



Canadian Multi Employer Retirement Fund for the Graphic Arts Media

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**STATEMENT OF INVESTMENT POLICIES
AND PROCEDURES
OF THE
CANADIAN MULTI EMPLOYER RETIREMENT FUND FOR
THE GRAPHIC ARTS MEDIA**

EFFECTIVE NOVEMBER 25, 2009

**Distributed to Trustees, Actuary,
Investment Managers, Custodian,
Performance Measurement
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SECTION I GENERAL INFORMATION: MISSION STATEMENT

THE PENSION PLAN

The Canadian Multi Employer Retirement Fund for the Graphic Arts Media (the Fund) provides a defined benefit Pension Plan (the Plan) funded solely by Contributions from Employers who are Parties to Collective Agreements with the International Brotherhood of Teamsters or the Communications Energy and Paperworkers Union in which provision is made for Contributions to the Fund. The Fund is jointly-trusted, with equal representation by Union Trustees and Employer Trustees. In accordance with the Agreement and Declaration of Trust, which was amended and restated effective May 3, 2006, the Trustees have all of the necessary Powers to establish a pension plan, register it and keep it registered, with Canada Revenue Agency and The Financial Services Commission of Ontario (FSCO). In accordance with The Pension Benefits Act, FSCO acts as the Agent for other Provincial Pension Regulatory Authorities in order to ensure that the Plan conforms to every Provincial Statute where participating Bargaining Units exist.

The last Actuarial Valuation was completed at December 31, 2008, which disclosed the following:

- There were 956 Active Members (those for whom a Contribution was received in 2007), 1,145 Terminated Deferred Vested Members (those for whom a Contribution was not received in 2008, and who are Vested) and 813 Retired Members and other Beneficiaries (to whom a Monthly Pension was payable during 2008).
- On the Going Concern basis, Actuarial Liabilities exceeded Actuarial Assets by \$2,866,176.

In accordance with pension legislation in Canada, the Trustees are required to complete a second actuarial valuation, known as a Solvency Valuation, which is completed as of the same date as a Going Concern Valuation. The Solvency Valuation is intended to assess whether the Plan had sufficient Assets at the Valuation Date to fund all pension obligations, on the assumption that the Plan was wound up on the Valuation Date.

At December 31, 2008, the Plan's Solvency Valuation revealed a Deficiency of \$14,840,748. During 2008 the Trustees applied for, and were granted the status of Specified Ontario Multi Employer Pension Plan (SOMEPP). This status defers the requirement to fund the Plan on the basis of its solvency valuation results. This status is temporary and no decision has been made as to when it expires.

- The Actuarial Assumption for Investment Gains was 7.00%, net of investment expense.
- The Actuary has calculated that the Actuarial Cost to fund the Monthly Pensions being earned by Active Members in 2009 is \$0.61 for every \$1.00 received in Contributions.

- Effective January 1, 2006, the Trustees approved certain changes to the Plan's benefits in response to FSCO's requirement that the Trustees fund the solvency deficiency of the Pension Plan over a period not exceeding 20 years.

The Members of the Plan are employed in the printing and publishing industry in Canada, an industry that has seen a reduction in employment opportunities. Hence, the number of persons actively employed and earning Contributions has shrunk, resulting in Contributions being less than the cost of Benefits and other Operating Expenses. In Fiscal 2007, Contributions totalled \$1,983,822 whereas Benefits plus other Operating Expenses totalled \$4,266,692. In Fiscal 2008, Contributions totalled \$1,784,877 whereas Benefits plus other Operating Expenses totalled \$5,178,803.

The shortfall was covered by income from Investments.

MISSION STATEMENT

The Trustees are charged with the ultimate responsibility of providing the promised Plan Benefits when due to all Active and Retired Members, Former Members and other Beneficiaries, and hence have a fiduciary duty to the foregoing persons.

In order to fulfil that fiduciary obligation, the Trustees will invest, and keep invested, the Fund's Assets in a manner that will realize the highest possible Rate of Return coupled with safety of Capital and will, at all times, ensure that the Plan and Fund conform with the requirements of any regulatory authority having jurisdiction over this Plan.

The Trustees accept a responsibility to keep the Bargaining Agents and Contributing Employers current with regard to the progress of the Plan and Fund.

SECTION II RESPONSIBILITIES

2.1 The responsibility for the investment of the Fund lies solely with the Trustees.

2.2 The Trustees cannot delegate any of their responsibilities with respect to the management of the Fund. However, in order to realize the Trustees' objective of safely maintaining securities owned by the Fund, and to make the Fund productive, the Trustees may retain the services of a custodian and one or more investment managers. The Trustees consider that the foregoing advisors have fiduciary obligations to the Fund.

Currently, the Trustees utilize the custodial services of CIBC Mellon Global Securities Services Company, and the investment management services of Burgundy Asset Management Ltd.

