

## 16. 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 benefits recognized in restructuring and other charges (see note 4). Also in Canada, a new 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 new 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 new national defined contribution pension plan.

In the United States, certain defined benefit pension plans were frozen for Weston Foods salaried employees during 2007, triggering a curtailment at the time of the announcement. The curtailment had a nominal impact on the net defined benefit plan cost. Effective January 1, 2008, all salaried employees will participate in a new defined contribution pension plan.

The Company also offers certain employee post-retirement and post-employment benefit plans and long term disability benefit plans. 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.

In the United States, certain post-retirement benefit plans were amended, effective January 1, 2008. For one of these plans, the amendment resulted in a significant reduction in the number of future years of service for plan members, thereby triggering a curtailment at the time of the announcement in 2007. Accordingly, a \$7 pro rata portion of the unamortized past service gain from a previous plan amendment was recognized as a curtailment gain and included in the net defined benefit plan cost.

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 for all plans, except for two plans for which funding valuations were last performed as at December 31, 2004 and which will be performed as at December 31, 2007. The Company is required to file Canadian funding valuations at least every three years; accordingly, the next required funding valuations for the above mentioned plans will be performed no later than December 31, 2009 and 2010, respectively. The most recent funding valuations of the United States defined benefit pension plans were as at January 1, 2007. The Company is required to file United States funding valuations every year; accordingly, the next required funding valuations will be as at January 1, 2008.

Total cash payments made by the Company during 2007, consisting of contributions to funded defined benefit pension plans, defined contribution pension plans, multi-employer pension plans, long term disability benefit plans and benefits paid directly to beneficiaries of the unfunded defined benefit pension plans and other benefit plans, were \$260 (2006 – \$267). In 2006, the Company accrued \$36 relating to a one-time contribution to a multi-employer pension plan which was paid in 2007 (see note 5).

During 2008, the Company expects to contribute approximately \$86 to its funded defined benefit pension plans. This estimate may vary subject to the completion of actuarial valuations, market performance and regulatory requirements. The Company also expects to make contributions in 2008 to defined contribution pension plans and multi-employer pension plans as well as benefit payments to the beneficiaries of the unfunded defined benefit pension plans and other benefit plans.

## Notes to the Consolidated Financial Statements

### Pension and Other Benefit Plans Status

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

	2007			2006		
	Pension Benefit Plans	Other Benefit Plans <sup>(1)</sup>	Total	Pension Benefit Plans	Other Benefit Plans <sup>(1)</sup>	Total
<b>Benefit Plan Assets</b>						
Fair value, beginning of year	\$ 1,629	\$ 50	\$ 1,679	\$ 1,480	\$ 45	\$ 1,525
Actual return (loss)						
on plan assets	152	1	153	115	(1)	114
Employer contributions	93	17	110	129	29	158
Employee contributions	4	2	6	4		4
Benefits paid	(102)	(32)	(134)	(100)	(23)	(123)
Other, including impact of foreign currency translation	(61)	(1)	(62)	1		1
Fair value, end of year	\$ 1,715	\$ 37	\$ 1,752	\$ 1,629	\$ 50	\$ 1,679
<b>Accrued Benefit Plan Obligations</b>						
Balance, beginning of year	\$ 1,957	\$ 475	\$ 2,432	\$ 1,840	\$ 377	\$ 2,217
Current service cost	70	50	120	70	14	84
Interest cost	100	25	125	98	20	118
Benefits paid	(102)	(32)	(134)	(100)	(23)	(123)
Actuarial (gain) loss	(98)	(35)	(133)	50	86	136
Past service costs		(7)	(7)			
Contractual termination benefits <sup>(2)</sup>	7		7			
Special termination benefits <sup>(2)</sup>	6		6			
Curtailment gain <sup>(3)</sup>	(26)	(3)	(29)			
Other, including impact of foreign currency translation	(69)	(23)	(92)	(1)	1	
Balance, end of year	\$ 1,845	\$ 450	\$ 2,295	\$ 1,957	\$ 475	\$ 2,432
<b>Deficit of Plan Assets Versus Plan Obligations</b>						
Unamortized past service costs	4	(29)	(25)	6	(38)	(32)
Unamortized net actuarial loss	281	184	465	462	244	706
Net accrued benefit plan asset (liability)	\$ 155	\$ (258)	\$ (103)	\$ 140	\$ (219)	\$ (79)
<b>Recorded in the consolidated balance sheets as follows:</b>						
Other assets (note 15)	\$ 230	\$ 12	\$ 242	\$ 207	\$ 39	\$ 246
Other liabilities (note 19)	(75)	(270)	(345)	(67)	(258)	(325)
Net accrued benefit plan asset (liability)	\$ 155	\$ (258)	\$ (103)	\$ 140	\$ (219)	\$ (79)

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

(2) Contractual and special termination benefits resulted from the Loblaw 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, the 2007 freezing of certain defined benefit pension plan benefits of Weston Foods United States salaried employees and the 2007 amendment of a post-retirement benefit plan for certain Weston Foods United States salaried employees were remeasured as at March 31, 2007, March 31, 2007 and August 31, 2007, respectively. For these plans, costs subsequent to these dates were determined using discount rates of 5.0%, 5.75% and 6.0%, respectively. A portion of the resulting curtailment gains were offset against unamortized net actuarial losses for some of those plans, with the remainder being recorded in income.

