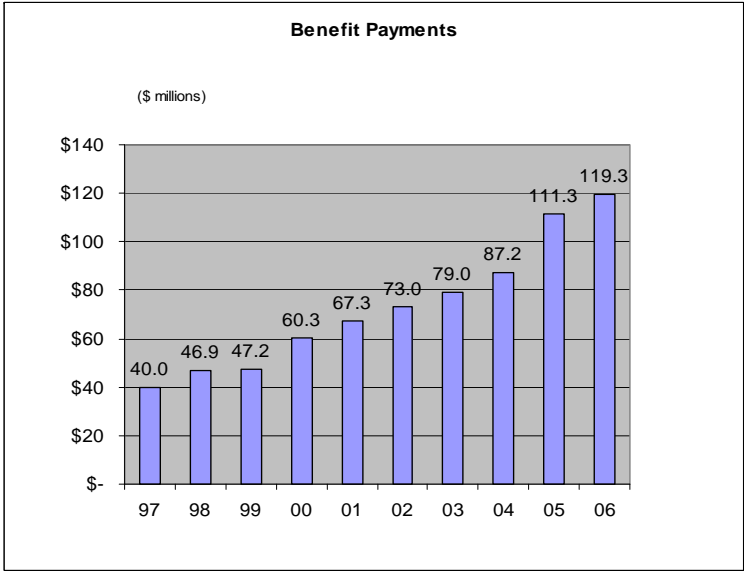
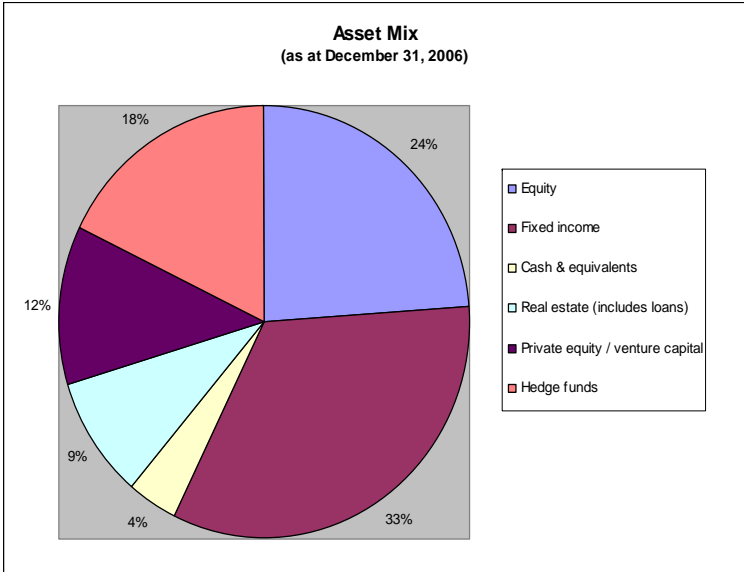
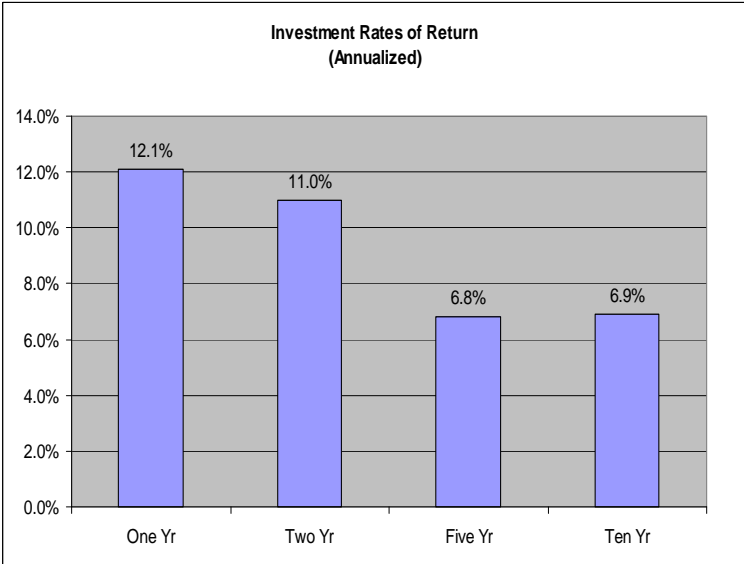
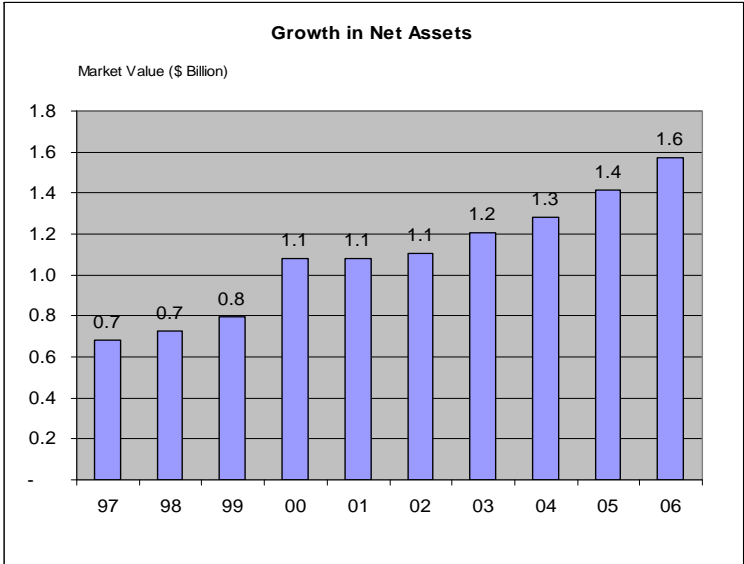


