



Consolidated financial statements

IWA – Forest Industry Pension Plan

December 31, 2010

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Independent auditor's report

Grant Thornton LLP
Suite 1600, Grant Thornton Place
333 Seymour Street
Vancouver, BC
V6B 0A4
T (604) 687-2711
F (604) 685-6569
www.GrantThornton.ca

To the Trustees of IWA – Forest Industry Pension Plan

We have audited the accompanying consolidated financial statements of IWA – Forest Industry Pension Plan (the “Plan”), which comprise the consolidated statement of net assets available for benefits as at December 31, 2010, and the consolidated statements of changes in net assets available for benefits for the year then ended, and 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 consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the consolidated 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 Plan'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 consolidated 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 consolidated financial statements present fairly, in all material respects, the net assets available for benefits of IWA – Forest industry Pension Plan as at December 31, 2010, and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada



May 31, 2011

Chartered accountants

IWA – Forest Industry Pension Plan

Consolidated statement of net assets available for benefits

December 31	2010	2009
Assets		
Cash	\$ 31,345,083	\$ 26,550,085
Prepaid expenses	37,330	-
Contributions and other receivables (Note 12)	6,904,117	6,155,317
Investments (Note 3)	<u>2,873,358,810</u>	<u>2,769,235,966</u>
	<u>2,911,645,340</u>	<u>2,801,941,368</u>
Liabilities		
Payables and accruals (Note 12)	2,849,179	2,663,708
Commuted values payable (Note 4 and 12)	5,700,792	5,238,238
Mortgages payable (Note 6 and 12)	<u>35,209,010</u>	<u>36,285,174</u>
	<u>43,758,981</u>	<u>44,187,120</u>
Net assets available for benefits	<u>\$ 2,867,886,359</u>	<u>\$ 2,757,754,248</u>

Commitment (Note 8)

Approved by the Trustees

Robert Mothers. Trustee

J. Steyer Trustee

See accompanying notes to the consolidated financial statements.

IWA – Forest Industry Pension Plan

Consolidated statement of changes in net assets available for benefits

Year ended December 31	2010	2009
Revenue		
Investment income (Note 7)	\$ 108,116,288	\$ 98,561,363
Gain (loss) on sale of investments	13,497,782	(59,520,551)
Unrealized gain on investments	<u>163,201,974</u>	<u>367,940,542</u>
	284,816,044	406,981,354
Contributions		
Employers	49,980,860	41,742,509
Employees	<u>30,083,387</u>	<u>26,023,256</u>
	<u>80,064,247</u>	<u>67,765,765</u>
	364,880,291	474,747,119
Expenses		
Benefit payments	243,491,572	219,378,549
Administrative (Page 18)	3,451,677	3,991,548
Non-administrative (Page 18)	<u>7,804,931</u>	<u>6,852,507</u>
	<u>254,748,180</u>	<u>230,222,604</u>
Increase in net assets available for benefits	110,132,111	244,524,515
Net assets available for benefits, beginning of year	<u>2,757,754,248</u>	<u>2,513,229,733</u>
Net assets available for benefits, end of year	<u>\$ 2,867,886,359</u>	<u>\$ 2,757,754,248</u>

See accompanying notes to the consolidated financial statements.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2010

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, 2010

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 consolidated 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.

Financial instruments

The Plan’s financial instruments are recorded at fair value or at amounts that approximate fair value in financial statements, and use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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.

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.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2010

2. Summary of significant accounting policies (continued)

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:

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

Mortgages payable

Mortgages payable are stated at amortized cost.

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 manager fees (Note 7).

Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition and disposal of an investment. Costs of an acquisition are added to the cost of the investment and costs of a disposal are netted against proceeds.

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.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2010

2. Summary of significant accounting policies (continued)

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.

Comparative figures

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

3. Investments	2010	2009
Short-term notes and deposits	\$ 22,428,950	\$ 27,022,478
Currency forwards	4,449,655	5,976,902
Bonds and debentures	187,144,590	181,044,351
Fixed income pooled funds	543,528,315	534,620,990
Equities	1,753,279,088	1,599,746,700
Mortgages and mortgage funds	45,155,563	42,885,610
Real estate and infrastructure (Note 6)	313,537,427	374,202,390
Investment income receivable	3,835,222	3,736,545
	<u>\$ 2,873,358,810</u>	<u>\$ 2,769,235,966</u>

4. 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.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2010

4. Commuted values payable (continued)

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.

