



# Pension Plan News

## Pension Plan Text amendments

Amendments to the Canada Post Registered Pension Plan and the Supplementary Retirement Agreement were approved by the Pension Committee of the Board in 2006. The amendments were made to:

- provide new management and exempt employees, hired on or after October 1, 2006, and union employees who transfer to a permanent Management and Exempt position on or after October 1, 2006 with the option of not participating in the Canada Post Registered Pension Plan
- reflect an agreement between the Canadian Postmasters and Assistants Association (CPAA) and Canada Post Corporation concerning the pensionable service accrual methodology for part-time employees represented by CPAA, effective July 1, 2006
- clarify the interest calculation in situations where a deferred member dies before an annuity begins
- clarify the method of adjustment applied to early retirement annuities
- clarify that a member or participant who commutes their pension benefits under the Canada Post Registered Pension Plan also commutes their pension benefits under the Supplementary Retirement Arrangement at the same time

## Income splitting

On October 31, 2006 the Federal Minister of Finance announced that Canadian residents in receipt of pension income will be able to split their retirement income as of the 2007 taxation year. Until now, income splitting was limited to Canada Pension Plan payments and spousal RRSP's.

Canadian residents who receive income that currently qualifies for the existing pension income tax credit will now be allowed to allocate to their resident spouse or common law partner up to one-half of that income. For income tax purposes, the amount allocated will be deducted in computing the income of the transferor, and included in computing the income of the party to whom the pension to whom the pension income is allocated.

For individuals aged 65 and over, eligible pension income includes lifetime annuity payments from a registered pension plan (eg. Canada Post Corporation Pension Plan),

a registered retirement savings plan (RRSP) or a deferred profit sharing plan (DPSP), as well as payments out of or under a registered retirement income fund (RRIF). For those under age 65, eligible pension income includes lifetime annuity payments under a registered pension plan as well as certain payments received on the death of the individual's spouse or common law partner.

**EXAMPLE:** Your annual pension income is \$40,000 and your spouse earns only \$10,000. You could transfer \$15,000 to your spouse, thereby equalizing your incomes and reducing your combined taxes.

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**Performance  
Results for  
July 1 to  
September 30, 2006**

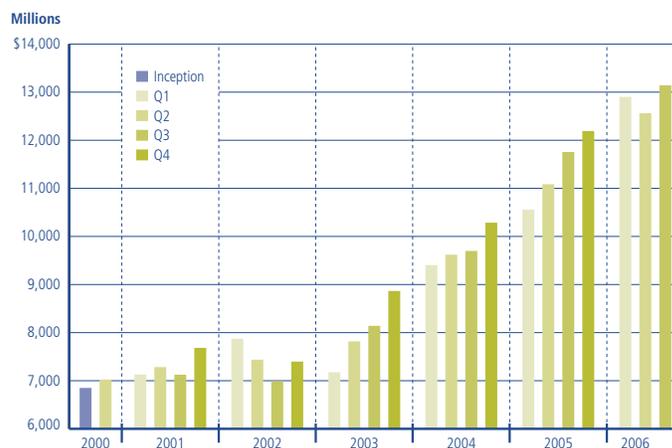
# Market Conditions

Markets rose in the third quarter with the benchmark Canadian S&P/TSX Composite Index up 1.9%. In the US the S&P 500 climbed 5.7% in Canadian dollar terms, while international markets were 4.0% higher on the quarter. Bond markets also rallied, up 4.9%, as the Bank of Canada held rates steady at 4.25%, fuelling investor belief that interest rate increases were at an end. The following table depicts the Plan's performance since inception.

ASSET CLASS	MARKET VALUE (IN MILLIONS)	2007 JUL-SEP	2006 YTD	2005 ANNUAL	2004 ANNUAL	2003 ANNUAL	2002 ANNUAL	2001 ANNUAL
<b>Fixed Income</b>								
Cash & Short Term	\$ 528.7	1.1%	3.0%	2.7%	2.4%	2.9%	2.4%	4.3%
Canadian Bonds	3,859.3	4.3%	2.2%	8.6%	9.6%	8.4%	10.2%	7.3%
<b>Equities</b>								
Canadian Equities	4,141.7	2.8%	6.3%	25.2%	15.6%	25.5%	-11.6%	-7.7%
U.S. Equities	2,399.9	4.1%	4.3%	3.4%	4.9%	7.5%	-20.9%	—
International Equities	2,072.2	5.1%	11.5%	13.2%	13.3%	7.3%	-21.6%	—
Real Estate	141.8	8.6%	19.6%	17.2%	—	—	—	—
<b>Total Registered Pension Plan</b>	<b>\$ 13,143.6</b>	<b>3.82%</b>	<b>5.55%</b>	<b>13.73%</b>	<b>11.13%</b>	<b>13.87%</b>	<b>-6.99%</b>	<b>5.10%</b>

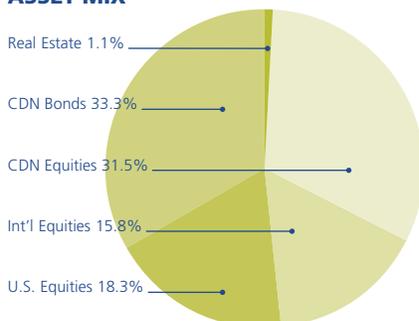
## Investment Highlights

- The fund's third quarter return was 3.82% versus our benchmark of 4.14%.
- As at September 30, 2006, the fund held assets of \$13,143.6 million.
- The fund received net contributions of \$157.7 million in the third quarter including \$70.0 million in special solvency payments and \$48.6 million in transfers. We reduced the Canadian equity allocation by \$140.0 million and allocated \$30 million to real return bonds, \$20.0 million to nominal bonds, \$80.0 million to U.S. equities and \$110.0 million to international equity. \$4.0 million was added to real estate and short-term investments were increased by \$54.0 million.



## Asset Mix Highlights

### ASSET MIX



- As at September 30, 2006, 66.7% of assets were invested in equities and real estate, above the asset mix target of 62.5%. Of the total, Canadian equities represented 31.5%, U.S. equities 18.3%, international equities 15.8% and real estate 1.1%.
- 33.3% of assets were invested in bonds and short-term investments, compared to an asset mix target of 37.5%. This included 6.8% in real return bonds, 22.5% in Canadian bonds and 4.0% in cash and short-term investments.