### 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:

	2007		2006	
	Pension Benefit Plans	Other Benefit Plans <sup>(1)</sup>	Pension Benefit Plans	Other Benefit Plans <sup>(1)</sup>
Fair Value of Benefit Plan Assets	\$ 684	\$ 37	\$ 1,629	\$ 50
Accrued Benefit Plan Obligations	(856)	(450)	(1,957)	(475)
Deficit of Plan Assets versus Plan Obligations	\$ (172)	\$ (413)	\$ (328)	\$ (425)

(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	2007		2006	
	Pension Benefit Plans	Other Benefit Plans <sup>(1)</sup>	Pension Benefit Plans	Other Benefit Plans <sup>(1)</sup>
Asset Category				
Equity securities	63%		62%	
Debt securities	35%	91%	35%	93%
Cash and cash equivalents	2%	9%	3%	7%
Total	100%	100%	100%	100%

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

Pension benefit plan assets include securities issued by Weston and by Loblaw having a fair value of \$6 and \$1 (2006 – \$3 and nil), respectively, as at September 30. Other benefit plan assets do not include any Weston or Loblaw securities.

## Notes to the Consolidated Financial Statements

### Pension and Other Benefit Plans Cost

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

	2007		2006	
	Pension Benefit Plans	Other Benefit Plans <sup>(1)</sup>	Pension Benefit Plans	Other Benefit Plans <sup>(1)</sup>
Current service cost, net of employee contributions	\$ 66	\$ 48	\$ 66	\$ 14
Interest cost on plan obligations	100	25	98	20
Actual (return) loss on plan assets	(152)	(1)	(115)	1
Actuarial (gain) loss	(98)	(35)	50	86
Past service costs		(7)		
Contractual termination benefits <sup>(2)</sup>	7			
Special termination benefits <sup>(2)</sup>	6			
Curtailement loss (gain) <sup>(2,3)</sup>	2	(7)		
Defined benefit plan (income) cost, before adjustments to recognize the long term nature of employee future benefit costs	(69)	23	99	121
Excess (shortfall) of actual return over expected return on plan assets	27	(1)	(1)	(4)
Excess (shortfall) of amortized net actuarial loss over actual actuarial (gain) loss on accrued benefit obligation	115	50	(29)	(61)
Excess (shortfall) of amortized past service costs over actual past service costs	1	2	1	(4)
Net defined benefit plan cost	74	74	70	52
Defined contribution plan cost	25		21	
Multi-employer pension plan cost <sup>(4)</sup>	89		124	
Net benefit plan cost	\$ 188	\$ 74	\$ 215	\$ 52
<b>Recognized in the consolidated statements of earnings as follows:</b>				
Pension and other benefit plan costs	\$ 173	\$ 74	\$ 215	\$ 52
Restructuring and other charges <sup>(2)</sup>	15			
Net benefit plan cost	\$ 188	\$ 74	\$ 215	\$ 52

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

(2) Contractual and special termination benefits 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).

(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, the 2007 freezing of certain defined benefit pension plan benefits of Weston Foods United States salaried employees and the 2007 amendment of a post-retirement benefit plan for certain Weston Foods United States salaried employees were remeasured as at March 31, 2007, March 31, 2007 and August 31, 2007, respectively. For these plans, costs subsequent to these dates were determined using discount rates of 5.0%, 5.75% and 6.0%, respectively. A portion of the resulting curtailment gains were offset against unamortized net actuarial losses for some of those plans, with the remainder being recorded in income.

(4) Included in 2006 is a \$36 amount relating to a one-time contribution to a multi-employer pension plan which was paid in 2007 (see note 5).

## 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:

	2007		2006	
	Pension Benefit Plans	Other Benefit Plans <sup>(1)</sup>	Pension Benefit Plans	Other Benefit Plans <sup>(1)</sup>
<b>Accrued Benefit Plan Obligations</b>				
Discount rate	5.6%	5.6%	5.2%	5.3%
Rate of compensation increase	3.5%		3.5%	
<b>Net Defined Benefit Plan Cost</b>				
Discount rate <sup>(2)</sup>	5.1%	5.1%	5.3%	5.3%
Expected long term rate of return on plan assets	7.8%	5.0%	8.0%	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, the 2007 freezing of certain defined benefit pension plan benefits of Weston Foods United States salaried employees and the 2007 amendment of a post-retirement benefit plan for certain Weston Foods United States salaried employees were remeasured as at March 31, 2007, March 31, 2007 and August 31, 2007, respectively. For these plans, costs subsequent to these dates were determined using discount rates of 5.0%, 5.75% and 6.0%, respectively. A portion of the resulting curtailment gains were offset against unamortized net actuarial losses for some of those plans, with the remainder being recorded in income.

The growth rate of health care costs, primarily drug and other medical costs for other benefit plans, was estimated at 10.0% (2006 – 10.0%) and is assumed to gradually decrease to 5.0% by 2015 (2006 – 5.0% by 2014), remaining at that level thereafter.

## Notes to the Consolidated Financial Statements

### Sensitivity of Key Assumptions

The following table outlines the key assumptions for 2007 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 <sup>(1)</sup>	
	Accrued Benefit Plan Obligations	Benefit Plan Cost <sup>(2)</sup>	Accrued Benefit Plan Obligations	Benefit Plan Cost <sup>(2)</sup>	
Expected long term rate of return on plan assets		7.8%		5.0%	
Impact of: 1% increase	n/a	\$ (16)	n/a	\$ –	
1% decrease	n/a	\$ 16	n/a	\$ –	
Discount rate	5.6%	5.1%	5.6%	5.1%	
Impact of: 1% increase	\$ (241)	\$ (8)	\$ (49)	\$ (4)	
1% decrease	\$ 285	\$ 8	\$ 57	\$ 4	
Expected growth rate of health care costs <sup>(3)</sup>			10.0%	10.0%	
Impact of: 1% increase	n/a	n/a	\$ 45	\$ 7	
1% decrease	n/a	n/a	\$ (39)	\$ (6)	

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 for the accrued benefit plan obligation and the benefit plan cost, remaining at that level thereafter.