602	37,076
Insurance	81,644	110,762
Legal fees on delinquencies	114,868	135,594
Office equipment, stationery and supplies	67,406	57,194
Physician fees	631	449
Plan advisors / governance costs	119,356	140,890
Postage	72,546	79,047
Printing	38,743	83,087
Rent and maintenance	314,836	268,773
Salaries and benefits	2,685,064	2,412,715
Telephone	27,854	26,617
Travel and staff expenses	56,112	76,561
Travel and Trustee expenses	51,090	90,486
	<u>\$ 3,991,548</u>	<u>\$ 3,819,578</u>

Consolidated schedule of non-administrative expenses

Year ended December 31	2009	2008
Actuarial and consulting fees	\$ 210,921	\$ 258,936
Audit and accounting fees	89,159	105,489
Investment counsellor fees (Note 8 b)	5,851,323	5,950,940
Legal fees	14,334	19,641
Registration fees	75,332	20,308
RBC Dexia custodian fees	611,438	525,181
	<u>\$ 6,852,507</u>	<u>\$ 6,880,495</u>



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