5. 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, 2009, prepared by Towers Watson. 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:

- 6.75% future rate of investment return, net of investment expenses per annum
- assumed retirement incidence varies by age
- contributory hours are assumed to be 18,000,000 in 2010, 19,000,000 in 2011 and 20,000,000 in 2012

The actuarial present value of benefits as at December 31, 2009 and the principal components of changes in actuarial present values for 2009 are as follows:

	(in thousands of dollars)
Actuarial present value of accrued pension benefits as at December 31, 2006	\$ 2,911,940
Anticipated actuarial present value of benefits accrued during 3 year period	190,165
Benefits paid	(602,144)
Anticipated increase due to interest on the above items	566,791
Actuarial gains due to changes in assumptions	(68,292)
Actuarial losses due to membership experience	81,026
	<hr/>
Actuarial present value of accrued pension benefits as at December 31, 2009	3,079,486
Actuarial value of net assets available for members as at December 31, 2009	2,758,099
	<hr/>
Net plan deficiency as at December 31, 2009	\$ 321,387

The next actuarial valuation is expected to be valued as of December 31, 2012. The anticipated completion of this valuation is in fall 2013.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2010

6. Mortgages payable

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

Mortgages payable bear interest at various rates between 3.76% and 5.87% (2009: between 4.45% and 5.87%), and mature on various dates between January 2011 and March 2016 (2009: June 2010 and March 2016). Mortgage repayments range between \$4,993 and \$43,944 (2009: \$7,260 and \$43,944) per month. The mortgages are secured by the underlying assets of the mortgage.

The Plan repaid the mortgage payable maturing in January 2011 on January 4, 2011.

7. Investment income

a Investment income is comprised of:

	2010	2009
Investment income before the following	\$ <u>107,747,599</u>	\$ <u>98,461,149</u>
Investment manager fees (Note 7 b)	<u>(2,400,000)</u>	<u>(2,300,000)</u>
Real estate investment income from subsidiaries (Note 7 c)		
Rental income	7,353,914	7,140,658
Expenses		
Operating	(2,767,159)	(2,895,768)
Mortgage interest	<u>(1,818,066)</u>	<u>(1,844,676)</u>
	<u>2,768,689</u>	<u>2,400,214</u>
	\$ <u>108,116,288</u>	\$ <u>98,561,363</u>

b Included in investment income is \$2,400,000 (2009: \$2,300,000) of certain investment manager fees that are netted against investment income. Other investment manager fees that are not netted against investment income are included in non-administrative expenses (Page 18).

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 gain of \$1,096,191 (2009: loss of \$6,740,000) is recorded in the increase in unrealized gain on investments in the consolidated statement of changes in net assets available for benefits.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2010

8. 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 two years is as follows:

2011	\$	311,000
2012		<u>259,000</u>
	\$	<u>570,000</u>

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.

9. Line of credit

The Plan has available an on demand operating line of credit. The operating line of credit can be drawn up to a limit of \$10,000,000 which incurs interest, payable monthly at the bank's prime lending rate plus 0.50% per annum. As at December 31, 2010, none of this line of credit was utilized.

10. Employee 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 Watson. 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, 2010

10. Employee 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		<u>150,034</u>
Actuarial benefit obligation as at December 31, 2007	\$	<u>2,849,825</u>
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		<u>(197,794)</u>
Market value of assets as at December 31, 2007	\$	<u>2,987,461</u>

In 2010, the minimum required contributions of \$154,785 (2009: \$165,472) were remitted to the defined benefit plan and were included in salaries and benefits.

In 2010, contributions of \$72,235 (2009: \$72,028) were remitted to the defined contribution plan and were included in salaries and benefits.

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 shares 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 (2009: \$9,000) in income from IWA – Forest Industry Education Trust for administration services.

During the year, the Plan received \$9,000 (2009: \$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, 2010

12. Financial instruments

The Plan's financial instruments consist of cash, contributions and other 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 receivables as at December 31, 2010 and December 31, 2009 was:

	2010	2009
Contributions receivable	\$ 7,292,088	\$ 7,259,510
Allowance for doubtful accounts	(626,310)	(1,223,076)
Others	238,339	118,883
	\$ 6,904,117	\$ 6,155,317

The aging of contributions receivable as at December 31, 2010 and December 31, 2009 was:

	2010	2009
Current (0 - 60 days)	\$ 5,959,226	\$ 5,752,438
Past due (61 - 90 days)	116,350	51,876
Past due greater than 90 days	1,216,512	1,455,196
	\$ 7,292,088	\$ 7,259,510

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' financial situation.