**CANADIAN COMMERCIAL WORKERS  
INDUSTRY PENSION PLAN  
2006 ANNUAL REPORT**

**2006 HIGHLIGHTS**

- Investment income (including unrealized gains): \$169 million
- Rate of return on investments: 12.1% (versus 9.9% in 2005)
- Assets available to pay future benefits: \$1.6 billion
- Total employer contributions: \$119 million
- Total benefit payments: \$119 million
- Pensioners and beneficiaries receiving benefits: 17,701
- Implemented enhanced governance and regulatory compliance practices
- Adopted revised asset allocation policy based on completion of asset-liability modeling study; implementation of revised policy is underway
- Sold majority interest in Bahamian hotel and office property
- Executed purchase and sale agreement on second Bahamian property



## **CHAIRMAN'S REPORT**

The Canadian Commercial Workers Industry Pension Plan (CCWIPP) had a very successful year in 2006 with strong investment performance. The Trustees also enhanced investment and governance policies and procedures, building on improved practices instituted in recent years.

### **Investment Returns**

The Plan recorded its fifth consecutive year of positive returns with investment income exceeding \$169 million. The 2006 investment return was 12.1 percent compared with 9.9 percent in 2005.

### **Member Benefits**

Approximately \$119 million was paid out in benefits last year. The number of pensioners and beneficiaries receiving monthly benefits grew to 17,701, with 1,158 members retiring in 2006. The Trustees are committed to ensuring the safety of plan assets for the benefit of members, providing efficient pension services, and making it as easy as possible for members to gain information about their pension entitlements. Members requiring assistance should contact one of the plan's six regional offices. The Trustees are committed to communicating with members through publicly released annual reports, summary reports mailed to all members, and progress reports and news releases on major developments posted on the web site at [www.ccwipp.ca](http://www.ccwipp.ca).

### **Governance and Compliance**

The Trustees continue to enhance governance and compliance practices. An external compliance officer was appointed in 2005 to assist in ensuring full compliance with federal and provincial regulations as well as the Plan's Statement of Investment Policies and Procedures. A detailed compliance monitoring program has been implemented to strengthen operating, due diligence, monitoring, valuation and reporting processes.

