

IWA - FOREST INDUSTRY PENSION PLAN



ANNUAL REPORT 2012



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MESSAGE FROM THE TRUSTEES

The Board of Trustees and staff of the IWA-Forest Industry Pension Plan (the "Plan") are pleased to present the Annual Report for the year ended December 31, 2012.

Weak global economic conditions continued to prevail in 2012. Several challenges, including the potential of a Euro-zone break up, slowing Chinese growth, high U.S. unemployment and the U.S. "fiscal cliff" combined to keep global markets on the edge.

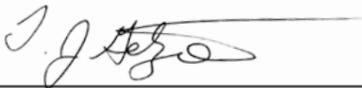
The investment team navigated these significant risks and turbulence in the global economy to earn a solid rate of return of 10.7% for 2012. Investment income totalled \$270 million and net assets grew to \$2.83 billion. Our performance exceeded our Fund benchmark by 1.8% which added nearly \$50 million to the Plan's assets. The Plan's long-term performance however, continues to be the most essential aspect of our investment formula. Returns have been positive in 29 of the last 34 years, reflecting our commitment to this strategy. In the last ten years alone, nearly \$878 million has been added to the Plan's assets.

Despite our positive investment returns for the past 4 years (annualized 9.5% per annum), the Plan's funding challenges remain, as they do with many other pension plans. Multiple factors including low interest rates, historically low contributory hours, higher than usual numbers of early retirements, increases in life expectancy and negative market extremes over the past decade have combined to produce our Plan's funding shortfall.

As these demographic and economic factors continue to drive recurring funding shortfalls, the Plan's sponsors are committed to study solutions to long-term funding issues to ensure the Plan is sustainable and affordable.

In October of 2012, we moved our offices from Vancouver to Burnaby to achieve an anticipated cost savings of \$1.6 million over the remaining 13-year term of our lease. Our new office in Burnaby is centrally located and has access to both Skytrain and the freeway.

The Board has been and will continue to be proactive in managing the Plan and responding to developments in our environment to ensure the Plan remains sustainable for current and future members.



TOM GETZIE, CO-CHAIR



BOB MATTERS, CO-CHAIR

PROFILE

The IWA – Forest Industry Pension Plan was established in 1973 pursuant to negotiations between the I.W.A. and Forest Industry employers, to provide benefits for workers in the forest industry. In 1978 the Coast, Southern Interior and Northern Interior regional pension plans were merged to create the current Plan. In September of 2004, the I.W.A. merged with the United Steelworkers (“USW”) and now the forest industry employees are members of the USW. Today our Plan serves approximately 70,000 current and retired members in the industry.

The Plan provides two major services: It acts as benefit administrator by collecting contributions and administering payment of benefits, while also serving as the investment manager of the Plan’s assets (the “Pension Fund”).

ADMINISTRATIVE FUNCTIONS:

- ▶ Employer and employee enrolment and collection of information.
- ▶ Collection of contributions from both participating employers and Plan members.
- ▶ Benefit calculations and processing.
- ▶ Providing information to members, union locals and participating employers on pension benefits.
- ▶ Payment of benefits.
- ▶ Filing of appropriate documentation for tax and pension regulatory purposes.

INVESTMENT FUNCTIONS:

- ▶ Evaluate risk and return opportunities between the Plan’s assets and liabilities.
- ▶ Establish and recommend appropriate investment mix and long-term investment benchmarks.
- ▶ Use investment policy to review and monitor independent investment manager performance and make changes as appropriate.
- ▶ Use independent custodian for safekeeping of Plan assets.
- ▶ Use staff and independent consultants to review Plan investment strategies and ensure compliance with Plan policies and regulatory compliance.

The Plan employs approximately 50 employees at our offices in Burnaby, BC and is governed by the provisions of the *Pension Benefits Standards Act* of British Columbia.

A BRIEF REVIEW OF 2012

MEMBER SERVICES

- ▶ There were 15,172 active members in the Plan as at December 31, 2012.
- ▶ There were 29,200 inactive members in the Plan as at December 31, 2012.
- ▶ 882 members retired in 2012.
- ▶ A total of 25,298 retirees and beneficiaries received monthly pensions totalling \$212,259,833 for 2012.
- ▶ 1,179 members broke service at the end of 2012.
- ▶ The average monthly pension payment for 2012 was \$688.07.
- ▶ Over 283 beneficiary claims were processed.
- ▶ Over 15,487 telephone calls were received in member services.
- ▶ 16 retirement seminars were conducted across British Columbia.
- ▶ 191 personal interview sessions were conducted with our pension counsellors at the Plan office.
- ▶ 2,734 estimates were provided to our membership.
- ▶ Our website reported over 452,000 hits by year end 2012, with 13,123 visitors.

PLAN HIGHLIGHTS

- ▶ There are currently 405 participating employers in the Plan; 32 employers began participating in the year 2012.
- ▶ Approximately \$55.8 million was contributed to the Plan by participating employers and \$33.1 million by employees.
- ▶ The Plan paid out a total of \$236.9 million in benefits in 2012. This amount includes 1,438 commuted value withdrawals and payables from the Pension Fund at a value of \$22.3 million.
- ▶ As of December 31, 2009 (the last filed actuarial valuation), there was a solvency liability of \$3.719 billion, and a solvency ratio of 74%. An interim valuation at December 31, 2011 showed the Plan's solvency position had declined to 61.5%.
- ▶ As of December 31, 2009 (the last filed actuarial valuation), there was a going concern liability of \$3.079 billion, and a funded ratio of 94%.
- ▶ Employee and employer contribution levels remained at \$1.625 and \$2.675 per hour respectively for the majority of participating employers.
- ▶ Our Board of Trustees met 3 times during the calendar year.
- ▶ 20.5 million hours were reported for 2012 (2011 also had 20.5 million hours).
- ▶ Payments to retired members and beneficiaries increased by \$4.2 million from 2011.

INVESTMENT HIGHLIGHTS

- ▶ The market value of the Fund increased from \$2.71 billion to \$2.83 billion at year-end.
- ▶ The annual rate of return on investments was 10.7%.

PENSION PLAN GOVERNANCE

OVERVIEW

A 16 member Board of Trustees equally representing both the United Steelworkers and the Forest Industry employers oversees the administration of the Plan. The Plan's sponsors are responsible for appointing the Trustees to operate the Plan and manage the Fund in the long-term interest of the Plan membership.

The appointed Trustees are responsible for determining Plan benefit levels and Plan design. They acquire and manage the services of the administrator, actuary, auditor, legal counsel, investment managers and custodian in order to ensure the security of the Pension Fund and competent administration of members' pensions. The Plan is provincially regulated and governed by the provisions of the *Pension Benefits Standards Act* of British Columbia.

GOVERNANCE PRACTICES

The role of a Trustee is complex and good governance practices are necessary to ensure the Plan's goals are achieved. Pension plan governance refers to the structure and processes adopted by the Board of Trustees for overseeing, managing and administering the Plan. The objective of good governance is to optimize the Plan's performance while ensuring that the Plan is able to meet its obligations to its members and beneficiaries.

The Trustees of the Plan are required to act independently of the United Steelworkers and Forest Industry participating employers to make decisions in the best interest of our Plan members and beneficiaries. Through its ongoing commitment to good governance practices the Board has strategies in place to provide guidance, measure effectiveness and ensure accountability and transparency.

- ▶ **Committee Terms of Reference:** Reviewed and accepted guidelines for Trustee and staff roles and responsibilities as related to investment, administration, actuarial and audit issues.
- ▶ **Committee Structure:** Committees created to focus on the different roles and responsibilities of Board Trustees. Each committee meets anywhere from one to four times per year. Ad hoc committees, to deal with short term specific issues, are established on an as needed basis.
- ▶ **Code of Conduct Policy:** Developed to articulate and sustain a governance and corporate culture that reflects the Board's principles and values, and to ensure that Trustees have a full understanding of these principles and values.
- ▶ **Board Education and Qualification:** Orientation and external training for new and existing Trustees to educate and assist them in carrying out their governance responsibilities. Comprehensive Trustee Governance Manual designed to assist Board members on current training requirements and standards of practice.
- ▶ **Board Effectiveness Assessment Process:** Self-assessment process required annually which is designed to provide Trustees with an opportunity to examine how the Board is operating and to make suggestions for improvement.
- ▶ **Communication:** The Board communicates to the union, participating employers and membership regularly through audited financial statements, actuarial valuations, this report, annual statements issued to members, our website, on site seminars and through our member services via local and toll free phone lines.

PENSION PLAN GOVERNANCE

BOARD COMMITTEES

The committees are made up of Trustees with equal representation from participating Forest Industry employers and the United Steelworkers.

