

# Annual Report

For the Year Ended December 31, 2015

Canadian Commercial Workers Industry Pension Plan

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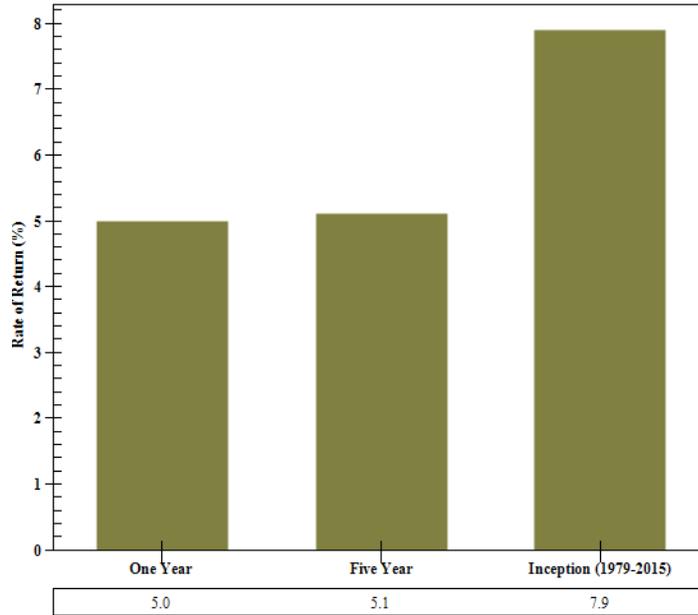
# Investment Performance

## Investment Return

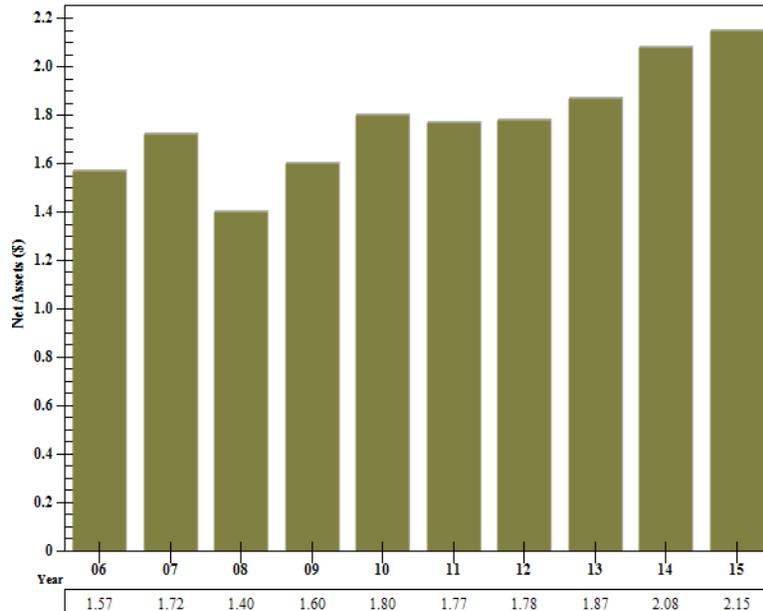
For the year ended December 31, 2015, the Canadian Commercial Workers Industry Pension Plan's (the "Plan") generated a return of 5.0%.

The net assets<sup>1</sup> increased to \$2.15 billion at December 31, 2015 from \$2.08 billion at December 31, 2014.

**Annualized Investment Return for the Period Ending December 31, 2015**



**Net Assets (\$ Billions)**



<sup>1</sup> Defined as the Plan's total assets net of payables and receivables.

