

## **MINIMUM FUNDING STANDARDS**

Despite significant investment returns in 2009 (17.1%) and 2010 (10.1%), the Plan's funding challenges remain, as they do with many other pension plans. Low interest rates, historically low contributory hours, higher than usual numbers of early retirements, increases in life expectancy and investment losses in 2008 (as experienced by all plans) have all combined to cause our Plan's funding shortfall.

The Plan must comply with the *British Columbia Pension Benefits Standards Act* and its *Regulations* (the "Act") that requires a pension plan to file an actuarial valuation report for both a solvency and going concern valuation at least once every three years. A "solvency valuation" assumes that the Plan was terminated and all the benefits were paid out on the date of the valuation. A "going concern valuation" assumes that the Plan will continue operating indefinitely, which is the expectation for the Plan.

The most recent actuarial valuation report filed with the Superintendent of Pensions showed that the Plan had a solvency deficiency as at December 31, 2009. The solvency ratio at that time was 74%, indicating that the Plan did not have sufficient assets to cover all the benefits that had been promised as of that date, based on the hypothetical scenario that the Plan wound up on December 31, 2009. On a going concern basis however, the Plan had a funded ratio of 94%.

Based on the most recent actuarial valuation, the contributions required under the collective agreements are not sufficient to make the Plan solvent in accordance with the Act. In situations where the negotiated contributions are not sufficient to make the Plan solvent, the Act requires that the Trustees take action to safeguard the pension security of all Plan members.

The Board of Trustees are working together to assess options to safeguard the Plan's viability and affordability. They have met with representatives of the Superintendent of Pensions to explain the Plan's expected progress in future years. The Superintendent of Pensions has granted the Plan a three-year moratorium for solvency purposes. This will allow temporary suspension of solvency payments required under *Section 35(3)(c)* of the *Regulations*. Without solvency relief, the Plan would be required to either increase contributions or decrease benefits. On December 31, 2012 we will be required to file another actuarial valuation to assess the solvency position of the Plan. While the funding of the Plan does not meet the funding requirements of the Act as they pertain to the solvency valuation, it is noted that the Plan does meet the minimum funding requirements of the Act as they pertain to the going concern valuation.

## **CURRENT CONTRIBUTION RATES**

Employee and employer contribution levels remained the same last year at \$1.625 and \$2.675 per hour respectively.

## **PLAN AMENDMENT**

Effective January 1, 2009 the Trustees amended the Plan to allow eligible Plan members, who take a maternity/parental leave of absence, the option of waiving contributions to the Plan during the leave period. By waiving the requirement to pay, the Plan member is also absolving the employer for their portion of the total hourly contribution. The waiver must be signed prior to the beginning of the leave.

## **DIRECT DEPOSIT**

More than 90% of our pensioners have their benefit electronically deposited into their bank account to ensure they have their money on time. This is a free service. Please ask the Plan office about direct deposit when you choose to retire.

## **INFORMATION CHANGE?**

If you move or change banks please be sure to contact the Plan office.

Phone: 604-433-5862  
Toll Free: 1-800-913-0022  
Collect: 604-433-6310  
Fax: 604-433-0518  
E-mail: [pension@iwafibp.ca](mailto:pension@iwafibp.ca)  
Website: [www.iwafibp.ca](http://www.iwafibp.ca)

## **IWA - FOREST INDUSTRY PENSION PLAN**

SUITE 150 - 2955 VIRTUAL WAY  
VANCOUVER, BC V5M 4X6

## **SUMMARY ANNUAL REPORT 2010**



## TO ALL PLAN MEMBERS:

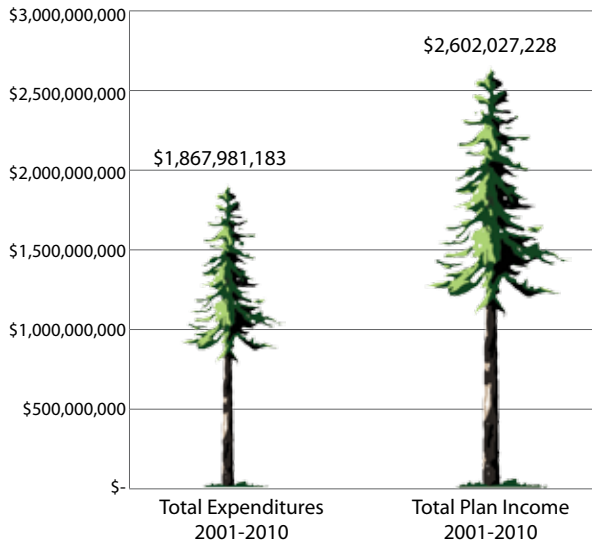
This is a summary of key financial and other information related to the IWA - Forest Industry Pension Plan (the "Plan") for the year ended December 31, 2010.

