



in touch

retiree
pension
bulletin



Your Pension Benefits are Secure

The Canada Post Corporation Board of Directors has authorized Canada Post to resume making employer contributions to the Canada Post Corporation Registered Pension Plan (the "Plan") effective November 1, 2008.

Given the volatility in the financial markets, it is important to realize that these conditions do not affect your Canada Post pension benefit. The Plan is a "defined benefit" pension plan. This means that our benefit formula is based on a member's

pensionable earnings and pensionable service rather than the Plan's rate of investment return.

Pension plans operate on a long-term view and it is not unusual to have financial shortfalls in some years and surpluses in others.

The Plan is regulated under the federal *Pension Benefits Standards Act (PBSA, 1985)*, which sets out rules for the prudent management of plan funds and rules to safeguard the security of pension benefits.

Under the *PBSA*, the Plan is subject to actuarial valuations on a going-concern and solvency basis. Currently, the Plan is more than fully funded on a going-concern basis, which means that on a long-term basis, our pension assets exceed future obligations to be paid to pensioners. The solvency valuation is based on current market conditions and interest rates which are used to measure the pension liability. These interest rates can fluctuate substantially.

Through careful plan management practices, Canada Post is committed to making sure your pension benefit is secure.

Cost of Living Increase

To help ensure that your pension keeps pace with the cost of living, it is indexed every January by a percentage that reflects the average increase in the consumer price index (CPI), calculated from October 1 to September 30 of the preceding year. Your first indexing increase after retirement will be pro-rated based on the number of complete months following the month in which you retired.

For example: If you retired on September 1, 2008, your first increase, (January 1, 2009) would be 3/12 of the total indexation percentage (October to December). Indexing also applies to survivor and deferred pensions. The cost of living increase effective January 1, 2009 is 2.5%.

Services for Seniors Guide

The Government of Canada has published a guide to their services for seniors and their families.

From health and safety agencies to travel advice, the *Services for Seniors Guide* is designed to provide useful information to retirees and those planning their retirement.

You can get a copy of the *Services for Seniors Guide* by calling 1 800 O-Canada (1-800-622-6232) or by visiting the Seniors Canada web site at www.seniors.gc.ca which is also valuable source for retirement information.

You can also visit the Pensioners section of our website at www.cpcpension.com to keep in touch with your Canada Post pension.

Market Conditions

Equity markets were mixed in the second quarter with the Canadian S&P/TSX Composite Index up 9.1%, as oil prices surged, while in Canadian dollar terms the US S&P 500 was down 3.8%, and the international EAFE index was down 3.4%. The DEX Bond Universe was down 0.7% as the Bank of Canada lowered its interest rate 50 basis points to 3.0% during the quarter. The following table depicts the Plan's performance (% return).

| ASSET CLASS | MARKET VALUE (IN MILLIONS) | 2008 APR-JUN | 2008 YTD | 2007 ANNUAL | 2006 ANNUAL | 2005 ANNUAL | 2004 ANNUAL | 2003 ANNUAL |
|---------------------------------------|----------------------------|--------------|---------------|--------------|---------------|---------------|---------------|---------------|
| Fixed Income | | | | | | | | |
| Cash & Short Term | \$ 308.4 | 0.7% | 1.8% | 3.2% | 4.1% | 2.7% | 2.4% | 2.9% |
| Canadian Bonds | 4,631.4 | 0.6% | 4.0% | 3.5% | 2.4% | 8.6% | 9.6% | 8.4% |
| Equities | | | | | | | | |
| Canadian Equities | 4,314.2 | 7.4% | 2.6% | 9.0% | 18.9% | 25.2% | 15.6% | 25.5% |
| U.S. Equities | 2,378.6 | -0.7% | -7.7% | -10.7% | 16.9% | 3.4% | 4.9% | 7.5% |
| International Equities | 2,210.3 | -1.9% | -8.3% | -5.1% | 28.4% | 13.2% | 13.3% | 7.3% |
| Real Estate | 554.2 | 2.4% | 3.8% | 16.8% | 24.8% | 17.2% | — | — |
| Total Registered Pension Plan— | \$ 14,397.1 | 2.07% | -0.73% | 2.09% | 14.25% | 13.73% | 11.13% | 13.87% |
| Benchmark— | | 0.93% | -1.30% | 0.91% | 12.98% | 11.17% | 9.23% | 13.48% |

Did you know?

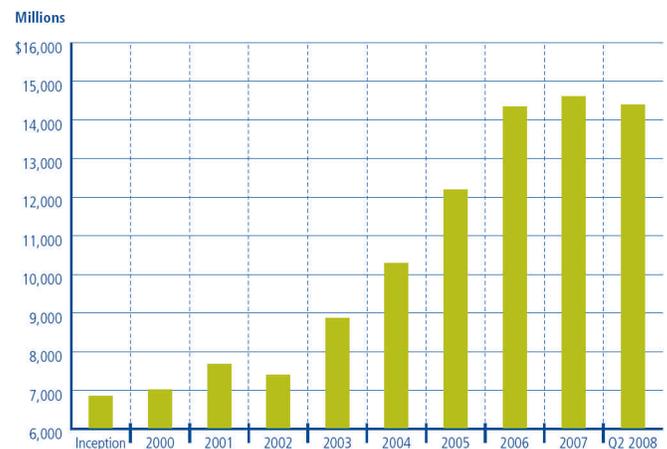
The Canada Post pension plan website (www.cpcpension.com) had 6,533 visitors in the month of September. The website offers detailed information for active and deferred members as well as retirees and survivors.

Staying in Touch

Are you moving? Have you moved? Stay in touch by calling the Pension Centre at **1-877-480-9220 (TTY - 613-734-8265)** to update your new address. This will ensure that you receive important messages about your pension.

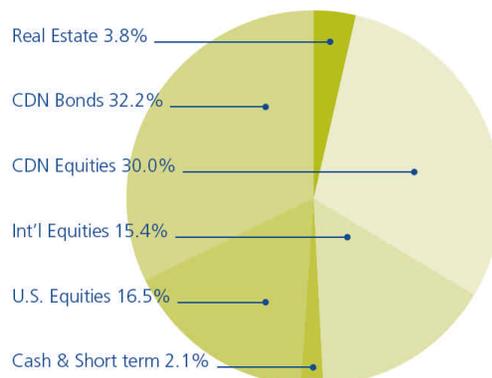
Investment Highlights

- The fund's second quarter return was 2.07% versus our benchmark of 0.93%.
- As at June 30, 2008, the fund held assets of \$14,397.1 million.
- The fund had net outflows of \$42.9 million in the second quarter. We reduced cash and short-term by \$18.3 million and Canadian equity by \$80.0 million. We allocated \$12.4 million to real estate, \$25.5 million to U.S. equities, \$1.4 million to private equity and \$15.4 million to the currency overlay account.



Asset Mix Highlights

ASSET MIX



- As at June 30, 2008, 65.7% of assets were invested in equities and real estate, above the asset mix target of 62.5%. Of the total, Canadian equities represented 30.0%, U.S. equities 16.5%, international equities 15.4% and real estate 3.8%.
- 34.3% of assets were invested in bonds and short-term investments, compared to an asset mix target of 37.5%. This included 7.8% in real return bonds, 24.4% in Canadian bonds and 2.1% in cash and short-term investments.

Do you have a topic in mind for our next "intouch" bulletin?

Please submit any suggestions or comments in writing to:

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