

Notes to the Consolidated Financial Statements

17. EMPLOYEE FUTURE BENEFITS

Pension and Other Benefit Plans

The Company sponsors a number of pension plans, including funded defined benefit pension plans, defined contribution pension plans and supplemental unfunded arrangements providing pension benefits in excess of statutory limits. Certain obligations of the Company to these supplemental pension arrangements are secured by standby letters of credit issued by a major Canadian chartered bank. The Company's defined benefit pension plans are predominantly non-contributory and these benefits are, in general, based on career average earnings.

During 2007, Loblaw approved and announced the restructuring of its merchandising and store operations into more streamlined functions as part of Project Simplify, resulting in contractual and special termination costs recognized in restructuring and other charges (see note 4). Also in Canada, a national defined contribution pension plan for salaried employees was introduced by the Company during 2006. All eligible salaried employees were given the option to join this plan and convert their past accrued pension benefits or to remain in their existing defined benefit pension plans. All new salaried employees participate only in the national defined contribution pension plan.

The Company also offers certain employee post-retirement and post-employment benefit plans and a long term disability benefit plan. Post-retirement and post-employment benefit plans are generally not funded, are mainly non-contributory and include health care, life insurance and dental benefits. Employees eligible for post-retirement benefits are those who retire at certain retirement ages and employees eligible for post-employment benefits are those on long term disability leave. The majority of post-retirement health care plans for current and future retirees include a limit on the total benefits payable by the Company.

The Company also contributes to various multi-employer pension plans that provide pension benefits.

The accrued benefit plan obligations and the fair value of the benefit plan assets were determined using a September 30 measurement date for accounting purposes.

Funding of Pension and Other Benefit Plans

The most recent actuarial valuations of the Canadian defined benefit pension plans for funding purposes ("funding valuations") were performed as at December 31, 2006 or December 31, 2007. The Company is required to file funding valuations at least every three years; the next funding valuations for two plans will be prepared as at December 31, 2008 and for the remainder no later than December 31, 2009 and 2010. The most recent funding valuations of the United States defined benefit pension plans were as at January 1, 2008. The Company is required to file United States funding valuations every year; accordingly, the next required funding valuations will be as at January 1, 2009.

Total cash payments made by the Company during 2008, consisting of contributions to funded defined benefit pension plans, defined contribution pension plans, multi-employer pension plans, long term disability benefit plan and benefits paid directly to beneficiaries of the supplemental unfunded defined benefit pension plans and other benefit plans, were \$232 (2007 – \$203).

During 2009, the Company expects to contribute approximately \$118 to its funded defined benefit pension plans. This estimate may vary subject to actuarial valuations being completed, market performance and regulatory requirements. The Company also expects to make contributions in 2009 to defined contribution pension plans and multi-employer pension plans as well as benefit payments to the beneficiaries of the supplemental unfunded defined benefit pension plans and other benefit plans.

Pension and Other Benefit Plans Status

Information on the Company's defined benefit pension plans and other benefit plans, in aggregate, was as follows:

	2008			2007		
	Pension Benefit Plans	Other Benefit Plans ⁽¹⁾	Total	Pension Benefit Plans	Other Benefit Plans ⁽¹⁾	Total
Benefit Plan Assets						
Fair value, beginning of year	\$ 1,456	\$ 36	\$ 1,492	\$ 1,342	\$ 48	\$ 1,390
Actual (loss) return on plan assets	(183)	2	(181)	119	1	120
Employer contributions	152	11	163	88	11	99
Employee contributions	3	1	4	4	2	6
Benefits paid	(105)	(27)	(132)	(83)	(26)	(109)
Transfers to national defined contribution pension plan	(25)		(25)			
Other, including impact of foreign currency translation	13	(2)	11	(14)		(14)
Fair value, end of year	\$ 1,311	\$ 21	\$ 1,332	\$ 1,456	\$ 36	\$ 1,492
Accrued Benefit Plan Obligations						
Balance, beginning of year	\$ 1,563	\$ 341	\$ 1,904	\$ 1,608	\$ 327	\$ 1,935
Current service cost	51	37	88	58	45	103
Interest cost	87	19	106	82	17	99
Benefits paid	(105)	(27)	(132)	(83)	(26)	(109)
Actuarial gain	(101)	(29)	(130)	(89)	(18)	(107)
Contractual termination costs ⁽²⁾				7		7
Special termination costs ⁽²⁾				6		6
Curtailment gain ⁽³⁾				(11)	(2)	(13)
Transfers to national defined contribution pension plan	(25)		(25)			
Other, including impact of foreign currency translation	13	2	15	(15)	(2)	(17)
Balance, end of year	\$ 1,483	\$ 343	\$ 1,826	\$ 1,563	\$ 341	\$ 1,904
Deficit of Plan Assets Versus Plan Obligations	\$ (172)	\$ (322)	\$ (494)	\$ (107)	\$ (305)	\$ (412)
Unamortized past service costs	2	(1)	1	4	1	5
Unamortized net actuarial loss	430	105	535	246	144	390
Net accrued benefit plan asset (liability)	\$ 260	\$ (218)	\$ 42	\$ 143	\$ (160)	\$ (17)
Recorded in the consolidated balance sheet as follows:						
Other assets (note 16)	\$ 324		\$ 324	\$ 208	\$ 12	\$ 220
Other liabilities (note 20)	(64)	(218)	(282)	(65)	(172)	(237)
Net accrued benefit plan asset (liability)	\$ 260	\$ (218)	\$ 42	\$ 143	\$ (160)	\$ (17)