## BASIC FINANCIAL STATEMENT

Benefits under the Plan are provided from the Plan's assets held in trust. In 2010, the Plan received employer and employee contributions of \$80,064,247 and had an investment gain of \$284,816,044.

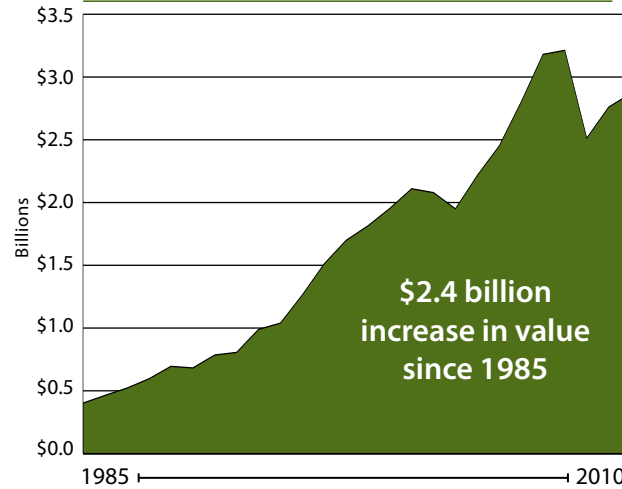
The Plan had total expenditures of \$254,748,180 which includes benefits paid to participants and beneficiaries of \$243,491,572, non-investment expenses of \$3,982,950 and investment expenses of \$7,273,658. There were a total of 70,375 members or beneficiaries of the Plan at the end of the Plan year, although not all had yet earned the right to receive a benefit.

## FINANCIAL SUMMARY (2001 - 2010)



The value of the Fund increased by \$110,132,111 during 2010. As a result, the net assets available to pay benefits at December 31, 2010 equalled \$2,867,886,359, compared to \$2,757,754,248 at December 31, 2009. This is the amount available to continue paying pensions to current pensioners and to provide future benefits for participants not yet retired.

## MARKET VALUE ASSET GROWTH - 25 YEARS



## INVESTMENTS

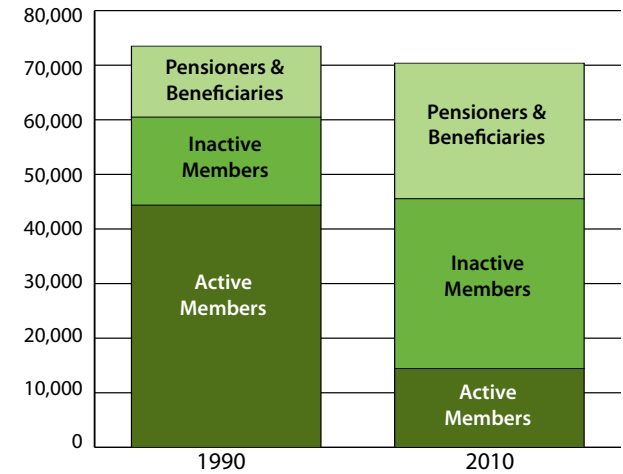
For the second straight year the Plan achieved solid investment returns, earning 10.1%, narrowly missing the benchmark of 10.3%. These returns were achieved against a backdrop of continued volatility and uncertainty in global markets.

As always, we continue to emphasize that the Plan invests for the long term, not for year over year results. Pension contributions made today, may fund benefits paid out over 30 to 40 years. During the last decade, the Plan's annualized rate of return was 6.2%, a value added of 1.2%, over and above the 10-year annualized benchmark. Over 32 years, the Plan's return has averaged 9.89%. The assets of the Plan have increased by over \$789 million since 2001. These results reflect our commitment to a clear long-term investment strategy from which we have never altered our course.

## MEMBERSHIP

There was a slight increase in active membership levels last year. These levels however, have shown a gradual decline over the last twenty years, decreasing by more than 60%. This decline can be attributed to a number of factors including greater global competition, the rapid pace of technological change and automation within the forest industry. The number of pensioners has more than doubled in this same period. These factors influence the Plan's financial obligations, making investment returns more important than contributions.

## PLAN MEMBERSHIP



## PENSIONS BY TYPE

Many of our members are choosing to retire earlier than the normal retirement age (65) to take advantage of the subsidized early retirement reduction rates. This benefit allows active members to retire at age 55 or later without having their pension actuarially reduced for their age.

Beneficiaries (both "pre" and "post" retirement) make up 15% of our pensions in payment.

## PENSION TYPES (2010)