## Management of Invested Assets

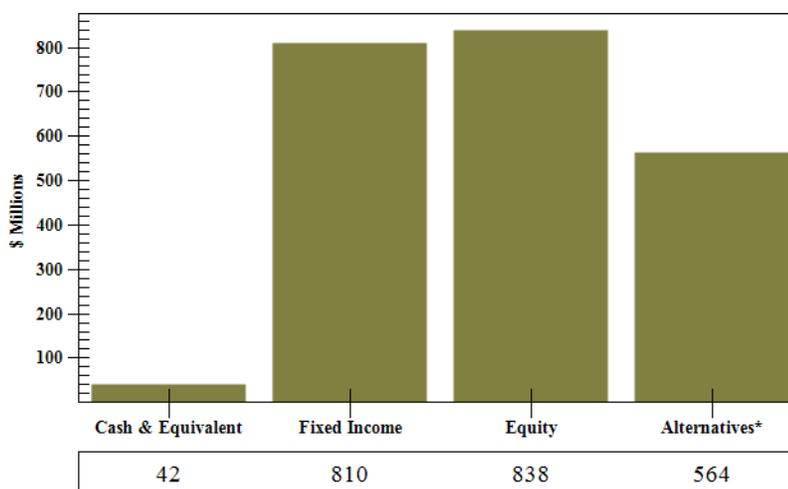
The Trustees enlist the services of professional investment management firms that invest the Plan's assets in domestic and foreign equities and fixed income, both in public and private markets. The Plan's investment management firms as of December 31, 2015 are as follows.

- Blackrock Asset Management  
[www.blackrock.com](http://www.blackrock.com)
- CIBC Asset Management  
[cibc.com/ca/am](http://cibc.com/ca/am)
- Leith Wheeler Investment Counsel  
[leithwheeler.com](http://leithwheeler.com)
- State Street Global Advisors  
[ssga.com](http://ssga.com)
- Vontobel Asset Management  
[vusa.com](http://vusa.com)
- Winton Capital Management  
[wintoncapital.com](http://wintoncapital.com)

The market value of invested assets as of December 31, 2015 is as follows.

The Trustees regularly evaluate the performance of these firms and monitor their compliance with their respective investment mandates. In order to maximize returns and add value to the Plan's portfolio while minimizing its overall risk exposure, the Plan also engages Ellement Consulting Group (formerly API Asset Performance Inc.) ([www.ellement.ca](http://www.ellement.ca)), an independent consulting and advisory firm, to provide ongoing investment performance measurement services and to conduct ongoing searches for new investment management firms, as required. During the year, the Trustees added Blackrock Asset Management and terminated 1832 Asset Management (Canadian Equity Portfolio) and Wise Capital Management (Canadian Equity Portfolio).

Market Value of Assets Under Management (\$ Millions)

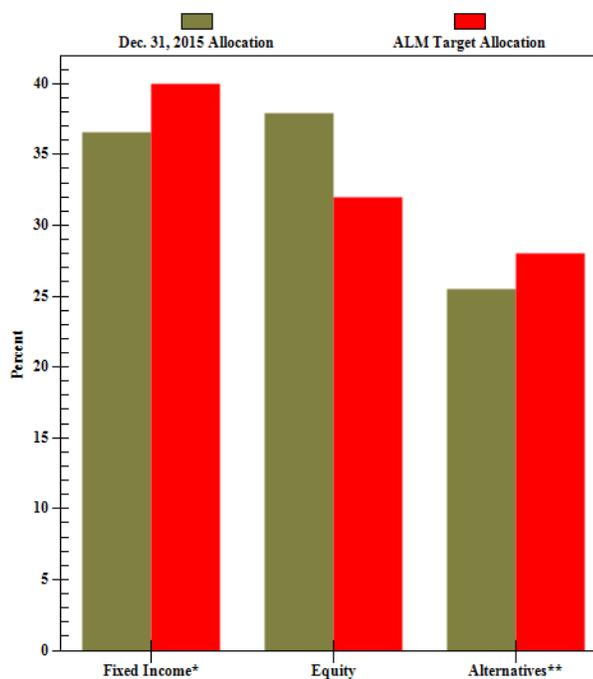


\* Alternatives include real estate, infrastructure assets, private equity / debt and hedge funds.

## Asset Allocation

To ensure greater diversification and to minimize risk, the Plan follows an asset allocation model which sets target ranges for investing within each asset class of the investment portfolio. The asset allocation is designed to improve the probability of the Plan achieving its actuarial assumption of a 6.0%<sup>2</sup> average rate of return (since its inception in 1979, the Plan has achieved a 7.9% annualized rate of return) over the long term which, if achieved (along with the achievement of other relevant actuarial factors and the negotiated contributions being made), will result in the Plan having sufficient assets to provide the scheduled benefits. This is the rate which the Plan's independent actuary has assumed as being required, over the long term, to provide the pension obligations for Members.