The Trustees will maintain an active role with respect to the following:

- (i) formulation of the Statement of Investment Policies and Procedures and investment manager mandates;
- (ii) appointment, termination and monitoring of agents, investment managers and advisors;
- (iii) evaluation of performance of agents, investment managers and advisors.

2.3 Any person, firm or corporation to whom the Trustees have delegated day-to-day responsibilities with respect to custodianship and investment of the Fund are required to adhere to all of the provisions of this Statement of Investment Policies and Procedures.

2.4 In October 2008, the Trustees retained Hewitt Associates for the purpose of performing an investment review of the Fund and the underlying Plan liabilities. Due to recommendations made in the Hewitt Report the asset mix of the Pension Fund was changed as described later in Sections IV and V.

SECTION III

CONFLICTS OF INTEREST

3.1 A conflict of interest is deemed to exist when any person, firm or corporation has an interest of sufficient substance and proximity to his/her/its duties and powers with respect to the Fund so as to impair his/her/its ability to render unbiased advice or to make unbiased decisions affecting the Fund.

3.2 In the execution of their duties, the Trustees and their agents shall disclose any material conflict of interest relating to them, or any material ownership of securities, which could impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Fund.

Further, it is expected that no Trustee or agent shall make any personal financial gain (direct or indirect) because of their fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Trustees.

It is incumbent on any party affected by this Statement who believes that he/she/it may have a conflict of interest, or who is aware of any conflict of interest, to bring forward the situation immediately to the Trustees. The Chairman of the Board of Trustees, in turn, will decide what action is appropriate in the circumstances but, at a minimum, will table the matter at the next regular meeting of the Trustees. Disclosure shall be made promptly after the affected person becomes aware of the investment or transaction and his/her/its interest.

No affected person who has or is required to make a disclosure as contemplated in this Statement shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect to which he/she/it has made or is required to make disclosure.

3.3 Fund fiduciaries include the Trustees, the custodian, and the investment manager(s).

3.4 Fund fiduciaries are expected to follow the same standards as set out in the Trustees' Code of Conduct which is attached. If the Fund advisor, investment manager or agent belongs to a professional society or association which has a code of conduct and/or conflict of interest policy which imposes higher standards or behavior on that advisor, investment manager or agent's business operations, that delegate is expected to comply with the code of conduct/conflict of interest policy of their society or association.

SECTION IV INVESTMENT POLICY

4.1 The Trustees recognize that the asset mix decision is critical to the investment performance of the Fund, and accordingly have established within this Statement of Investment Policies and Goals the minima and maxima allocation to the capital markets. According to the Hewitt Report the Fund should have an overall neutral investment risk profile.

4.2 Unless otherwise stated the following asset mix guidelines are based on the market value of the Portfolio.

ASSET CLASS	MINIMUM ALLOCATION OF THE TOTAL PORTFOLIO	MAXIMUM ALLOCATION OF THE TOTAL PORTFOLIO	TARGET ALLOCATION OF THE TOTAL PORTFOLIO
Canadian Equities	5%	60%	15%
Bonds	30%	80%	45%
Foreign Equities	0%	50%	40%
Cash	0%	50%	0%

4.3 The investment manager(s) is expected to maintain a Portfolio containing high quality Equities, Bonds and cash-equivalent securities, in accordance with the following Guidelines:

- Investments in Equities should be limited to those that are publicly listed, and traded, on a recognized stock exchange.
- Any Equity issues that are private placements should have a holding period of no more than six months.
- The maximum holding of any single Equity must not exceed 10% of the Equity Portfolio.
- The minimum quality standard for Bonds is "BBB", or the equivalent, as rated by a recognized credit rating service.
- The maximum allocation to any single Bond is 15% of the Bond Portfolio.
- Short-term investments, being cash-equivalents, are defined as Securities with maturities ranging from overnight to a maximum of one year. Such investments must bear a minimum rating of "R-1", or equivalent rating by a recognized credit rating service.

The investment manager(s) is strictly prohibited from investing in any short-term Security where the expected rate of return is equal to, or less than, that obtainable at the time from a Government of Canada Treasury Bill of equal term-to-maturity.

- 4.4 To the extent that the Fund retains investment managers who invest in pooled funds, the investment manager must provide the Fund with the statement of investment policies for the pooled funds. Once received by the Trustees the statement of investment policies for the pooled funds will establish the minimum and maximum allocations to the above noted asset classes. The investment manager must provide the Trustees advance, written notice, of the intent to amend any aspect of the pooled funds' statement of investment policies.
- 4.5 All investments of the Fund, including those in pooled funds must be in compliance with provincial and federal regulations.

SECTION V INVESTMENT GOALS

- 5.1** Investment performance will be monitored, and reviewed on a quarterly basis. The time frame for evaluating investment performance will be based on a four year, moving average horizon. Return objectives include realized and unrealized capital gains and losses, plus interest and dividend income, and payments from any other source.