Audit Committee

The Audit Committee assists in the supervision of the Plan's internal operations, reviews the audited financial reports, meets with external auditors and ensures information disclosure, accuracy and efficiency thereby building confidence with Plan members, Plan sponsors and regulators.

Investment Committee

The Investment Committee oversees the investment of the Pension Fund. It reviews and advises the Trustees as to selection of investment managers, matters of investment policy, Pension Fund asset management and any other matters relating to the investment and management of the Pension Fund.

Governance Committee

The Governance Committee reviews the system of governance including the mandates for the Board and committees, best practices for Plan governance and the effectiveness of the Board and its committees.

Human Resources & Compensation Committee

The Human Resources & Compensation Committee establishes compensation, including compensation policies and strategies for the General Manager and the Director of Investments as well as compensation policies and strategies for employees excluded from the bargaining unit. It also reviews labour relations, strategy, succession planning and key employee development.

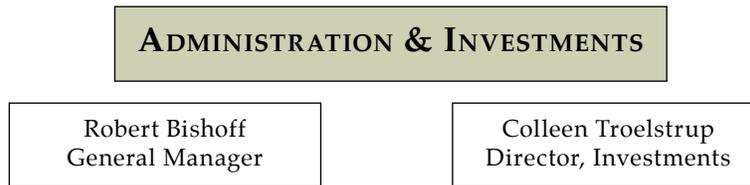
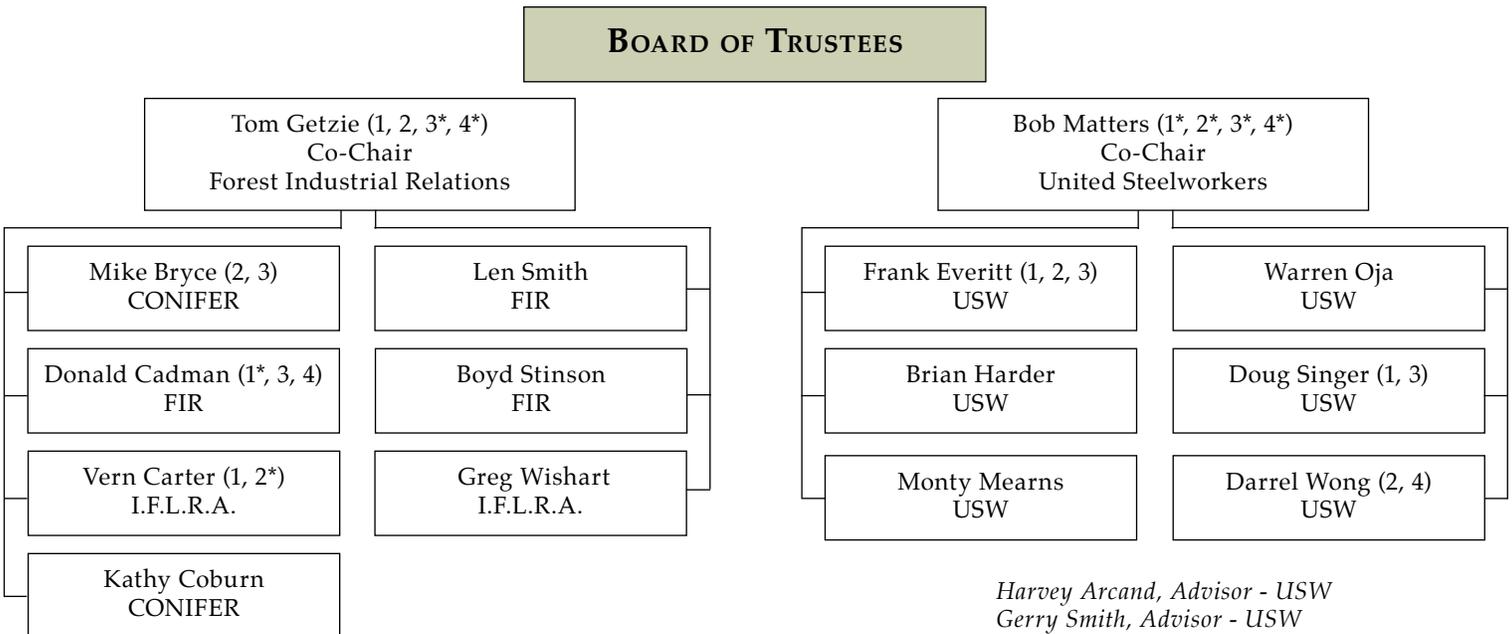
BOARD CHANGES

There were a few changes to the members of the Board of Trustees in 2012:

New Members: Kathy Coburn, CONIFER
Greg Wishart, I.F.L.R.A.

GOVERNANCE STRUCTURE

IWA - FOREST INDUSTRY PENSION PLAN



TRUST FUND CUSTODIAN	PLAN ACTUARY	AUDITORS
RBC INVESTOR SERVICES	MORNEAU SHEPELL	GRANT THORNTON LLP

EXTERNAL LEGAL COUNSEL	INVESTMENT CONSULTANT
LAWSON LUNDELL LLP	MERCER (CANADA) LIMITED

- 1 Audit Committee
- 1* Audit Committee Co-Chair
- 2 Investment Committee
- 2* Investment Committee Co-Chair
- 3 Governance Committee
- 3* Governance Committee Co-Chair
- 4 Human Resources & Compensation Committee
- 4* Human Resources & Compensation Committee Co-Chair

Appointing Organizations:

I.F.L.R.A.	Interior Forest Labour Relations Association
CONIFER	Council on Northern Interior Forest Employment Relations
FIR	Forest Industrial Relations
USW	United Steelworkers

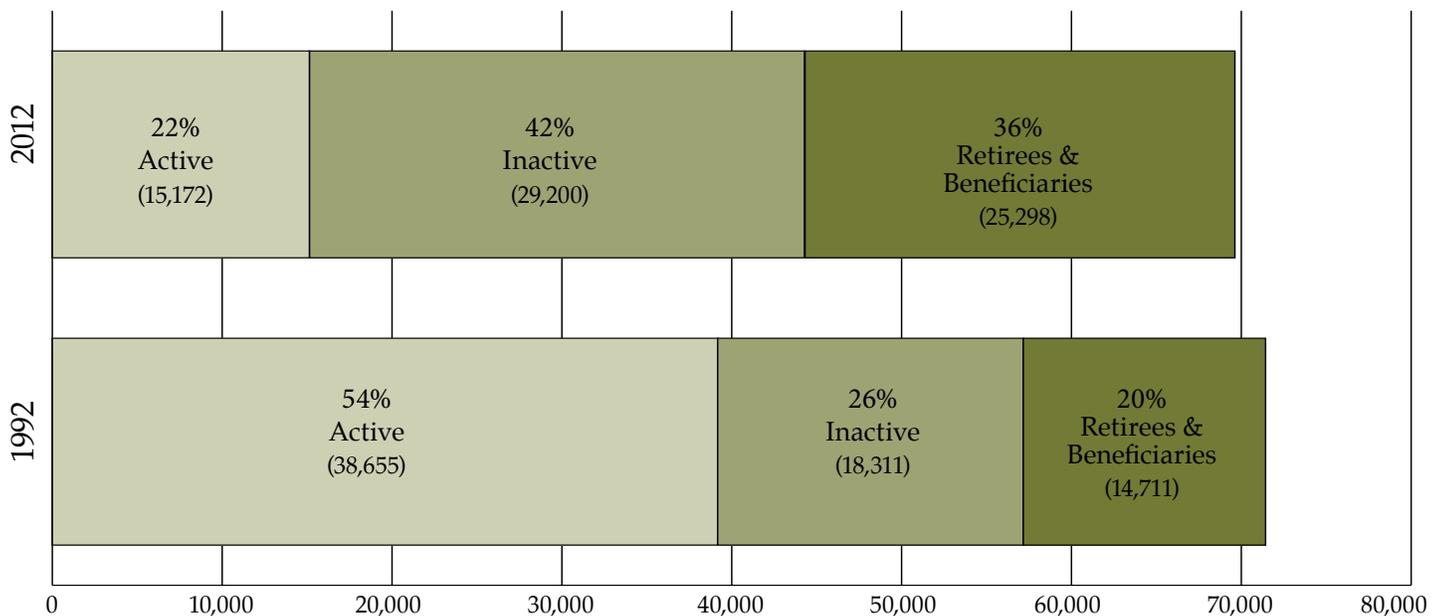
MEMBERSHIP

The Plan holds the pension assets of nearly 70,000 members, from 405 participating employers and is considered one of the largest private sector pension plans in British Columbia.

