



Pension Plan News



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If you have a change in your Spousal Relationship

To ensure there is no delay in processing your pension benefit, it is imperative that you provide the Pension Centre with all required documentation. If you are undergoing a spousal/relationship separation or divorce, or have, in the past, undergone such a separation or divorce while a member of the Canada Post Pension Plan, then a certified copy of agreements, all relevant court orders and related documents must be sent to the Pension Centre. This would

include a separation agreement, divorce judgment and/or any other documentation pertaining to a division of assets. A review of the documents will be made to determine if your spouse/partner could have a claim against your pension benefit. The Canada Post Pension Plan is obligated by law to ascertain if such a claim does or could exist and adjust your pension, as the case may be, prior to making any pension payments to you. ❖

Holiday Wishes

We would like to wish you and your families a happy and healthy holiday season.

**Performance
Results for
April 1 to
June 30, 2005**

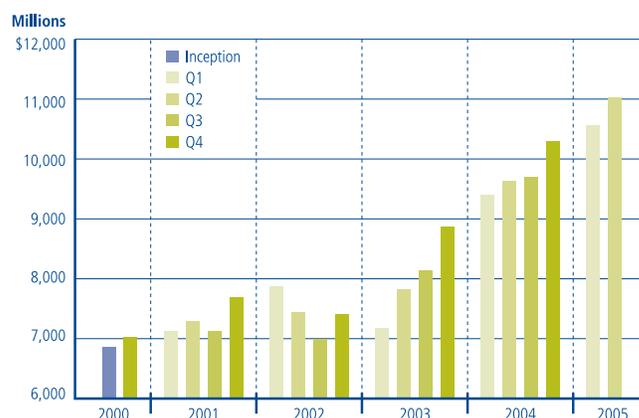
Market Conditions

The Canadian equity market rose 3.6% during the quarter on strength in the energy sector as oil continued to move higher. U.S. market returns were also positive, while International markets were flat as market gains were offset by an increase in the Canadian dollar against most international currencies. Bond markets performed strongly in the second quarter as the yield curve flattened on declining long-term rates and no movement by the Bank of Canada to increase short-term interest rates. ❖

ASSET CLASS	MARKET VALUE (IN MILLIONS)	2005 APR-JUN	2005 YTD	2004 ANNUAL	2003 ANNUAL	2002 ANNUAL	2001 ANNUAL
Fixed Income							
Cash & Short Term	\$ 488.9	0.7%	1.3%	2.4%	2.9%	2.4%	4.3%
Canadian Bonds	3,382.6	4.3%	5.5%	9.6%	8.4%	10.2%	7.3%
Equities							
Canadian Equities	3,892.0	4.0%	9.4%	15.6%	25.5%	-11.6%	-7.7%
U.S. Equities	1,970.4	3.6%	1.9%	4.9%	7.5%	-20.9%	—
International Equities	1,287.9	0.3%	1.4%	13.3%	7.3%	-21.6%	—
Total Registered Pension Plan	\$ 11,021.8	3.43%	5.63%	11.13%	13.87%	-6.99%	5.10%

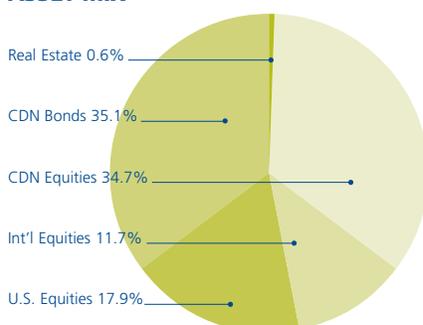
Investment Highlights

- The fund's second quarter return was 3.43% versus our benchmark of 3.46%. Year to date, the return was 5.63% versus our benchmark of 5.00%.
- As at June 30, 2005, the fund held assets of \$11,021.8 million.
- The fund received net contributions of \$169.8 million in the second quarter, including \$121.9 million in special solvency payments. We reduced the Canadian equity allocation by \$150.0 million and allocated \$135.0 million to U.S. equities and \$65.0 million to International equity. \$1.2 million was added to Real Estate, and cash & short-term investments increased by \$117.9 million. ❖