During 2006, the Trustees revised the Statement of Investment Policies and Procedures, which sets out investment objectives, policies, goals and procedures; addresses the plan's financial risks; specifies the asset allocation policy; and defines how investment performance is measured. An independent asset-liability modeling

study was completed in 2006 to match investment risks and expected returns with long-term benefit costs. The study provides a framework for prudent investing in a diversity of asset classes.

The Trustees receive no personal benefit, financial gain or fee payment for their role as plan fiduciaries. They are currently vigorously defending themselves against charges filed by the Financial Services Commission of Ontario (FSCO) in July 2006 concerning certain past regulatory and investment practices. The Trustees are also opposing a legal proceeding initiated by two retired members and one active member.

The Trustees remain committed to serving the best interests of plan members and are pleased with the overall progress made in recent years.

Bernard Christophe  
Chairman, Board of Trustees

## **FINANCIAL REPORT**

In 2006, the Canadian Commercial Workers Industry Pension Plan (CCWIPP) had investment income of approximately \$169 million, compared with \$126 million in 2005. The 2006 income consisted of \$32 million in interest and dividends, \$37 million in gains from the sale of assets and \$100 million in unrealized gains.

The annual investment return rose to 12.1 percent from 9.9 percent a year earlier. The Plan has had positive returns in 26 of the past 28 years since the Plan's inception.

Assets available to pay future benefits totaled \$1.6 billion at December 31, 2006, compared with \$1.4 billion at the prior year-end.

### **Management of Invested Assets**

The Fund has retained 15 investment management firms to manage invested assets, such as portfolios of stocks, bonds, private equity and venture capital, hedge funds, and short-term cash-equivalent securities. CCWIPP investment corporations own approximately 18 percent of invested assets, notably real estate, property loans and private equity.

### **Asset Allocation**

The Trustees set target ranges for investing in each asset class. This asset allocation or fund policy ensures that assets are well diversified to reduce risk exposure to any single asset class and improves the probability that the total Fund can earn at least a 7 percent average rate of return over the long term. This is the rate assumed by independent actuaries as necessary to meet all pension obligations to members. The table below outlines the actual asset mix at the end of 2006, along with the long-term asset allocation. The Trustees are transitioning the Fund to the approved asset allocation policy over the next few years.

<b>Asset Class</b>	<b>Asset Allocation at December 31, 2006</b>	<b>Long-term Asset Allocation</b>
Stocks	24.0%	40.0%
Fixed Income	33.3%	33.0%
Cash and cash equivalents	3.8%	2.0%
Real estate and loans	9.3%	5.0%
Private equity/venture capital	11.8%	10.0%
Hedge funds	17.8%	10.0%

### **Fixed Income**

Fixed income securities, the largest asset class represented in the Fund, were valued at \$529 million in 2006, approximately the same value as the prior year. More than 93 percent of fixed income securities were in Canadian bonds. The bond portfolio had a 4.5 percent rate of return, reflecting an investment environment of low interest rates and low inflation.

The fixed income portfolio included \$31 million in mortgages, compared with \$46 million a year earlier. The reduction in portfolio value reflected the repayment of a mortgage with respect to the sale of a hotel in Niagara Falls, Ontario.

### **Stocks**

Common shares of Canadian and foreign companies were the second largest asset class with a value of \$381 million, compared with \$352 million a year earlier. Approximately 64 percent of equities were Canadian and the remainder was U.S. and global equities. Overall, stocks earned a 13.2 percent rate of return in 2006.

### **Hedge Funds**

Hedge funds form the third largest asset class in the Fund with a 2006 year-end value of \$282 million, compared with \$175 million a year earlier. CCWIPP invests in hedge funds through external fund managers to better manage overall Fund risk and achieve positive returns in both rising and falling markets.