	2012	2011	2010
Active Members	15,172	14,797	14,428
Inactive Members	29,200	29,691	31,102
Retired Members and Beneficiaries	25,298	25,066	24,845
Market Value of Funds (millions)	\$2,827.9	\$2,709.8	\$2,867.9
Employer Contributions (millions)	\$55.8	\$54.8	\$50.0
Employee Contributions (millions)	\$33.1	\$33.4	\$30.1
Retirement Benefits Paid (millions)	\$236.9	\$247.8	\$243.5
Commutated Value Withdrawals and Payables (millions; this number has been included in "Retirement Benefits Paid")	\$22.3	\$37.5	\$40.3
Annual Administrative Cost per Member (excludes investment cost)	\$57.96	\$52.67	\$56.60

The annual administrative cost per member increased to \$57.96 last year. This cost continues to remain relatively stable, averaging \$57.07 per member over the last 5 years.

MEMBERSHIP BREAKDOWN 2012 AND 1992



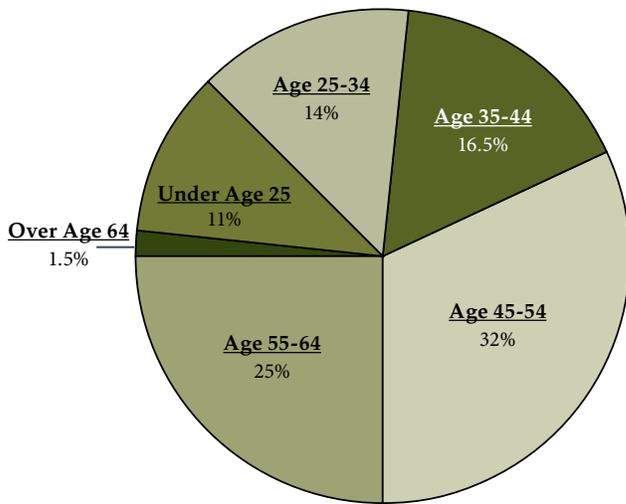
The number of retirees and beneficiaries has increased by 72% over the past 20 years, while the number of active members declined by 61% - in part due to greater global competition and the rapid pace of technological change/automation within the forest industry. The market value of the Fund in this same period, however, has grown from \$806 million in 1992 to \$2.83 billion in 2012 - a growth of 251%. This is significant because as a mature pension plan, investment returns become more important to the future growth of the Pension Fund than contributions.

MEMBERSHIP

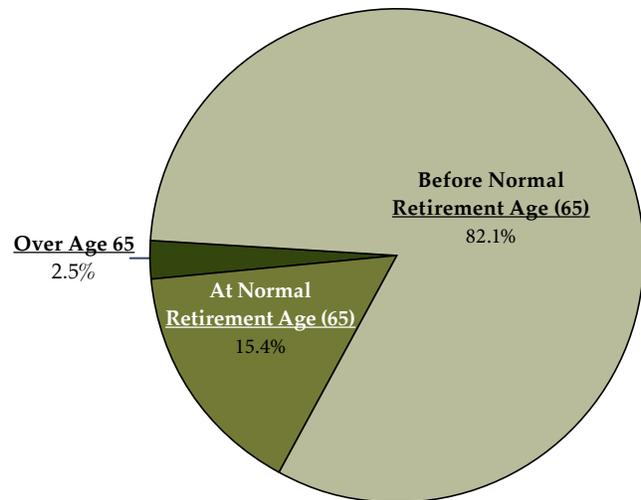
ACTIVE MEMBER PROFILE

The statistics over the last 20 years show a trend towards aging workers in the forest industry. The average age of a worker in the forest industry was 45 on December 31, 2012, up from 39.6 in 1992.

ACTIVE MEMBERS BY AGE - 2012



AGE AT RETIREMENT (OVER LAST 5 YEARS)



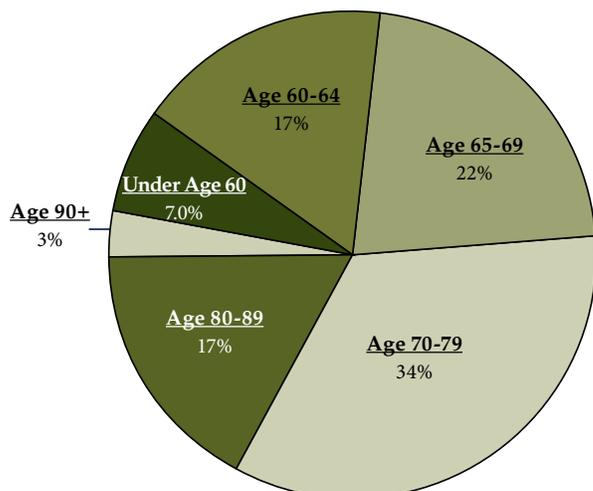
Members are retiring slightly earlier and living longer than they did 20 years ago. From 1988 to 1992 the average age of retirement was 61.3 with an average life expectancy of 18.5 years. The average age at retirement over the last 5 years was 60.3 with an average life expectancy of 22 years.

RETIRED MEMBER PROFILE

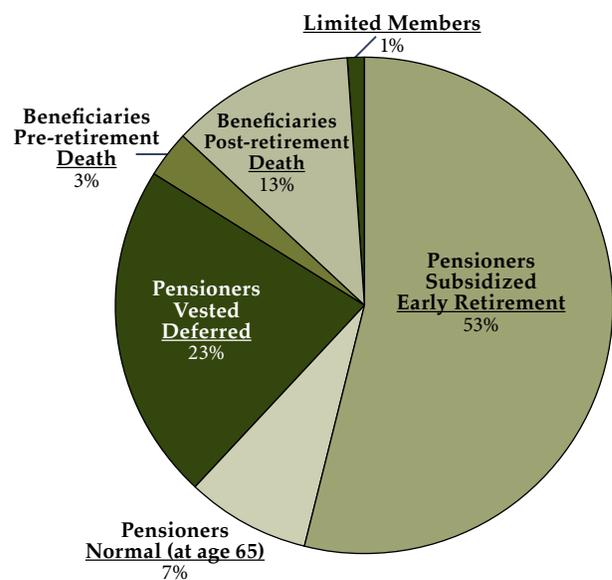
The average age of a pensioner in the Plan has risen from 69.5 in 1992 to 71.9 in 2012; an increase of 3% over the past 20 years.

There are 4,119 pensioners over the age of 80, with 567 being over the age of 90. Our oldest pensioner on file is 102 years of age.

PENSIONERS BY AGE - 2012



TYPES OF PENSION



53% of our pensioners are receiving subsidized early retirement pensions.

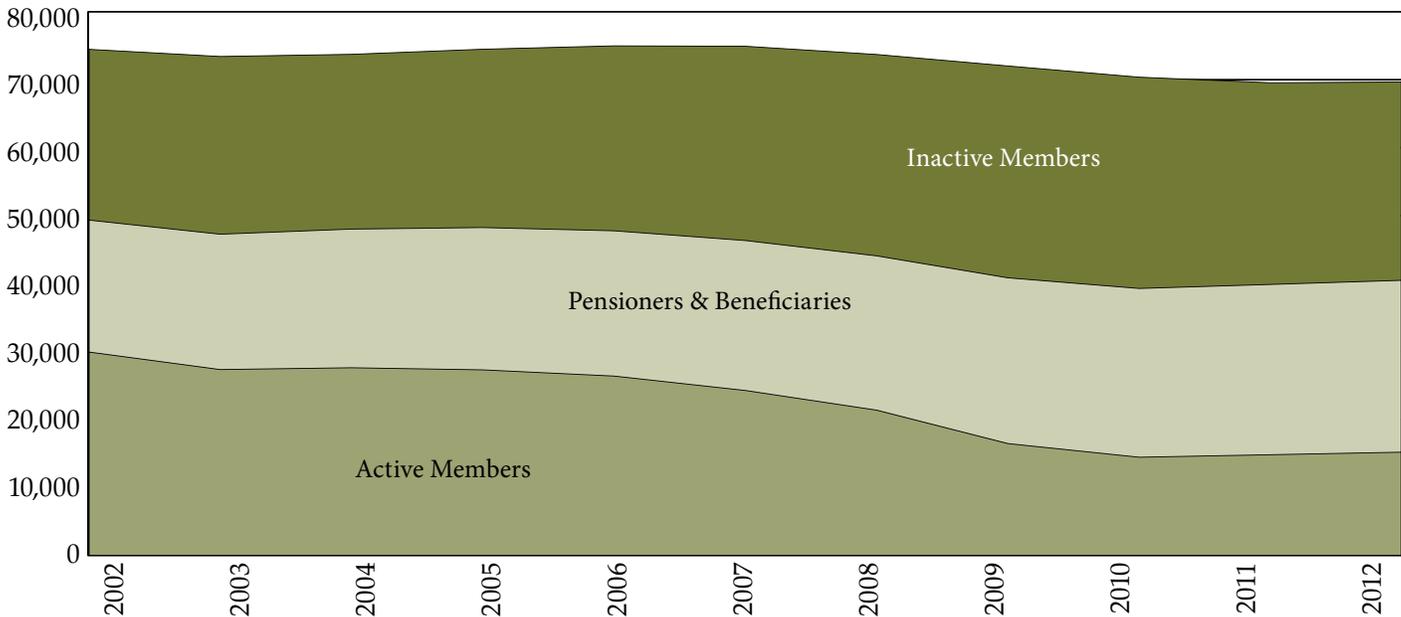
Survivor benefits make up 16% of our pensions in payment (both "pre" and "post" retirement beneficiaries).