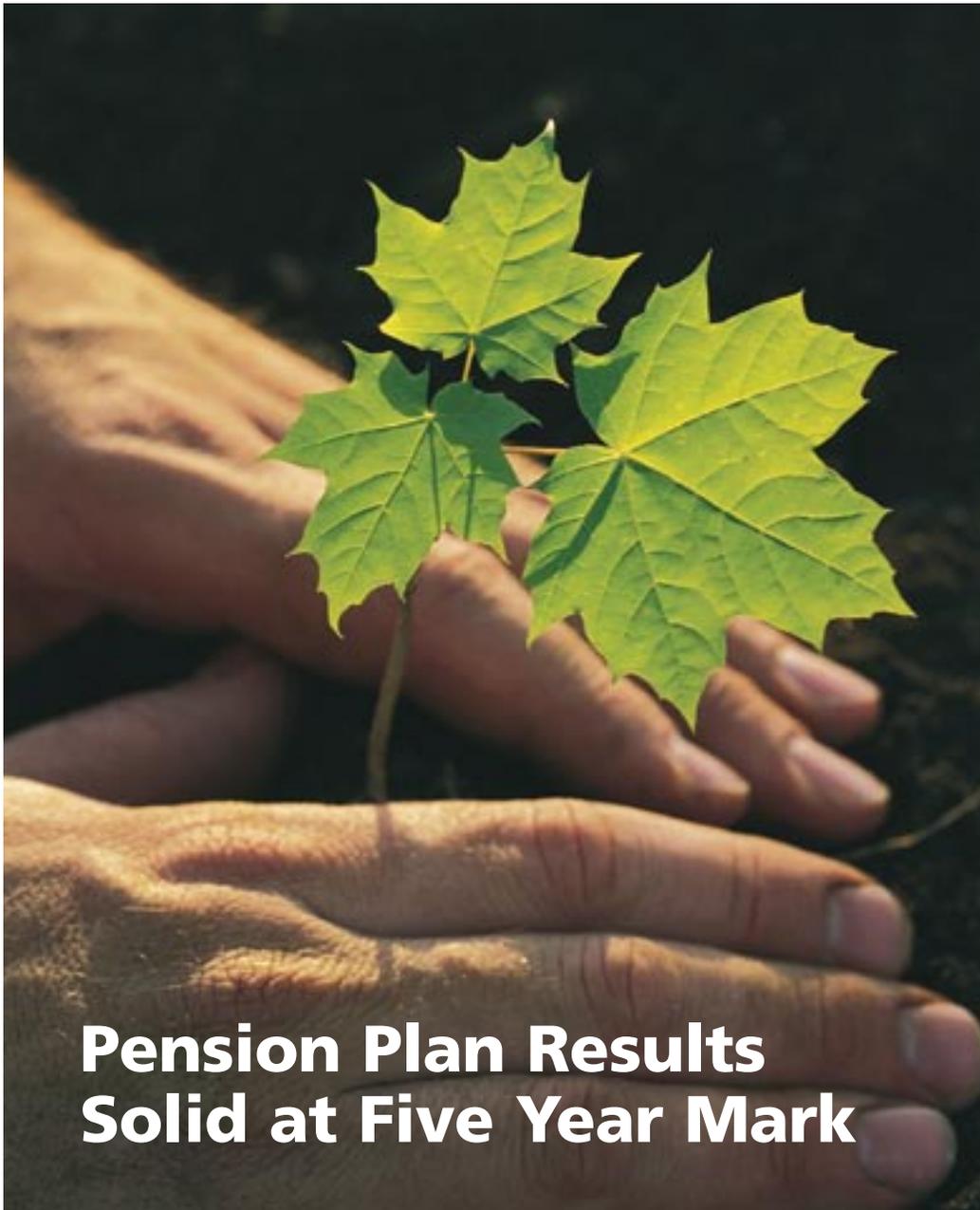


Asset Mix Highlights

ASSET MIX



- As at June 30, 2005, 64.9% of assets were invested in equities and real estate, above the asset mix target of 62.5%. Of the total, Canadian equities represented 34.7%, U.S. equities 17.9%, International equities 11.7%, and real estate 0.6%.
- 35.1% of assets were invested in bonds and short-term investments, compared to an asset mix target of 37.5%. This included 7.3% in real return bonds, 23.4% in Canadian bonds and 4.4% in cash and short-term investments. ❖



Pension Plan Results Solid at Five Year Mark

Canada Post's Registered Pension Plan, which guarantees inflation-protected benefits to more than 70,000 members, continues to build a solid foundation five years after its inception.

The Corporation assumed responsibility for its Pension Plan in October, 2000, to ensure Canada Post maintained control of overall compensation arrangements and to effectively manage all aspects of the postal system.

Consistent with other federally regulated plans, Canada Post provides a

defined benefit Plan that offers pensions fully linked to increases in the cost of living, regardless of any volatile swings in the performance of financial markets.