In 2014, the Trustees retained Segal Consulting to conduct an Asset Liability Modeling ("ALM") study. As a result, the Trustees decided to implement a revised target asset allocation. The table to the right outlines the actual asset allocation as at December 31, 2015 compared to the Plan's target allocation.<sup>3</sup> The Plan's external Compliance Officer monitors asset allocation compliance.



Dec. 31, 2015 Allocation	36.6	37.9	25.5
ALM Target Allocation	40.0	32.0	28.0

\* Fixed Income includes cash, short-term and mortgages.

\*\* Alternatives include real estate, infrastructure assets, private equity / debt and hedge funds.

During 2015, each of the asset classes remained within their established minimum and maximum limits, as set out in the Plan's Statement of Investment Policies and Procedures ("SIPP").

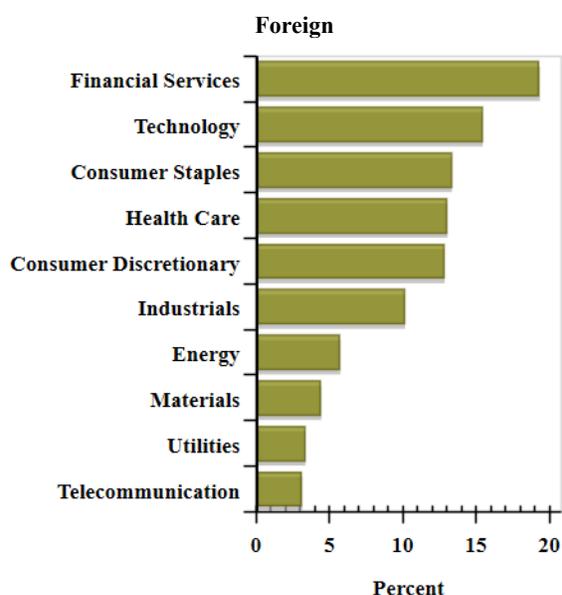
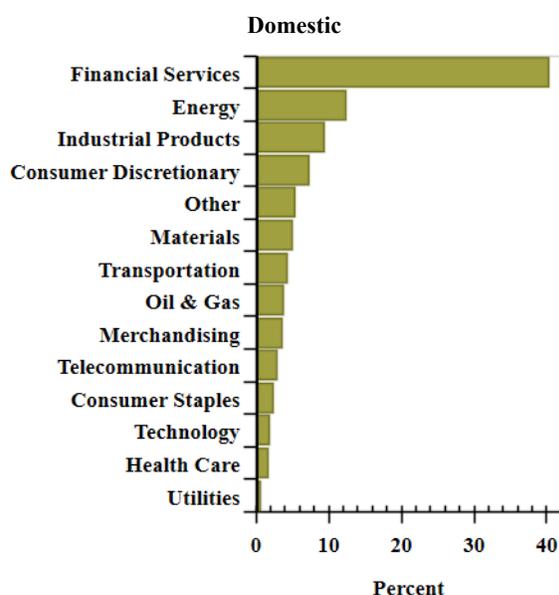
<sup>2</sup> 2014 valuation (no change from prior valuation).

<sup>3</sup> The Target Allocation for each asset class is outlined in Section 6.1 of the SIPP (as amended effective September 22nd, 2015).

## Equity in Publicly Traded Companies

		Actual	Benchmark	
The equity component of the Plan's investment portfolio realized a 1.4% return in 2015. Rates of return compared to benchmarks are as indicated.	Canadian Equity	(11.7)%	(8.3)%	S&P/TSX Composite Index
	US Equity	18.0%	21.0%	S&P 500 (in CAD)
	International Equity	27.5%	18.8%	MSCI EAFE (in CAD)

As at December 31, 2015, the Plan's total equity allocation was valued at \$838 million. The charts below reflect the sector weighting of each industry grouping as at December 31, 2015.



## Fixed Income

The fixed income component (excluding cash, short-term and mortgages) of the Plan's investment portfolio generated a 4.6% rate of return in 2015, which outperformed its benchmark (FTSE TMX Canada Bond Universe Index) of 3.5%. Included in the Plan's fixed income investments are a series of segregated long-term bond portfolios,<sup>4</sup> collectively valued at \$328 million, which are under management by

CIBC Asset Management. As at December 31, 2015, the Plan's total fixed income allocation was valued at \$690 million.