MEMBERSHIP

HISTORICAL MEMBERSHIP TRENDS

The number of active Plan members in the forest industry has declined considerably over the past twenty years due to a multitude of factors including: the global financial crisis of 2008, the weakened US housing market, greater global competition, the rapid pace of technological change and automation within the forest industry and environmental concerns. This decline has in turn led to an increase in our inactive membership and pensioners.

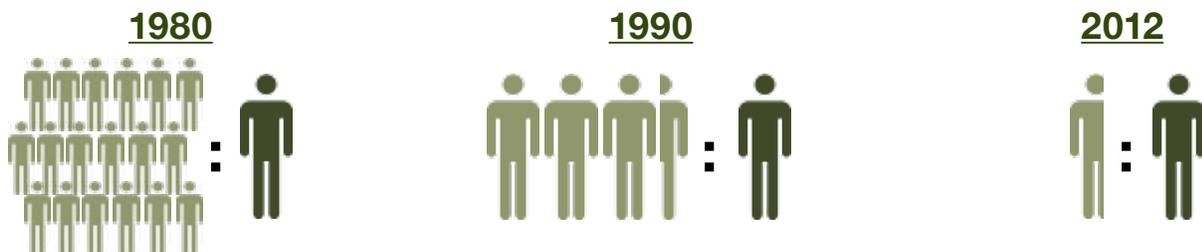
HISTORICAL MEMBERSHIP TRENDS (2002 - 2012)



RATIO OF ACTIVE-TO-RETIRED MEMBERS

As the Plan grows more mature each year, the proportion of working members declines relative to the growing number of retired members. Mature pension plans usually pay out more to pensioners than they receive from members who are still working. Strategies for managing mature pension plans therefore evolve in such a way that investments returns become more important than contributions.

Last year the Plan paid out \$236.9 million in benefits and received \$88.9 million in contributions. In 1980, the Plan paid out \$13.4 million in benefits and received \$35.8 million in contributions. The illustration below shows the historical shift in active to retired members over the decades:

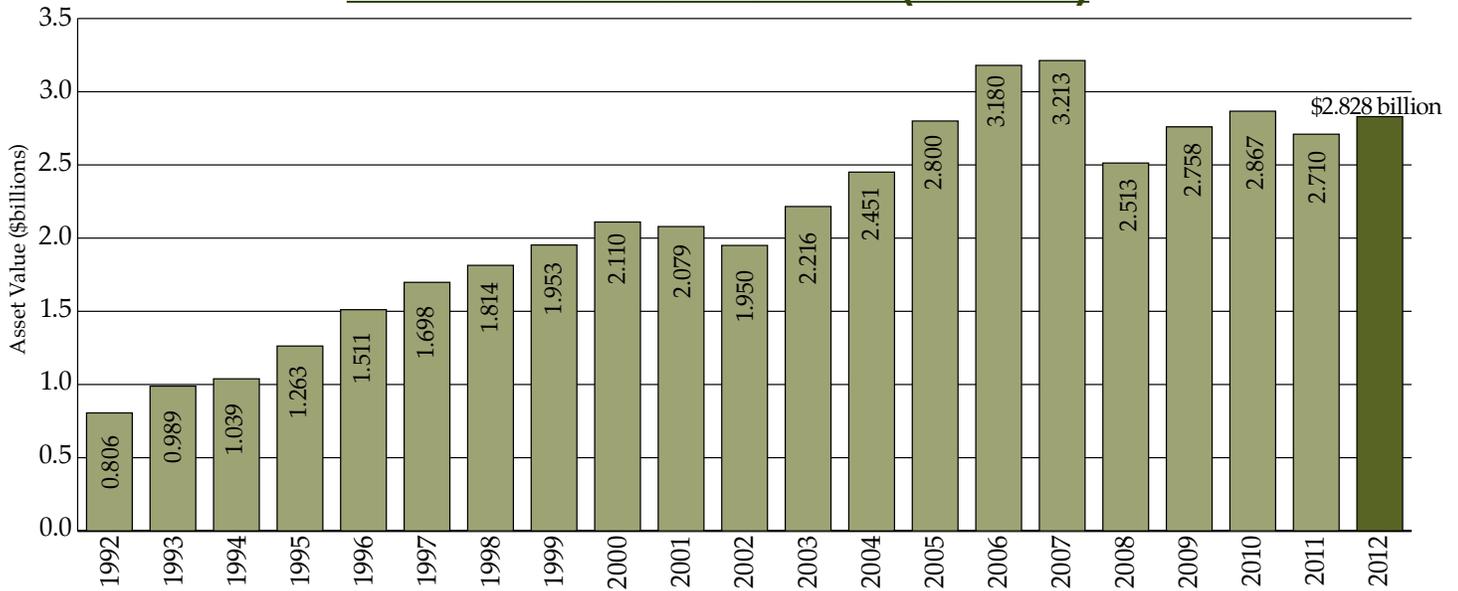


In 1980 there were 18 active members for every retired member. Currently there is only 0.6 of an active member for every retired member. This shift in membership levels is one of several factors which influence the Plan's funding levels and direct policies and strategies for Plan management.

ASSETS IN THE PENSION FUND

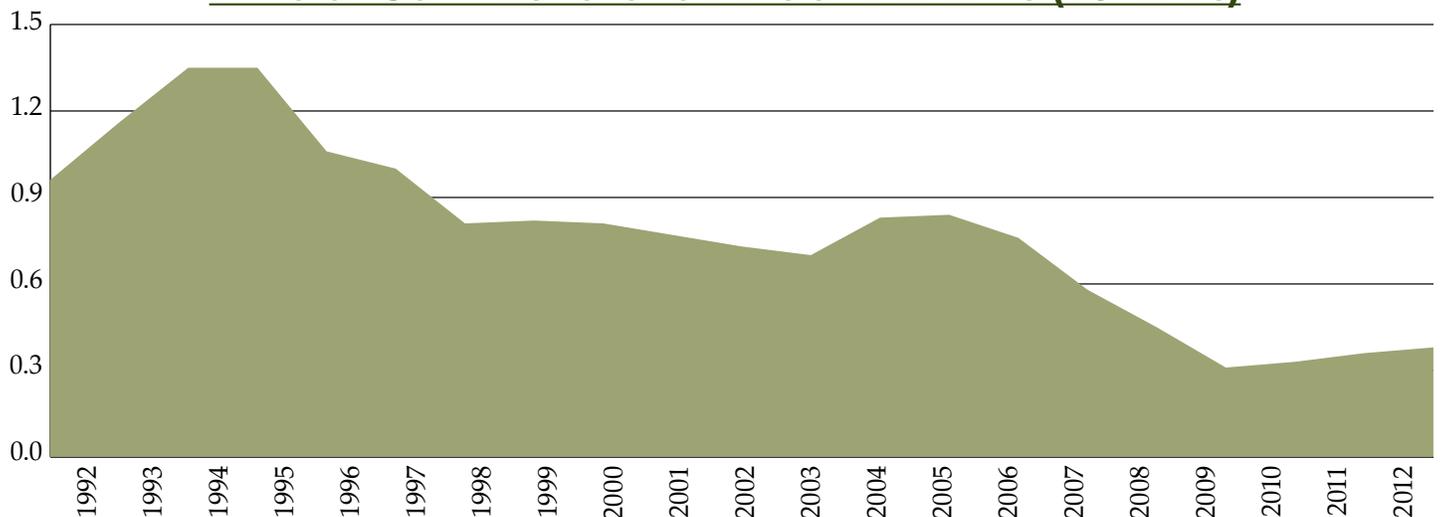
The Pension Fund grew to \$2.83 billion at the end of 2012 from just \$58 million in 1977. 2012 was generally a positive year in capital markets despite the ever-present concerns regarding slow economic global growth, the continued European sovereign debt crisis and uncertainty surrounding the US fiscal cliff and debt ceiling situation. The value of the Fund increased by over \$118 million during 2012. The Pension Fund is balanced and broadly diversified. Balance and diversification across asset classes, regions and currencies is the key to weathering the ups and downs like investors experienced in recent years. Further, it is important to keep in mind that long-term performance is most significant for pension plans because they pay benefits to members over very long periods of time. Be assured that the Plan's investment policies are sound and the Plan's trustees, staff and investment managers continue to work diligently to ensure the Plan's long-term investment objectives are met.

