

Pension Plan News

Actuarial valuation results as at December 31, 2013

The actuarial valuation of the Canada Post Pension Plan (the Plan) as at December 31, 2013, was completed by the Plan's actuary, Mercer, at the end of June and filed with federal regulators. The valuation updates the estimates provided to Plan members in the 2013 Report to Members.

The valuation shows that the Plan has a going-concern funded ratio of 98 per cent. This means that, using a long-term view, the Plan has a shortfall of \$296 million with regard to future pension obligations.

The valuation also looks at the Plan on a solvency basis, which measures the health of the Plan as if it had been terminated December 31, 2013.

Using the market value of assets, the Plan had a deficit of \$5.0 billion, for a solvency ratio of 79.3 per cent.

The solvency deficit to be funded, which uses the prescribed three-year average solvency ratio method, is \$6.3 billion for an average solvency ratio of 73.9 per cent. Despite the best investment returns since the Plan was created, this deficit has grown from \$5.9 billion last year. For more information on the solvency deficit, see your 2013 Report to Members.

There are two main reasons the Plan continues to struggle with a solvency deficit to be funded.

First, Canada Post provides Plan members with full indexation of their pension benefits. This guaranteed protection against inflation increases pension obligations and related funding requirements, and remains very costly to the Plan. Second, people are living longer. In 2013, the Plan actuary updated the assumptions for how long Plan members would live and receive pension benefits. This change was required by the Canadian Institute of Actuaries to reflect improvements in longevity. The outcome was an increase in Canada Post's estimated pension obligations.

Under the requirements of the pension legislation, Plan sponsors such as Canada Post must fund any solvency deficit over five years by making special payments. In February 2014, the Government of Canada adopted regulations that granted Canada Post relief from the need to make special payments into the Plan for four years (2014-2017). Without any relief, Canada Post would have had to make special payments of about \$1.3 billion in 2014, an amount the Corporation does not have.

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A strong and competitive Canada Post is the best assurance of a viable Plan.

Disclaimer:

The Canada Post Corporation Registered Pension Plan is referred to as the Plan in this publication. The official Plan text governs your actual benefits from the Plan and is the final authority in any case of dispute. For more information, visit cpcpension.com; you can also refer to Your Personalized Pension Statement and Your Information Booklet.

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This year, Canada Post will contribute approximately \$250 million in current service costs and employees will contribute an estimated \$234 million.

A strong and competitive Canada Post is the best assurance of a viable Plan. In December 2013, Canada Post introduced the Five-point Action Plan to transform its business and secure the postal service for all Canadians. Canada Post must also restructure the Pension Plan to ensure that it is affordable and sustainable for Plan members and for the Corporation. For more information on the approach to restructuring the Plan, see the July 2014 edition of *Focus on Our Business*, mailed to your home and available at cpcpension.com.

Learn more about the Plan and actuarial valuations in the 2013 Report to Members also sent to your home in June and posted at cpcpension.com.

DC members – Do you have the VSP advantage?

Launched last February, the Voluntary Savings Plan (VSP) helps defined contribution (DC) members save more money in more ways than one.

- Through convenient, automatic payroll deductions, you can contribute up to six per cent of your earnings, in addition to your optional DC contributions.
- You'll realize immediate tax savings, as contributions are tax deductible up to your RRSP limit. When you contribute by payroll deduction, you benefit from the tax savings on your pay right away.
- You will take advantage of lower investment management fees than those offered to individuals by financial institutions, which helps your money grow faster.

The VSP works alongside your DC pension to help you reach your retirement savings goal. For more information or to enrol, contact the Sun Life Financial Customer Care Centre at 1-866-733-8612.



Your Information Booklet, New 2014 editions

The Pension Plan's Your Information Booklet editions have been updated and refreshed for 2014.

Your Information Booklet – Defined Benefit (DB) is now available at cpcpension.com under Publications.

Your Information Booklet – Defined Contribution (DC) will be available at cpcpension.com in the new DC section in the fall.

These booklets can help you better understand your Canada Post Pension Plan and how it works. Use them as a reference and a guide when making decisions about your pension and planning your retirement.

They include important details on topics such as pension membership, contributions, work/life events and pension benefits. You'll also find a handy listing of important contact information.