## Hedge Funds

The hedge fund component of the Plan's investment portfolio realized a 15.1% return in 2015, which underperformed its benchmark (HFRI Hedge Fund of Funds Index) of 19.2%. As at December 31, 2015, the Plan's total hedge fund allocation was valued at \$43 million.

<sup>4</sup> Which includes assets that were transferred into the Plan and for which the Plan has assumed a separate obligation for benefits.

## Private Equity/Private Debt

The private equity/private debt component of the Plan's investment portfolio achieved a 32.7% rate of return in 2015, versus its benchmark (Russell 2500 (CAD)) of 15.8%. The Plan's private equity/private debt investments are as follows.

### Private Equity

- Auven Therapeutics Holdings  
[auventx.com](http://auventx.com)
- Clairvest Equity Partners III, IV & V  
[clairvest.com](http://clairvest.com)
- Royalty Pharma  
[royaltypharma.com](http://royaltypharma.com)

### Private Debt

- BioPharma Secured Investments II  
[biopharmafunds.com](http://biopharmafunds.com)
- New South Ocean Development Company mortgages
- Wellington Financial Fund IV & V  
[wellingtonfund.com](http://wellingtonfund.com)

As at December 31, 2015, the Plan's total private equity/private debt allocation was valued at \$560 million.

## Real Estate

The Plan has one remaining real estate holding in its investment portfolio, a mixed-use commercial property located in London, Ontario ([citiplazalondon.com](http://citiplazalondon.com)). This investment did not generate a return in 2015, versus its benchmark (Ellement Real Estate Universe) of 5.7%.

## Infrastructure Assets

The infrastructure assets component of the Plan's investment portfolio achieved a 11.3% positive year-to-date return in 2015, versus its benchmark (CPI plus 6%) of 7.1%. The initial capital funding occurred in February 2015. As at December 31, 2015, the Plan's total infrastructure assets allocation was valued at \$21 million.

The Plan's infrastructure assets investment is as follows.

- Macquarie Infrastructure Partners III  
[mirafunds.com](http://mirafunds.com)

## Cash and Cash Equivalent

The Plan's professional investment management firms typically maintain minimum cash-equivalent balances. As at December 31, 2015, the total short-term cash and cash-equivalent investments were valued at \$42 million, down from \$47 million the previous year.

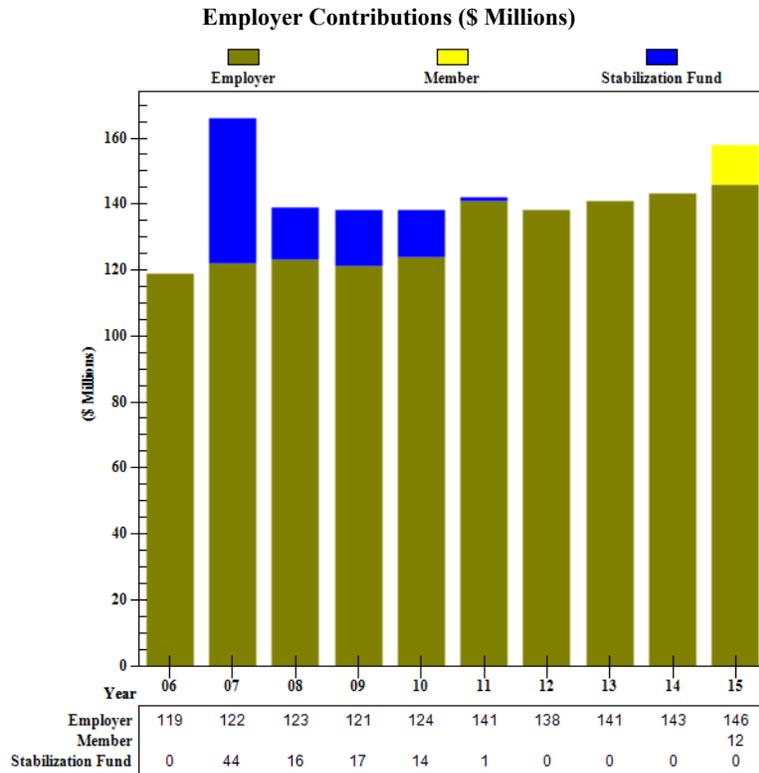
# Membership Data

## Membership

The Plan has approximately 300,000 participants, all of whom are either current or former members of UFCW Canada ([ufcw.ca](http://ufcw.ca)). There are 188 employers participating in the Plan.