MARKET VALUE ASSET GROWTH (20 YEARS)



Contributions from both members and employers add to Plan assets, as do positive investment returns. As the Plan matures, however, contributions are expected to make up less of total cash inflows while investment returns will make up relatively more. While hourly contributions have risen over the past 20 years, total contributions have declined as hours worked decline. This means that over time the Plan has become more reliant on investment returns. The last two years however, revealed a slight increase in contributions to the Plan as the number of hours worked improved slightly. The graph below shows the downward trend of contributions relative to pension payments:

RATIO OF CONTRIBUTIONS TO PENSION PAYMENTS (20 YEARS)



ASSET MIX

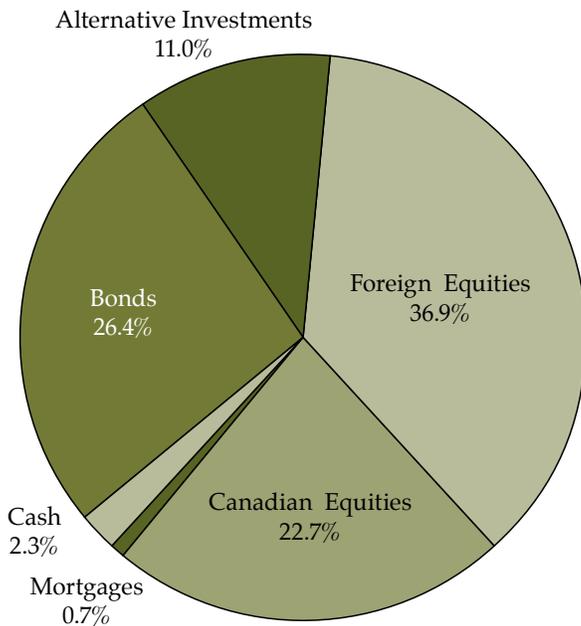
The Plan's long-term asset mix is set as a result of the evaluation of the Plan's liability structure (the payment schedule of pension benefits over time) and the funding of the Plan (expected contributions plus investment returns). The resulting asset mix is the "best" trade-off of risk versus return that comes from evaluating the many possible outcomes and risks associated with investments in stocks, bonds, real estate and other assets. Consequently, the Plan's investments are diversified across asset class, region and currency. Professional staff and investment managers manage these investments and regularly report on their activities to the Plan's Investment Committee.

The Plan's equity portfolio is further diversified according to investment style by using managers who follow value, growth and core investment styles. Overall, the Plan's equity portfolio is managed with a slight value bias. In theory the value style of investing tends to provide the portfolio with better protection when markets are not performing well while producing attractive returns over the longer-term.

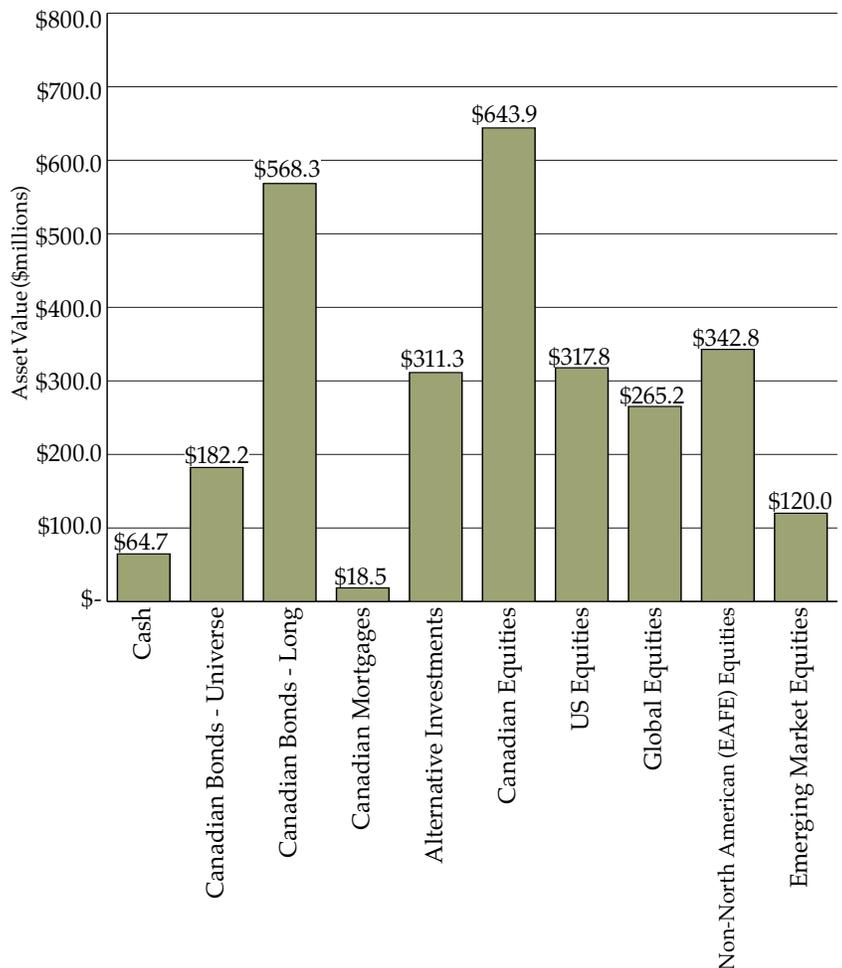
The Plan's asset mix as at year-end 2012 was as follows:

ASSET DIVERSIFICATION AS AT DECEMBER 31, 2012

ASSET ALLOCATION



ASSET CLASS VALUE



RATES OF RETURN AND BENCHMARKS

A benchmark is a standard for comparison. At the investment manager or asset class level, it is an index chosen because it best reflects the risk and return of a particular investment approach. A benchmark helps answer the basic question of *"How are the Plan's investments performing?"*

The total Plan benchmark is a weighted combination of the individual benchmarks of each asset class. The weighting reflects the Plan's long-term allocation to each asset class.

For the year ended December 31, 2012, the Plan's return was 10.7% against the benchmark of 8.8%. Plan returns have been positive in 29 of the last 34 years.

Market performance through the global financial crisis has reminded all investors that any one year is unpredictable and can be volatile. It is important to keep in mind that long-term performance is most significant for a pension plan because benefits are paid to members over very long periods of time. Over the last ten years, for example, the Plan's investment returns have averaged 7.7% versus a benchmark of 7.1%. During that ten year period, however, returns reached as high as 17.1% and as low as -18.4%.

The Plan's investment returns need to be interpreted with care. Plan performance should not be evaluated over short-term periods. Annual review periods are too short and are included to demonstrate how short-term results can be very volatile. This is especially important as the Plan has and will continue to experience both strong and weak market environments over time. The chart below shows actual annual rates of return for the Plan and the Plan's benchmark since 1992:

RATES OF RETURN VS. BENCHMARKS (ANNUAL)



INVESTMENT MANAGERS AS AT DECEMBER 31, 2012

Manager	Mandate	% of Assets Managed
TD Asset Management	Canadian Equities	7.4%
Phillips Hager & North	Canadian Equities	5.2%
Beutel Goodman	Canadian Equities	5.2%
Connor Clark & Lunn	Canadian Equities	5.2%
TD Asset Management	Canadian Bonds	13.3%
Phillips Hager & North	Canadian Bonds	9.3%
Beutel Goodman	Canadian Bonds	4.6%
JP Morgan Asset Management	US Equities	5.7%
Aronson + Johnson + Ortiz	US Equities	5.5%
Alliance Bernstein	Global Equities	5.2%
Capital Guardian	Global Equities	4.3%
Oechsle	Non-North American (EAFE) Equities	6.4%
Sprucegrove	Non-North American (EAFE) Equities	5.9%
Capital Guardian	Emerging Market Equities	4.2%
Various	Alternative Assets	11.0%
Internal	Cash	1.8%

TOP TEN HOLDINGS AS AT DECEMBER 31, 2012

	Security Issuer	Type of Security	Holding as a % of Total Assets
1	Concert Real Estate Corporation	Real Estate	2.2%
2	Toronto Dominion Bank	Canadian Bank Stock	1.5%
3	Royal Bank of Canada	Canadian Bank Stock	1.4%
4	Bank of Nova Scotia	Canadian Bank Stock	1.3%
5	130 West Broadway	Real Estate Property	1.0%
6	Canadian Government	Canadian Government Bond Coupon 4.0%; Maturity June 1, 2041	0.9%
7	Province of Ontario	Province of Ontario Government Bond Coupon 4.5%; Maturity June 2, 2041	0.9%
8	Province of Ontario	Province of Ontario Government Bond Coupon 4.6%; Maturity June 2, 2039	0.8%
9	Government of Canada	Government of Canada Bond Coupon 5.0%; Maturity June 1, 2037	0.7%
10	Canadian National Resources Corporation	Canadian Energy Company Stock	0.6%

PLAN'S FINANCIAL POSITION

GOING CONCERN ACTUARIAL LIABILITY

Going concern is an actuarial method used to measure Plan funding which assumes an entity remains in existence for the foreseeable future. The going concern actuarial liability provides an estimate of the obligations of the Plan, assuming that the Plan continues indefinitely.