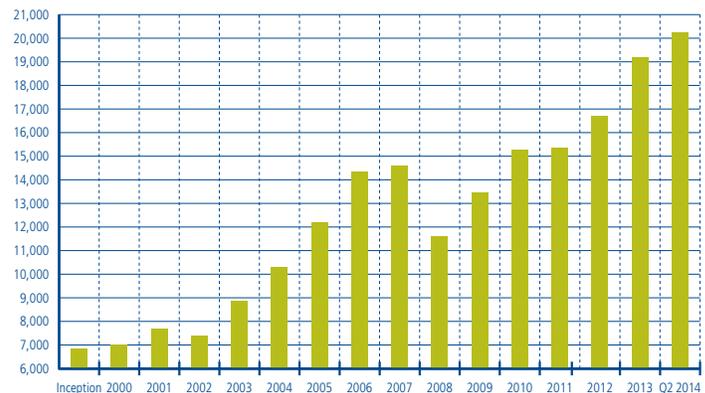
Market conditions

Equity markets were higher in the second quarter of 2014. The Canadian S&P/TSX Composite Index was up 6.4 per cent, while in Canadian dollar terms the U.S. S&P 500 Index was up 1.6 per cent and the international EAFE Index was up 0.5 per cent. The FTSE TMX Bond Universe was up 2.0 per cent on the quarter. The Bank of Canada held interest rates steady at 1.0 per cent. The following table depicts the performance of the Plan's fund (per cent return).

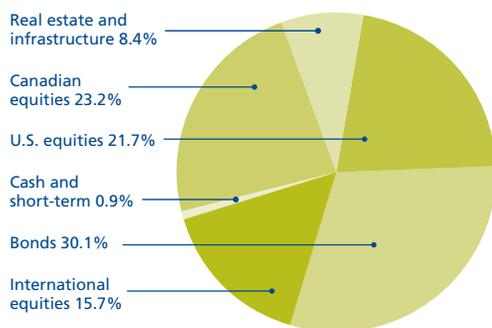
Asset class	Market value (in millions of dollars)	2014 Apr-Jun (%)	2014 YTD (%)	2013 Annual (%)	2012 Annual (%)	2011 Annual (%)	2010 Annual (%)	2009 Annual (%)
Fixed income								
Cash and short-term	188.9	0.3	0.5	1.0	1.0	1.0	1.0	1.7
Bonds	6,096.2	2.3	5.7	-2.0	4.6	10.5	7.7	8.7
Equities								
Canadian equities	4,696.8	5.9	11.4	20.3	7.3	-9.1	15.2	33.0
U.S. equities	4,386.5	-0.2	5.2	44.2	14.7	3.1	9.5	9.9
International equities	3,192.2	1.0	6.1	24.0	17.8	-12.7	4.0	16.3
Real estate and infrastructure	1,693.1	1.5	3.2	11.3	15.2	15.0	15.1	-9.1
Total Registered Pension Plan	20,253.7	2.56	6.64	16.88	10.13	0.19	10.38	16.19
Benchmark		3.07	7.16	14.00	8.51	0.78	9.85	15.79

Investment highlights

- The fund's second quarter return was 2.56 per cent compared to our benchmark of 3.07 per cent. For 2014 year to date, the fund is up 6.64 per cent compared to our benchmark return of 7.16 per cent.
- As at June 30, 2014, the fund held assets of \$20,253.7 million.
- The fund had net cash outflows of \$110.0 million in the second quarter. U.S. equities were reduced by \$50.1 million, the currency overlay account by 36.1 million, and cash and short-term investments by \$96.0 million. Allocations were \$50.0 million to international equities. In the alternative assets space, private equities were allocated \$30.4 million, while real estate and infrastructure were reduced by \$7.8 million and \$0.4 million respectively during the quarter.



ASSET MIX



Asset-mix highlights

- As at June 30, 2014, 69.0 per cent of assets were invested in equities and real estate and infrastructure, compared to the asset mix target of 62.5 per cent. This was made up of 23.2 per cent in Canadian equities, 21.7 per cent in U.S. equities, 15.7 per cent in international equities and 8.4 per cent in real estate and infrastructure.
- 31.0 per cent of assets were invested in bonds and short-term investments, compared to an asset mix target of 37.5 per cent. This included 5.8 per cent in real return bonds, 24.3 per cent in nominal bonds and 0.9 per cent in cash and short-term investments.

Pension website makeover – coming this fall

We're very excited about the upcoming launch of the new **cpcpension.com**. The new site will be easier to navigate and find the information you need. Its new, contemporary design complements other Canada Post websites.