The Trustees have retained a broad-based comparative measurement service, upon which the Trustees may rely in assessing the performance of the investment manager(s).

- 5.2** In addition to assessing the performance of the investment manager(s) by virtue of the said comparative measurement service, the Trustees will also assess investment performance with relation to a benchmark portfolio constructed from rates of return on the S&P/TSX Composite Index (capped, so that the Market Value of any single Equity does not exceed 10% of the Market Value of the Index), the Morgan Stanley Capital International World Index (excluding Canada, and expressed in Canadian Currency), the DEX Universe Bond Index, and 91-Day Government of Canada Treasury Bills.

The benchmark portfolio is representative of the long-term asset mix policy of the Fund, and is weighted as follows:

ASSET CLASS	MARKET INDEX	PERCENTAGE OF TOTAL PORTFOLIO
Canadian Equities	S&P/TSX Composite (10% capped)	15
Canadian Bonds	DEX UBI	45
Foreign Equities	MSCIWI, ex-Canada	40
Cash	91-Day Federal T-Bills	0

As recommended in the 2008 Hewitt report, the long term asset mix has a global orientation.

- 5.3** The Trustees expect that the investment manager, or each investment manager, will achieve above-median performance, in the previously-mentioned comparative measurement service, over four year periods.

5.4

The minimum Goal of this Statement is that the Fund earn a rate-of-return that is at least equal to the Assumption of the Actuary insofar as Investment Gain is concerned. At present, that Assumption is 7.0%, net of the expense incurred by the Trustees attributable to the investment of the Fund.

SECTION VI SECURITIES LENDING

6.1 Subject to the provisions of any legislation affecting the registration of the Plan, the Trustees or investment managers, may engage in the lending of Securities owned directly or indirectly by the Fund.

6.2 The lending of any Security is permissible provided that:

- The loan is made by the Custodian.
- The Custodian and the Trustees (or the investment manager) have entered into a Contract wherein the Custodian is obliged to maintain cash, or readily-marketable investments, having a Market Value that is at least 5% greater than the Market Value of the Security or Securities owned directly or indirectly by the Fund and loaned by the Custodian.
- The Custodian, by Contract, has fully indemnified the Fund or the investment manager against any loss due to the default of the borrower.
- The Contract between the Custodian and the Trustees or the investment manager contains a list of borrowers approved by the Custodian.

SECTION VII VOTING RIGHTS

- 7.1 Voting rights of Securities owned by the Fund are delegated to the investment manager(s). The Trustees reserve the right to cancel, suspend or amend this delegation at any time.
- 7.2 The investment manager(s) is/are required to maintain a record of the exercise of these voting rights, which the Trustees may review at any time.
- 7.3 In the event that there is any hesitation or doubt on the part of the investment manager(s) with respect to how voting rights should be exercised in any set of circumstances, the investment manager(s) is/are required to discuss the matter with the Trustees, and to act in accordance with any instruction given to the investment manager(s) by the Trustees.

SECTION VIII INVESTMENT MANAGER REPORTING

8.1 The investment manager is required to provide the Trustees, as soon as possible following the end of each calendar quarter, a Report that clearly discloses the Book and Market Value of each Security owned by the Fund, expressed in Canadian dollars.

The Report must also include a Statement of Transactions that occurred in the calendar quarter, including the amount of realized Gain or Loss, by security, of each sale.

In the event that the Portfolio contains any investments in foreign securities, the investment manager's Report must include the currency translation rate utilized to express the Book and Market Value of those Foreign Securities in Canadian dollars.

8.2 The investment manager's Report must segregate investments by asset class.

8.3 The investment manager's Report must include:

- A clear statement whether the investment manager is in compliance with this Statement of Investment Policies and Procedures.
- The rate-of-return actually achieved by the investment manager, together with a comparison of that rate-of-return with the benchmark portfolio contained in this Statement.

8.4 Representatives of the investment manager(s) are expected to attend each meeting of the Trustees, or any *Ad Hoc* Committee constituted by the Trustees for the purpose of reviewing the performance of the investment manager(s).

SECTION IX DISMISSAL OF INVESTMENT MANAGER

9.1 The investment results obtained by any investment manager are paramount to the Trustees' ability to provide the promised retirement income to those persons who have an entitlement. Subject to the provisions of the Contract as between the Trustees and the investment manager, the Trustees may, or will, terminate the said Contract in any or other of the following circumstances:

- Investment results that are unsatisfactory.

- Failure to adhere to the provisions of this Statement and, in particular, the minima and maxima asset class allocations contained within this Statement.

- Any diminution of the confidence placed by the Trustees in the investment manager, which may be the result of changes in personnel, the structure of the investment manager, its investment philosophy, style or approach to investment which adversely affects the potential return, or risk level of the Portfolio.

SECTION X ANNUAL REVIEW

- 10.1** This Statement of Investment Policies and Goals is under the continual review of the Trustees and, at a minimum, will be actively reviewed annually.