The assumptions used to determine the going concern actuarial liability are the best estimate of each assumption, and may include a margin for conservatism. These assumptions change over time as economic conditions change. Each year, ongoing pension accruals add to the Plan's liabilities and benefits paid reduce those liabilities, while potential investment returns and contributions add to the Plan's assets.

In accordance with the *Pension Benefits Standards Act* of British Columbia, an actuarial valuation is required to be filed at least every three years to estimate the Plan's surplus or deficit, and to determine the Plan's funding requirement. The last filed actuarial valuation as at December 31, 2009, disclosed actuarial assets of \$2,896,004,000 with accrued pension liabilities of \$3,079,486,000, resulting in a net unfunded liability of \$183,482,000, or a ratio of assets to liabilities of 94.0%. The next report for December 31, 2012, will be filed in September of 2013.

A key actuarial assumption included in this valuation is an assumed long-term investment return of 6.75% per year. When the going concern actuarial liability is larger than the Plan's actuarial value of assets, the shortfall must be paid into the Plan over a period not exceeding 10 years.

An interim valuation showed the ratio of the Plan's actuarial assets to its accrued pension liabilities to be estimated at 87.2% at December 31, 2011, down from 94.0% two years earlier.

HISTORICAL FUNDED RATIO

1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
60.2	55.6	61.8	61.5	65.5	61.0	63.0	68.0	76.4	82.1	88.0	91.0	92.0	94.2	95.0	84.0	85.6	87.7	96.5	103.6	*103.3	*86.4	94.0	*93.6	*87.2

*estimated

PLAN'S FINANCIAL POSITION

SOLVENCY LIABILITY

Solvency is the ability of a plan to pay its obligations assuming that the plan is wound up on the date of the valuation. The *Pension Benefits Standards Act* of British Columbia regulates pension plans for solvency requirements. "Solvency valuations" are filed every three years with the Financial Institutions Commission of BC.

Interest rates are a key assumption used to calculate the Plan's solvency liability. The interest rate is determined based on yields on long-term bonds and is mandated by the government and the actuarial profession. The Trustees have no control over the selection of this assumption. When interest rates decline, the solvency liability increases. Conversely, when interest rates rise, the solvency liability decreases. Although Plan assets were over half a billion greater in 2011 than they were in 2000, the decline in the assumed long-term interest rates (from 6.25% in 2000 to 3.3% in 2011), had the greatest effect on Plan solvency and contributed to increasing the solvency liability by \$1.67 billion.

In conjunction with the historically low interest rates, many other factors have combined to cause our funding shortfall: the market downturn in 2008, recent market conditions in the forest industry, increases in life expectancy and increases in early retirement. In addition, the number of pensioners has nearly doubled since 1990 while the number of active members has declined by two thirds. In recognition of the difficulties these factors have caused to most pension plans, the *Regulation* to the *Pension Benefits Standards Act* was amended in 2009 to provide multi-employer negotiated cost plans in BC the opportunity to file for a three-year moratorium on solvency requirements.

The December 31, 2009 valuation report, which was filed with the Superintendent of Pensions, showed that the Plan had a solvency deficiency. 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.

Because the solvency level was below 100 percent and the *Regulation* requires solvency shortfalls to be funded within five years, the Board of Trustees spent considerable time and effort considering options regarding how the shortfall might be addressed. Those options included, but were not limited to: seeking an increase in contributions, reducing benefits, or seeking solvency relief under the three-year moratorium offered at that time under the *Regulation*. The Board chose to seek solvency relief.

The actuaries have since performed an interim valuation showing the solvency position has further declined to 61.5% at December 31, 2011. We are required to file a December 31, 2012 actuarial valuation in September 2013. The Board will then have until February 2014 to review the options available to them.

The Board of Trustees continues to work 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.

HISTORICAL SOLVENCY RATIO

1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
64.2	60.6	69.9	65.0	70.8	63.9	65.7	66.0	77.3	85.3	85.3	81.2	97.4	100.0	93.0	84.0	87.6	89.4	85.8	94.0	*92.6	*74.0	74.0	*75.3	*61.5

*estimated

SUMMARIZED FINANCIAL STATEMENTS FOR 2012

IWA - FOREST INDUSTRY PENSION PLAN

STATEMENT OF FINANCIAL POSITION

December 31	2012	2011
ASSETS		
Investments	\$ 2,814,398,496	\$ 2,691,036,656
Cash	25,408,457	27,082,532
Contributions receivable		
Employee	3,199,407	3,116,196
Employer	5,289,338	5,151,771
Other receivables	612,451	353,407
Prepaid expenses and other assets	55,266	55,400
Leasehold improvements	896,937	-
	2,849,860,352	2,726,795,962
LIABILITIES		
Payables and accruals	1,796,185	1,989,533
Commuted values payable	20,185,728	*15,035,835
	21,981,913	17,025,368
Net assets available for benefits	2,827,878,439	2,709,770,594
Pension obligations	3,124,699,000	3,101,115,000
Deficiency	\$ (296,820,561)	\$ (391,344,406)

*Commuted values payable was restated as a result of timing issues and additional withheld amounts for retirees.

SUMMARIZED FINANCIAL STATEMENTS FOR 2012

IWA - FOREST INDUSTRY PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

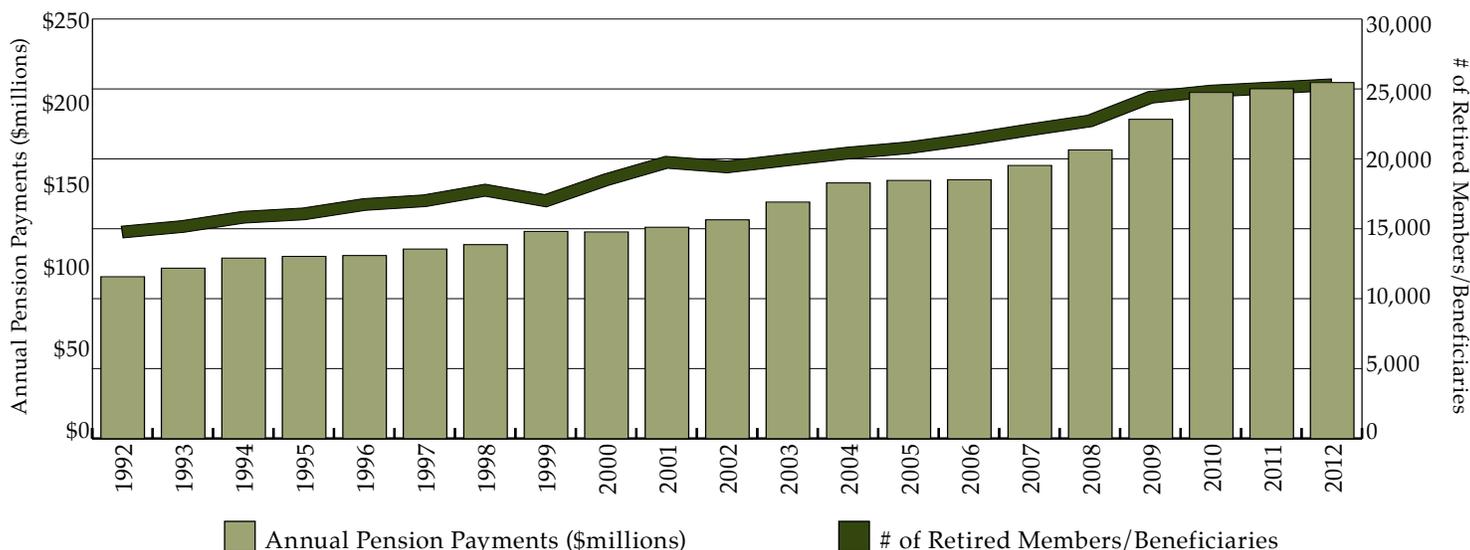
December 31	2012	2011
REVENUE		
Net Investment Income	\$ 146,114,975	\$ 132,163,064
Realized and unrealized (loss) gain on investments	124,443,205	(126,311,637)
	270,558,180	5,851,427
CONTRIBUTIONS		
Employer	55,771,442	54,770,824
Employee	33,147,717	33,363,612
	359,477,339	93,985,863
EXPENSES		
Benefit payments	236,866,147	*247,784,867
Administrative	3,659,532	3,337,143
Non-administrative	843,815	979,618
	241,369,494	252,101,628
Increase (decrease) in net assets available for benefits	118,107,845	(158,115,765)
Net assets available for benefits, beginning of year	2,709,770,594	2,867,886,359
Increase (decrease) in net assets available for benefits	118,107,845	(158,115,765)
Net assets available for benefits, end of year	\$ 2,827,878,439	\$ 2,709,770,594

*Commuted values payable was restated as a result of timing issues and additional withheld amounts for retirees.