## Contributions

In accordance with collective bargaining agreements negotiated with Locals of UFCW Canada and Master Contribution Agreement amongst various employers, the UFCW, and the Trustees, the participating employers are required to make contributions to the Plan. In addition, from July 1, 2015, Plan members within bargaining units that ratified the Master Contribution Agreement are required to contribute to the Plan in accordance with the Master Contribution Agreement. During 2015, these employer and member contributions totaled \$158 million.



# Benefit Payments

## Total Payments

Benefit payments totaled \$170 million in 2015. The number of retired Members, surviving spouses and beneficiaries is 28,273.

## Pension

Pension payments increased by \$4 million in 2015 to \$116 million. The increase was predominantly related to the 2,480 newly retired Members receiving pension payments for the first time. Benefits are determined in accordance with the Plan rules and are based on the hours worked by each Member and the contributions paid by employers and members (effective July 1, 2015) in accordance with the various collective agreements negotiated between Locals of UFCW Canada and the participating employers and the Master Contribution Agreement amongst various employers, the UFCW, and the Trustees.

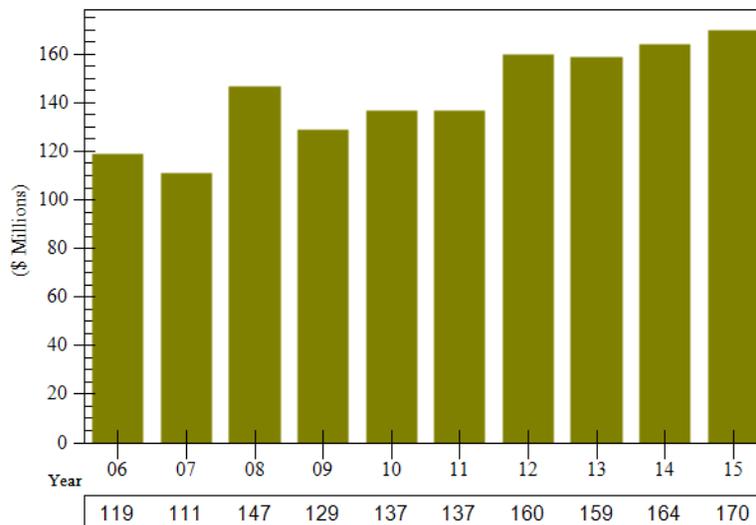
## Termination

Termination related payments increased by \$1 million in 2015 to \$49 million, on behalf of 7,415 Members, compared with 8,021 in 2014. Termination payments are affected by several factors including membership turnover, regulatory rules that vary by Province with respect to determining termination dates and portability rights, the timing of processing termination payments, and the rules for calculating commuted values (how much a Member leaving the plan is entitled to as a lump-sum payment).

## Death

The Plan paid out \$6 million in lump-sum death benefits to surviving spouses and other designated beneficiaries during 2015, compared to \$4 million in 2014.

**Total Benefit Payments  
(\$ Millions)**



# Funded Status

## Financial Position

The Plan's external actuary prepares an annual valuation of the Plan's financial position, which is filed with the Ontario regulatory authority (Financial Services Commission of Ontario). The most recent valuation established a going-concern funding deficiency (after taking into account the July 1, 2015 benefit reductions) of \$0.79 billion as at December 31, 2014, based on a \$2.01 billion actuarial value<sup>5</sup> of assets and total liabilities of \$2.80 billion. A going-concern funding deficiency is not uncommon for a flat benefit Multi-Employer Pension Plan. The going-concern funded status assumes the Plan continues indefinitely.

The Plan was 72% funded<sup>6</sup> as of December 31, 2014 after taking into account the July 1, 2015 benefit reductions. This was an increase of 11% over the previous year.