The new **cpcpension.com** will still have the same great features we know our members want and use, like the pension calculator, pension options, personalized pension statement information and contact pages.

Some new features will include pages on defined contribution (DC) pension, the Group Retirement Savings Plan (GRSP) and the new Voluntary Savings Plan (VSP).

We're putting the finishing touches on the site now. Visit **cpcpension.com** later this fall to see our new look.



How do we compare to other pension plans?

According to CEM Benchmarking Inc., the Pension Services and Pension Investments teams offer cost effective services and receive high ratings for member services, when compared to similar Canadian and global pension plans.

CEM Benchmarking Inc. is an independent company that conducts yearly reviews of major pension plans around the world. It compares and reports on member service levels and the costs to administer pension plans. The Canada Post Pension Plan participated in the 2013 survey with these results:

	Canada Post	Peer group average
Administration cost per member	\$138	\$196
Member services score (out of 100)	78	75
Investment management costs (per \$100 of average assets)	\$0.32	\$0.43

For 2013, the Canada Post Pension Plan ranked 11th among the top 100 Canadian pension plans based on total pension assets, and it is the largest single employer pension plan in Canada.

Source: Benefits Canada

The Pension Services and Pension Investments teams use this information to understand how we measure up against other pension plans and industry best practices, and to improve our services.

The Pension Advisory Council on the Web

The Pension Advisory Council (PAC) invites you to visit its new section at **cpcpension.com** under Governance where you can find information about its members, mandate and meeting summaries.





Thinking about retirement?

Defined benefit members – Limited pre-retirement seminar spaces are still available.

If you received a pre-retirement seminar invitation in 2014, but did not register for or attend a session, there may still be time to do so this year. Spaces are still available in the following cities this fall: Barrie, Montréal, Pickering, Toronto, Vancouver, Winnipeg and Regina.

To register, refer to the invitation you received last February or contact ctc TrainCanada at 1-877-672-2111. ctc TrainCanada will verify that you are eligible to attend. Don't delay, there are only a few seminars left.

Defined contribution members – You may attend the webinar *It's my time to retire* offered by Sun Life Financial. This webinar is suitable for employees within five years of retirement who want to make sure they have a smooth transition to retirement. Registration information was sent to eligible members in August with dates and times.

If you have not registered and wish to attend, there may still be places available. To participate, register online at www.sunlife.ca/mymoney. You will receive a confirmation by email.

Defined benefit members



Don't delay your elective service request

If you plan to retire and want to purchase a period of past service, contact the Pension Centre as soon as possible to allow enough time to validate that your service is eligible for purchase and provide you with an estimate.

Purchasing prior service may let you retire with a larger pension benefit or at an earlier date than without the purchase. You cannot purchase prior service after your retirement date.

For information on what periods of service are eligible for purchase or to request an elective service estimate, contact the Pension Centre. You can also obtain an estimate from the online pension calculator.

Myth and fact

Myth	Fact
I must be a Pension Plan member for at least two years before I'm entitled to a pension benefit.	All members of the Plan are entitled to a pension benefit when they terminate employment, regardless of their length of service. Previously, members were required to have two years of service. The rules changed in 2011. Defined contribution members are entitled to their full account balance, including Canada Post's contributions and the associated investment earnings. Defined benefit members are entitled to either an immediate pension, a deferred pension or, in certain cases, the commuted value of their pension benefits.

Reminder

Keep your beneficiary information current

A designated beneficiary for your pension benefit is an important part of your estate planning. It ensures that your wishes are followed and your pension benefit goes to the right people when you die. Pension Services want to make sure that you have a designated beneficiary on file. Take a moment to review your beneficiary information.



Defined benefit members. Review your beneficiary information on page 2 of your 2013 Personalized Pension Statement, mailed last April. Your package included a designation of beneficiary form that you can use to designate your beneficiary or make any changes. The form is also available at cpcpension.com or from the Pension Centre.

Defined contribution members. Review your beneficiary information on page 2 of your June 2014 my statement from Sun Life Financial.

To designate your beneficiary or make changes, you can find the beneficiary form at mysunlife.ca → Profile → Personal Information → Beneficiary Info; or call the Sun Life Financial Customer Care Centre at 1-866-733-8612 to request a form.

Remember, you do not need to name your spouse or common-law partner as your beneficiary. By law, your spouse or common-law partner is automatically your survivor.



We appreciate your feedback. If you have a comment or a suggested topic for the newsletter, please contact

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