BENEFIT PAYMENTS

Benefits under the Plan, held in Trust, are provided from the Pension Fund. The Plan paid over \$236 million to members and beneficiaries in 2012. This number includes \$212.3 million to retired members and their beneficiaries and \$24.6 million in commuted value payments for inactive members under the age of 55 and death benefits paid on behalf of deceased Plan members.

PENSION PAYMENTS TO RETIRED MEMBERS AND THEIR BENEFICIARIES



OPERATING EXPENSES

In 2012, the IWA - Forest Industry Pension Plan had an administrative cost of \$57.96 per member. This number has remained relatively stable for the past 5 years as detailed in the next table. The Plan's total operating costs (including Investment and Custodial Fees) for 2012 totalled \$15,004,435.

	2012	2011	2010	2009	2008
Administrative Expenses	3,659,532	\$ 3,337,143	\$3,451,677	\$3,991,548	\$3,819,578
Actuarial & Consulting Fees	194,851	147,573	295,397	210,921	258,936
Audit & Accounting Fees	94,834	96,824	99,687	89,159	105,489
Legal Fees	13,811	6,391	60,867	14,334	19,641
Registration Fees	75,291	75,286	75,322	75,332	20,308
TOTAL ADMINISTRATIVE COST	\$4,038,319	\$3,663,217	\$3,982,950	\$4,381,294	\$4,223,952
Total Number of Members	69,670	69,554	70,375	72,025	73,718
Administrative Cost per Member	\$57.96	\$52.67	\$56.60	\$60.83	\$57.30

Each year, the Plan measures cost performance by using a pool of major Canadian pension plans to benchmark overall administrative cost per member. This pool covers over one million pension plan members. The recent average administrative cost for this pool was in excess of \$100 per member.

INVESTMENT & CUSTODIAL EXPENSES

The Investment Fees for 2012 totalled \$10,501,088. Custodial Fees for the year totalled \$465,028. This computes to 0.39% of the Market Value of the Pension Fund. Investment management fees can vary greatly and are a product of the size and type of asset being managed. Investment and Custodial Fees are usually calculated as an annual percentage of the average total net asset value of the fund. In some cases, additional investment manager fees are netted against asset values and performance based fees may be payable, and therefore are not included in the table below.

The following table illustrates the last five years of the Plan's Investment and Custodial Fees:

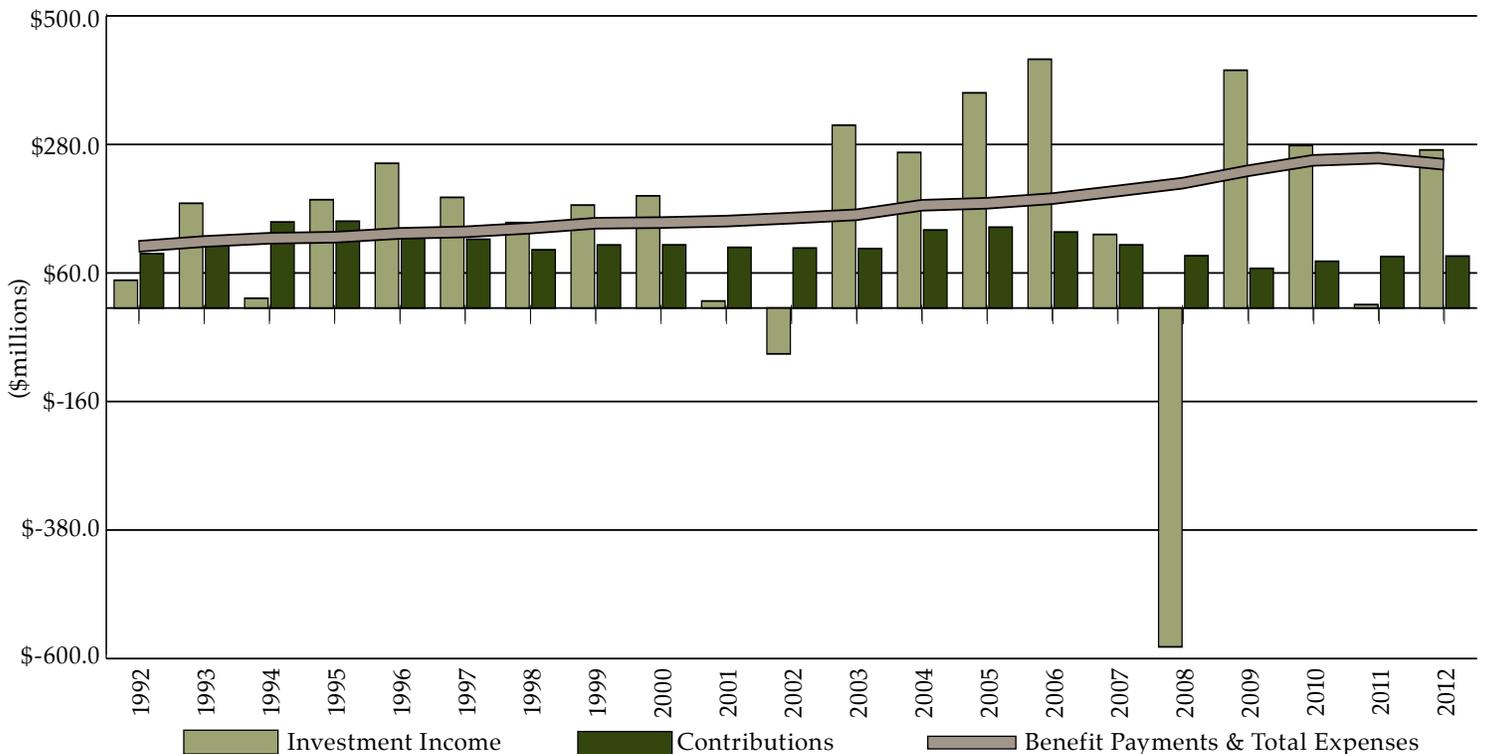
	2012	2011	2010	2009	2008
Investment Fees	\$ 10,501,088	*\$ 10,209,287	*\$ 9,059,226	*\$8,151,323	*\$7,750,940
Custodial Fees	465,028	653,544	603,986	611,438	525,181
TOTAL	\$10,966,116	\$ 10,862,831	\$9,663,212	\$8,762,761	\$8,276,121
Market Value of Fund	\$2,827,878,439	\$2,709,770,594	\$2,867,886,359	\$2,757,754,248	\$2,513,229,733
% of Market Value of Fund	0.3878%	0.4009%	0.3369%	0.3177%	0.3293%

*These amounts have been restated to include estimated amounts directly netted from investment funds.

ANNUAL CASH FLOW

The Plan had a total net income of \$359,477,339 in 2012, which includes an increase from employer and employee contributions of \$88,919,159 and an investment gain of \$270,558,180. The benefit payments and expenses totalled \$241,369,494. The value of the Pension Fund therefore increased by \$118,107,845 during 2012.