On a wind-up basis the Plan was 44% funded<sup>7</sup> as of December 31, 2014 (after taking into account the July 1, 2015 benefit reductions), compared to 38% at December 31, 2013. If the Plan had been wound up on December 31, 2014, accrued benefits would have had to be reduced. A wind-up deficiency is not uncommon for a flat benefit Multi-Employer Pension Plan. There is no intention to wind up the Plan. The Plan continues to qualify as a Specified Ontario Multi-Employer Pension Plan ("SOMEPP"), which allows for a more favourable funding framework to be applied.

Assets and liabilities from certain other pension plans were transferred to the CCWIPP when those plans merged with CCWIPP. Some CCWIPP members affected by these mergers have past service benefits related to their prior pension plan that are protected under Section 14.07 of the Plan.

<sup>5</sup> Defined as the value of assets after the actuary's averaging of market values over a five-year period.

<sup>6</sup> Ratio of actuarial value of assets to going-concern liabilities.

<sup>7</sup> Ratio of market value of assets to solvency/wind-up liabilities.

# Plan Governance and Policies

## Federal and Provincial Regulation

The Plan is required to comply with the Federal and Provincial legislation that governs pensions, as set by the Income Tax Act and the Provincial Pension Benefits Acts and Regulations.

The Trustees independently continue to monitor and enhance governance and compliance practices as deemed appropriate. The Plan has retained an external Compliance Officer to be responsible for providing quarterly compliance monitoring reports to the Board of Trustees including the following.

- Total Fund Asset Allocation
- SIPP Asset Allocation Ranges and Fund Benchmark
- Top 10 Securities Holdings Analysis
- Non-Permitted Investments
- Requirements of Federal Pension Benefits Standard Regulations, Schedule III (Section 6) Permitted Investments
- SIPP Constraints

## Investments

The Plan's investment governance practices are reflected in its SIPP. The SIPP is monitored, reviewed, revised and updated by the Compliance Officer. The SIPP includes, among other things, procedures for dealing with the following.

- Investment strategies, benchmarks, risk tolerance, investment manager selection, all classes of assets, proxy voting, mandates.
- Monitoring of practices and conflicts of interest.
- Monitoring of investment managers to ensure compliance with investment mandates.

To ensure that investment governance practices follow the SIPP, advisors, including external investment consultants and the Compliance Officer, monitor and report to the Board of Trustees on compliance, performance and proxy voting.

## Trust Agreement

The Trust Agreement creates the trust fund and governs the relationship between the settlors (union and key employers), Members, participating employers and the Trustees. It also sets out the powers and duties of the Trustees.

## Plan Text

The Plan Text defines all Members' entitlements. Any change to those entitlements requires a resolution of the Trustees and/or amendment to the Plan Text. All amendments are filed with the Provincial and Federal regulators. Members are notified of any changes in accordance with applicable law.

## Communication

The Trustees distribute benefit booklets, annual statements, member notifications and other relevant information to Plan Members. A website (ccwipp.ca) is also available for those who wish to obtain information about the Plan.

## The Board of Trustees

The Plan is administered by a Board of Trustees appointed by UFCW Canada and by the participating employers. The current members of the Board are as follows.

Anouk Collet	Paul Meinema
Jim Cooke	John Poos
Shawn Haggerty	Tom Zakrzewski

The Trustees receive no personal benefit, financial gain or fee payment from the Trust Fund<sup>8</sup> for their role as fiduciaries of the Plan.

<sup>8</sup> Defined as all of the Plan's assets, consolidated with all funds and assets received, from time to time, by way of contributions, or merger, together with all increments, earnings and profits accruing from the administration of said Trust Fund.

## Professionals and External Consultants

To assist the Board of Trustees with carrying out its fiduciary responsibilities, it employs the services of, and seeks advice from, specialists as follows.

Actuary	Buck Consultants Limited (External) Benchmark Decisions Ltd. (Internal)
Administrator	Prudent Benefits Administration Services Inc.
Auditor	BDO Canada LLP
Compliance Officer / Investment Consultant	Ellement Consulting Group (formerly API Asset Performance Inc.)
Custodian / Pension Payments Agent	RBC Investor & Treasury Services
Legal Counsel	Koskie Minsky LLP Loopstra Nixon LLP
Real Estate Property Manager & Leasing Agent	Avison Young