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, 92% (2009: 90%) of the portfolio's holdings are rated from AAA to BBB and are readily marketable. The maximum credit risk exposure as at December 31, 2010, is \$806.5 million (2009: \$795.3 million) comprised of accrued interest and dividends receivable of \$3.8 million (2009: \$3.7 million) and short-term notes, deposits, currency forwards, bonds, pooled funds and mortgage funds of \$802.7 million (2009: \$791.6 million).

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2010

12. Financial instruments (continued)

Financial instruments risk exposure and management (continued)

b Market risk

There is a risk that fluctuations in market prices will affect the Plan's net assets available for benefits 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 mortgages are not subject to cash flow risk as the interest rates are primarily fixed.

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 change in interest rates, with all other variables held constant, would impact fixed income investments by an estimated \$84.0 million as at December 31, 2010 (2009: \$72.8 million).

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2010

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, 2010, the Plan had the following exposure to currency risk.

Currency		<u>Net exposure</u>	<u>Percentage of total</u>	2009
Australia dollar	\$	14,760,929	1.43%	1.12%
Brazilian real		6,685,198	0.65%	1.05%
Danish krone		4,581,521	0.44%	0.38%
Euro		122,654,212	11.88%	15.83%
Hong Kong dollar		36,117,010	3.50%	3.02%
Indian rupee		10,110,930	0.98%	1.10%
Indonesian rupiah		2,408,522	0.23%	0.20%
Israeli new shekel		-	0.00%	0.20%
Japanese yen		89,062,276	8.63%	6.52%
Malaysian ringgit		4,163,807	0.40%	0.43%
Mexican peso		2,483,098	0.24%	0.20%
Norwegian krone		2,799,639	0.27%	0.53%
Singapore dollar		9,748,734	0.94%	0.89%
South African rand		6,019,593	0.58%	0.67%
South Korean won		16,936,236	1.64%	1.44%
Swedish krona		2,327,278	0.23%	0.00%
Swiss franc		38,611,565	3.74%	4.13%
Taiwanese new dollar		6,765,528	0.66%	0.62%
Thai baht		5,128,158	0.50%	0.37%
Turkish lira		2,042,106	0.20%	0.20%
U.K. pound sterling		89,240,510	8.64%	9.19%
United States dollar		553,202,162	53.59%	51.35%
Others		6,450,967	0.62%	0.55%
		<u>\$ 1,032,299,979</u>	<u>100%</u>	<u>100%</u>

As at December 31, 2010, a \$0.01 appreciation (depreciation) of the Canadian dollar versus the foreign currencies would result in a decrease (increase) in the fair value of the investments of approximately \$10.3 million (2009: \$9.8 million). The Plan uses foreign exchange contracts to reduce its exposure to fluctuations in foreign exchanges rates. With the use of foreign currency hedges, the foreign currency risk exposure is reduced to \$8.0 million (2009: \$7.5 million).

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2010

12. Financial instruments (continued)

Financial instruments risk exposure and management (continued)

b Market risk (continued)

iii Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, other than those arising from foreign exchange rates and interest rates.

All investments represent a risk of loss of capital. Investments held in the Plan are susceptible to other price risk arising from uncertainties about future prices of the investments. The maximum risk resulting from the investments is determined by the fair value of these instruments, which total \$2.87 billion at December 31, 2010 (2009: \$2.77 billion). A one percent (1%) change in market risk (holding all variables constant) will impact the fair value of these investments by approximately \$28.7 million (2009: \$27.7 million).

The Plan manages these market risks by maintaining a certain asset mix within certain parameters, investing in a variety of funds, limiting the percentage ownership in individual issuers and industry sectors, and using the services of numerous investment managers.