INVESTMENT INCOME & CONTRIBUTIONS VS. BENEFIT PAYMENTS & EXPENSES

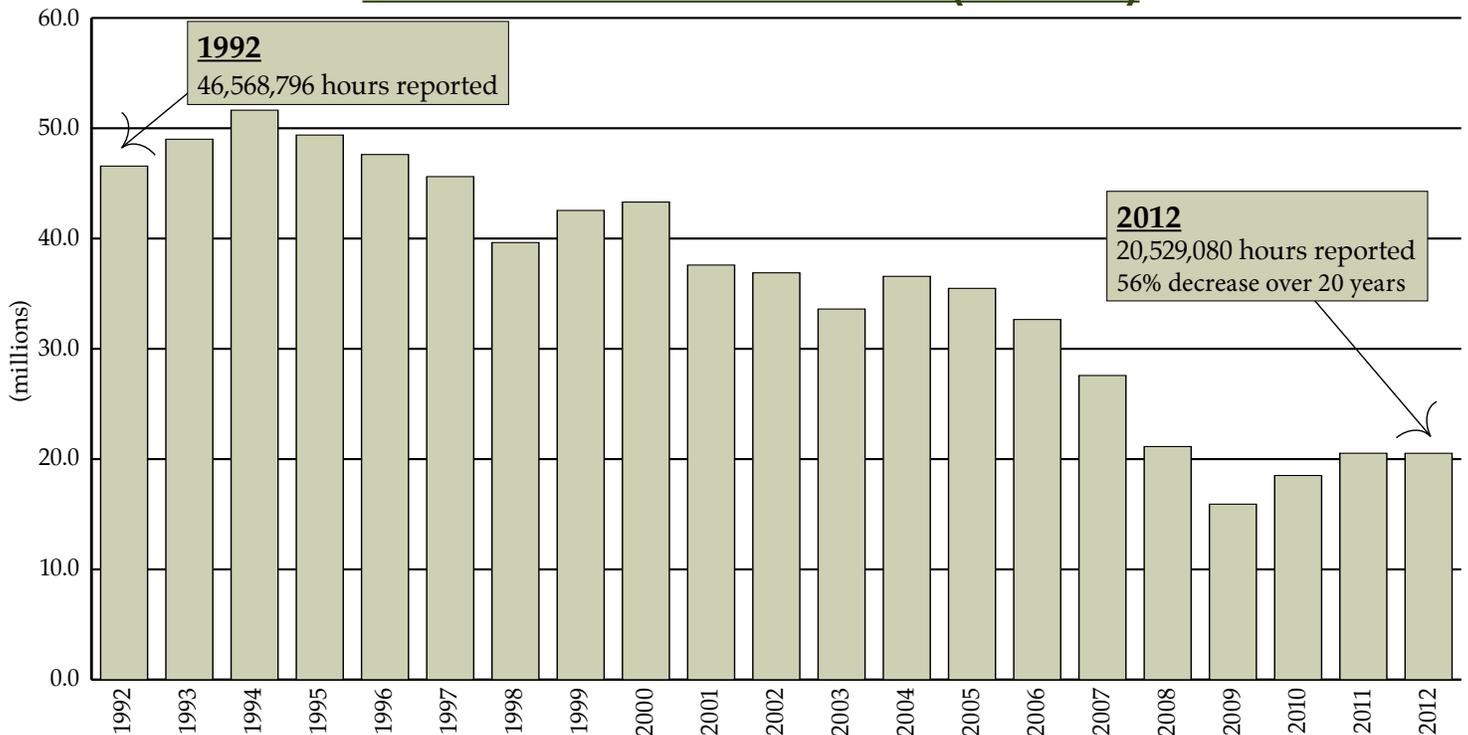


CONTRIBUTORY HOURS

The Plan had a total of 20,529,080 hours reported for 2012 (20,532,331 hours were reported in 2011). This represents a substantial increase, 29% from 2009 (15,915,669 hours). This increase can be partially attributed to a rise in softwood lumber exports to China and a modest recovery in the US housing market.

The forest industry has however undergone many challenges in the last decade. The rapid pace of technological change, automation within the industry, the softwood lumber dispute and recent market conditions have been challenging for the industry, ultimately resulting in a steady decline in contributions over the last 10 years. As the industry is restructured, the hours reported have declined by approximately 56% since 1992.

CONTRIBUTORY HOURS REPORTED (20 YEARS)



GLOSSARY

Active Member - A member of a participating employer who maintains continuous employment. For the purpose of the Plan, continuous employment means that the member does not incur a break-in-service or maintains 350 qualifying hours, as defined by the Plan Text, in two consecutive calendar years.

Actuarial Liability - An estimate of the Plan's financial obligations, which uses actuarial assumptions (economic and demographic) and assumes that the Plan continues indefinitely.

Actuarial Valuation - Examination of a pension plan by an actuary to assess the solvency of the plan and determine the level of contributions required to maintain or improve its solvency (solvency valuation). Also included is a going concern valuation used to determine the value of a plan assuming it will continue to operate indefinitely as a going concern.

Actuarial Value of Assets - The theoretical value of the Plan assets as of a given date, determined by applying a set of actuarial assumptions (economic and demographic). The actuarial value of assets smooths the gains and losses of the market value of assets over a four-year period.

Actuary - A trained specialist in the pension field responsible for determining pension plan liabilities. In Canada, full professional recognition requires membership in the *Canadian Institute of Actuaries*.

Annuity - A series of equal payments made at intervals to an individual from a lump sum investment either for life or for a specified period of time.

Benchmark - An "Investment Benchmark" is the index representative of the asset class against which a portfolio manager's investment performance is evaluated.

Beneficiary - A person designated by a Plan member to receive benefits.

Board of Trustees or Trustees - Those persons appointed under the Trust Agreement acting as fiduciaries, holding the assets and administering the Plan for the members' and beneficiaries' benefit.

Bond - A certificate of debt issued by a government or corporation guaranteeing payment of the original investment plus interest by a specified future date. Also referred to as a fixed-interest security.

Commuted Value - The actuarial present value of the pension benefits to which a Plan member or former Plan member may be entitled to, calculated in accordance with the *Pension Benefits Standards Act of British Columbia* which takes into account several variables such as life expectancies and interest rates relevant at the time.

Custodian - A financial institution or trust company that holds in custody and for safekeeping, the securities and other assets of a trust fund.

Early Retirement - Retirement prior to a member's "normal" retirement date (65 years of age). Members of the IWA - Forest Industry Pension Plan can commence their pension anytime after age 55 with the appropriate actuarial reductions.

Emerging Markets - the financial markets of developing economies.

Equity or Equities - Refers to the ownership of property, usually in the form of common stocks, as opposed to fixed income bearing securities such as bonds or mortgages.

Going Concern - Refers to the assumption that the Plan will continue indefinitely, people will retire, terminate, and die in the normal patterns.

GLOSSARY

Inactive Member - Often referred to as “vested deferred” member. Member has a break-in-service or has failed to maintain 350 qualifying hours, as defined by the Plan Text, in two consecutive calendar years.

Investment Fee - The service fee of the investment managers. Varies depending on the size of the fund and rate of return.

Long Bonds - Bonds with a term to maturity of more than 10 years.

Market Value - The current price at which a security or commodity is trading as indicated by current market conditions.

Member Services - Plan staff available to members to answer questions and provide forms.

Normal Retirement Date - Age 65 is the normal age of retirement in this Plan. It is the age at which a Plan member can retire and receive full unreduced pension. However, because of a special Plan provision, active members can retire with a fully subsidized pension at age 60.

Pension Fund (“Fund”) - The account where monies received by the Trustees, including employer and employee contributions and investment income are held in Trust.

Plan Member (“Member”) - A person who has become covered by the Plan and continues to be covered under the Plan.

Plan Sponsor - Plan sponsor means an employer, association or any other entity providing a benefit plan. For this Plan, the Plan sponsors are the United Steelworkers and the employer associations: FIR, I.F.L.R.A., CONIFER and other independent employers.

Plan Text - The document which sets out the eligibility requirements to become a member of the Plan and the amount of benefits that will be paid to Plan members and beneficiaries.

Portfolio - A compilation of investments held by an institution or individual.

Solvency - The capacity of an entity to pay future benefits or claims that have been promised; calculated in terms of a specific date.

Solvency Valuation - The valuation of the liabilities and assets of a pension plan determined as if the plan had been wound up on the valuation date using methods and actuarial assumptions in accordance with generally accepted actuarial principles and practices appropriate for such determination.

Subsidized Early Retirement Reduction - A benefit that allows active members of the Plan to retire early with little or no reduction to their pension (55-59 marginal reduction, 60+ no reduction).

Trust - The property held by the Trustees for the benefit of another under a fiduciary relationship to be used only for the purposes set out in the Trust Agreement.

Trust Agreement - The agreement entered into by the union and employer association groups that established the Pension Trust and Pension Plan.

Wind Up / Wound Up - Discontinuation of a pension plan as regulated by law. The plan is essentially shut down as of a given date and the pensions are paid out according to the solvency calculated on the specific date.



IMAGE E-08507 COURTESY OF ROYAL BC MUSEUM, BC ARCHIVES [CA. 190-]



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