(1) Other benefit plans include post-retirement, post-employment and long term disability benefit plans.

(2) Contractual and special termination costs resulted from Loblaw's 2007 Project Simplify to restructure and streamline its merchandising and store operations, and were recorded in restructuring and other charges in 2007 (see note 4).

(3) Certain defined benefit plans and other benefit plans affected by Loblaw's 2007 Project Simplify to restructure and streamline its merchandising and store operations were re-measured as at March 31, 2007 and costs subsequent to April 1, 2007 were determined using a discount rate of 5.0%. This resulted in a nominal impact to 2007 net earnings and curtailment gains which were offset against unamortized net actuarial losses for those plans.

Notes to the Consolidated Financial Statements

Funded Status of Plans in Deficit

Included in the accrued benefit plan obligations and the fair value of benefit plan assets at year end are the following amounts in respect of plans with accrued benefit plan obligations in excess of benefit plan assets:

	2008		2007	
	Pension Benefit Plans	Other Benefit Plans ⁽¹⁾	Pension Benefit Plans	Other Benefit Plans ⁽¹⁾
Fair Value of Benefit Plan Assets	\$ 1,234	\$ 21	\$ 426	\$ 36
Accrued Benefit Plan Obligations	(1,407)	(343)	(575)	(341)
Deficit of Plan Assets versus Plan Obligations	\$ (173)	\$ (322)	\$ (149)	\$ (305)

(1) Other benefit plans include post-retirement, post-employment and long term disability benefit plans.

Asset Allocations

The benefit plan assets are held in trust and at September 30 consisted of the following asset categories:

Percentage of Plan Assets	2008		2007	
	Pension Benefit Plans	Other Benefit Plans ⁽¹⁾	Pension Benefit Plans	Other Benefit Plans ⁽¹⁾
Asset Category				
Equity securities	62%		63%	
Debt securities	37%	99%	36%	91%
Cash and cash equivalents	1%	1%	1%	9%
Total	100%	100%	100%	100%

(1) Other benefit plans include post-employment and long term disability benefit plans.

Pension benefit plan assets include securities issued by GWL and by Loblaw having a fair value of nil and \$2 (2007 – \$6 and \$1), respectively, as at September 30, 2008. Other benefit plan assets do not include any GWL or Loblaw securities.

Pension and Other Benefit Plans Cost

The total net cost for the Company's benefit plans and multi-employer pension plans was as follows:

	2008		2007	
	Pension Benefit Plans	Other Benefit Plans ⁽¹⁾	Pension Benefit Plans	Other Benefit Plans ⁽¹⁾
Current service cost, net of employee contributions	\$ 48	\$ 36	\$ 54	\$ 43
Interest cost on plan obligations	87	19	82	17
Actual loss (return) on plan assets	183	(2)	(119)	(1)
Actuarial gain	(101)	(29)	(89)	(18)
Contractual termination costs ⁽²⁾			7	
Special termination costs ⁽²⁾			6	
Curtailement loss ⁽²⁾			2	
Defined benefit plan cost (income), before adjustments to recognize the long term nature of employee future benefit costs	217	24	(57)	41
(Shortfall) excess of actual return over expected return on plan assets	(291)	1	15	(1)
Excess of amortized net actuarial loss over actual actuarial gain on accrued benefit obligation	110	43	104	30
Excess of amortized past service costs over actual past service costs	1		1	
Net defined benefit plan cost	37	68	63	70
Defined contribution plan cost	15		13	
Multi-employer pension plan cost	54		55	
Net benefit plan cost	\$ 106	\$ 68	\$ 131	\$ 70
Recognized in the consolidated statement of earnings as follows:				
Pension and other benefit plan costs	\$ 106	\$ 68	\$ 116	\$ 70
Restructuring and other charges ⁽²⁾			15	
Net benefit plan cost	\$ 106	\$ 68	\$ 131	\$ 70

(1) Other benefit plans include post-retirement, post-employment and long term disability benefit plans.

(2) Contractual and special termination costs and curtailment losses resulted from Loblaw's 2007 Project Simplify to restructure and streamline its merchandising and store operations, and were recorded in restructuring and other charges in 2007 (see note 4).

Notes to the Consolidated Financial Statements

Plan Assumptions

The significant annual weighted average actuarial assumptions used in calculating the Company's accrued benefit plan obligations as at the measurement date of September 30 and the net defined benefit plan cost for the year were as follows:

	2008		2007	
	Pension Benefit Plans	Other Benefit Plans ⁽¹⁾	Pension Benefit Plans	Other Benefit Plans ⁽¹⁾
Accrued Benefit Plan Obligations				
Discount rate	6.0%	5.9%	5.5%	5.4%
Rate of compensation increase	3.5%		3.5%	
Net Defined Benefit Plan Cost				
Discount rate ⁽²⁾	5.5%	5.4%	5.1%	5.1%
Expected long term rate of return on plan assets	7.5%	5.0%	7.8%	5.0%
Rate of compensation increase	3.5%		3.5%	

(1) Other benefit plans include post-retirement, post-employment and long term disability benefit plans.

(2) Certain defined benefit plans and other benefit plans affected by Loblaw's 2007 Project Simplify to restructure and streamline its merchandise and store operations were re-measured as at March 31, 2007 and costs subsequent to April 1, 2007 were determined using a discount rate of 5.0%. This resulted in a nominal impact to 2007 net earnings and curtailment gains which were offset against unamortized net actuarial losses for those plans.

The growth rate of health care costs, primarily drug and other medical costs for other benefit plans, was estimated at 10.0% (2007 – 10.0%) and is assumed to gradually decrease to 5.0% by 2015 (2007 – 5.0% by 2015), remaining at that level thereafter.

Sensitivity of Key Assumptions

The following table outlines the key assumptions for 2008 and the sensitivity of a 1% change in each of these assumptions on the accrued benefit plan obligations and on the benefit plan cost for defined benefit pension plans and other benefit plans. The table reflects the impact on the current service and interest cost components for the discount rate and expected growth rate of health care costs assumptions.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	Pension Benefit Plans			Other Benefit Plans ⁽¹⁾	
	Accrued Benefit Plan Obligations	Benefit Plan Cost ⁽²⁾	Accrued Benefit Plan Obligations	Benefit Plan Cost ⁽²⁾	
Expected long term rate of return on plan assets		7.5%			5.0%
Impact of: 1% increase	n/a	\$ (14)	n/a		n/a
1% decrease	n/a	\$ 14	n/a		n/a
Discount rate	6.0%	5.5%	5.9%		5.4%
Impact of: 1% increase	\$ (193)	\$ (8)	\$ (38)	\$ (3)	
1% decrease	\$ 223	\$ 8	\$ 44	\$ 3	
Expected growth rate of health care costs ⁽³⁾			9.5%		10.0%
Impact of: 1% increase	n/a	n/a	\$ 32	\$ 5	
1% decrease	n/a	n/a	\$ (29)	\$ (4)	

n/a – not applicable

(1) Other benefit plans include post-retirement, post-employment and long term disability benefit plans.

(2) Discount rate and expected growth rate of health care costs sensitivity is for current service and interest costs only.

(3) Gradually decreasing to 5.0% by 2015 (2007 – 5.0% by 2015) for the accrued benefit plan obligation and the benefit plan cost, remaining at that level thereafter.