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, 2010:

Payments due by year ending December 31, 2010					
	<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	\$ 2,849,179	\$ 2,849,179	\$ -	\$ -	\$ -
Commuted values payable	5,700,792	89,736	3,736,990	1,848,262	25,804
Mortgages payable	<u>35,209,010</u>	<u>8,277,743</u>	<u>8,900,809</u>	<u>14,219,126</u>	<u>3,811,332</u>
	<u>\$ 43,758,981</u>	<u>\$ 11,216,658</u>	<u>\$ 12,637,799</u>	<u>\$ 16,067,388</u>	<u>\$ 3,837,136</u>
Payments due by year ending December 31, 2009					
	<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	<u>36,285,174</u>	<u>13,242,582</u>	<u>10,227,259</u>	<u>5,322,982</u>	<u>7,492,351</u>
	<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, 2010

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 Section 3862. The following fair value hierarchy table presents information about the Plan's assets measured at fair value on a recurring basis:

Financial assets at fair value as at December 31, 2010				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 31,345,083	\$ -	\$ -	\$ 31,345,083
Investment income receivable	3,835,222	-	-	3,835,222
Short-term notes and deposits	22,428,950	-	-	22,428,950
Currency forwards	565,528	3,884,127	-	4,449,655
Bonds and debentures	172,573,710	14,570,880	-	187,144,590
Fixed income pooled funds	543,528,315	-	-	543,528,315
Equities	1,555,465,787	197,813,301	-	1,753,279,088
Mortgages and mortgage funds	44,470,472	685,091	-	45,155,563
Real estate and infrastructure	-	313,537,427	-	313,537,427
	<u>\$ 2,374,213,067</u>	<u>\$ 530,490,826</u>	<u>\$ -</u>	<u>\$ 2,904,703,893</u>

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	213,985	5,762,917	-	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	234,468,944	28,116	1,599,746,700
Mortgages and mortgage funds	42,885,610	-	-	42,885,610
Real estate and infrastructure	-	374,202,390	-	374,202,390
	<u>\$ 2,170,474,004</u>	<u>\$ 614,434,251</u>	<u>\$ 10,877,796</u>	<u>\$ 2,795,786,051</u>

Bonds and debentures included in Level 3 as at December 31, 2009, pertain to Master Asset Vehicles II Notes ("MAV Notes") with fair value of \$10,849,680 in 2009 (\$14,570,880 in 2010). 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.

The MAV Notes were transferred to Level 2 in 2010 because these were valued based on bid prices available in the secondary market.

IWA – Forest Industry Pension Plan

Notes to the consolidated financial statements

December 31, 2010

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 5). 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) ("Regulations") which requires a pension plan to file an actuarial valuation report for a funding and solvency valuation at least once every three years. Based on the actuarial valuation as of December 31, 2009 (Note 5), the Plan has a going concern funded ratio of 0.94 and a solvency funded ratio of 0.74.

The Superintendent of Pensions has granted the Plan's request to temporarily suspend solvency payments required under Section 35(3)(c) of the Regulations. The Plan is required to prepare an actuarial valuation effective the end of the suspension period which is December 31, 2012. If, at that date, the actuarial valuation indicates that a solvency deficiency still exists, the Trustees will be required to notify the Superintendent of the steps that will be taken to meet the funding requirements of the Regulations. In the interim, the Superintendent requires annual funding updates.

IWA – Forest Industry Pension Plan

Consolidated schedule of administrative expenses

Year ended December 31	2010	2009
Association dues and publications	\$ 15,627	\$ 13,996
Bank charges	21,582	22,808
Computer, software, licences and supplies	227,280	295,992
Contract services	78,296	28,602
Insurance	87,729	81,644
Legal fees on delinquencies	104,904	114,868
Office equipment, stationery and supplies	51,752	67,406
Physician fees	953	631
Plan advisors / governance costs	115,608	119,356
Postage	88,373	72,546
Printing	30,889	38,743
Rent and maintenance	306,321	314,836
Salaries and benefits (Note 10)	2,168,497	2,685,064
Telephone	28,959	27,854
Travel and staff expenses	64,026	56,112
Travel and trustee expenses	60,881	51,090
	<u>\$ 3,451,677</u>	<u>\$ 3,991,548</u>

Consolidated schedule of non-administrative expenses

Year ended December 31	2010	2009
Actuarial and consulting fees	\$ 295,397	\$ 210,921
Audit and accounting fees	99,687	89,159
Investment counsellor fees (Note 7 b)	6,669,672	5,851,323
Legal fees	60,867	14,334
Registration fees	75,322	75,332
RBC Dexia custodian fees	603,986	611,438
	<u>\$ 7,804,931</u>	<u>\$ 6,852,507</u>



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