### **Private Equity/Venture Capital**

The private equity and venture capital portfolio involved ownership in eleven investments that totaled \$188 million at the end of 2006, compared with \$171 million a year earlier. The two largest investments were a U.S.-based pharmaceutical company and a wholly owned investment corporation for Bahamian real estate. By year-end, the Plan completed the US\$71.7 million sale of its 71 percent interest in British Colonial Development Company, which owns a 13-acre waterfront property in downtown Nassau. The property consists of the 291-room British Colonial Hotel, adjoining commercial and retail buildings, and several acres of undeveloped harbourfront land. The proceeds from the sale are payable over a period of time.

### **Real Estate and Loans**

Real estate and loan investments were valued at \$147 million, compared with \$112 million a year earlier. Most of the increased 2006 value was the result of an agreement to sell the South Ocean Golf and Beach Resort on New Providence Island in The Bahamas to a New York-based developer. The purchase terms provide for CCWIPP to receive US\$77.3 million, which includes a \$35 million secured mortgage on the property. Closing is scheduled for late 2007.

The plan also owns 100 percent of the 600,000 square-foot Galleria Mall in London, Ontario, which is being redeveloped from a shopping centre into a commercial office/retail complex. The property is anchored by Citibank, a major office tenant that has leased 110,000 square feet of space. Other triple A tenants include CIBC, University of Western Ontario, and Honeywell.

### **Cash and Cash Equivalent Investments**

The Trustees encourage the money managers to minimize cash balances and keep the Fund as fully invested as possible. Asset sales often occur towards year end, creating increased short-term cash balances. As the result of asset sales late in 2006 and 2005, short-term cash and cash-equivalent investments totaled \$61 million on December 31, 2006 and \$83 million on the same date a year earlier.

### **Assets Available to Pay Benefits**

The net value of assets available to pay benefits increased by \$160 million to \$1.6 billion by the 2006 year-end.

Increasing the net asset value were the \$169 million of investment income and higher contributions by employers. The plan provides pension benefits to 355,000 current and former members of the United Food and Commercial Workers Canada (UFCW Canada) employed by 298 participating employers. In 2006, employers contributed \$119 million, compared with \$115 million the previous year, in accordance with collective bargaining agreements negotiated with UFCW Canada. (Employees do not contribute to the plan).

Offsetting the gains in net asset value were \$119 million of benefit payments, compared with \$111 million in 2005, and administrative expenses (including investment, custodial and professional fees) that remained below one percent of plan assets.

### **Benefit Payments**

Pension payments increased by \$4 million to \$75 million. Last year, 1,158 members went on pension for the first time. Benefits are based on the hours worked by each member and the contribution rate paid by employers in accordance with collective agreements. Termination payments rose by \$3 million to \$42 million, with 9,798 members leaving the plan as the result of changes in their employment, compared with 8,200 in 2005. Termination payments are affected by several factors including membership turnover, regulatory rules that vary from province to province with respect to determining termination date and portability rights, the timing of processing termination payments, and changes in calculating commuted value (how much a member leaving the plan is entitled to as a lump sum payment).

In addition, the plan paid out \$2.4 million in lump sum death benefits to surviving spouses and other designated beneficiaries, compared with \$1.3 million in 2005.

### **Funding Status**

Independent actuaries make an annual valuation of the plan's financial position. The most recent valuation estimated a going-concern funding deficiency of \$406 million as at December 31, 2005. The valuation was based on a \$1.4 billion actuarial value of assets and total liabilities of \$1.8 billion.

A funding deficiency is not unusual for a multi-employer pension plan. The going-concern funding deficiency is amortized over 10 years, compared with the 15 years allowed by Ontario legislation. Clearly, the positive investment performance in 2006 will have a beneficial impact on the financial position of the plan. Decisions on asset/liability management are critical to eliminating the shortfall and ensuring the long-term health of the plan.