The most recent results show that the Plan earned a 5.6 per cent rate of return for the first six months of 2005 against a benchmark of 5.0 per cent. Total assets have increased to \$11.022 billion at June 30, 2005, compared with \$10.214 billion at the end of 2004. When the Plan was created, it began with assets totaling \$6.850 billion.

To ensure pension benefits are protected well into the future, Canada Post, as Plan sponsor, made an additional contribution of \$129 million in 2004, an amount over and above the Corporation's employer contribution of \$281 million. These additional contributions are in line with what other large pension plans are doing to offset short-term "solvency deficits" caused due to interest rates holding at historically low levels.

Further declines in long-term interest rates during

2005 to date will continue to require that Canada Post makes ongoing solvency payments. In 2005, Canada Post will contribute an additional \$267 million to further secure Plan benefits.

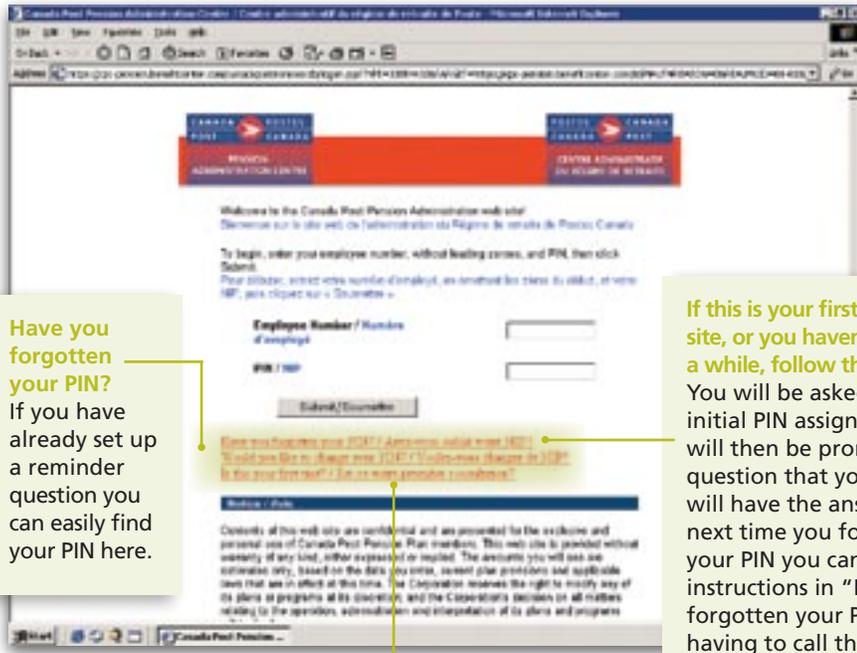
It should be noted that under pension standards applicable in the province of Ontario, where two of the country's largest plans are registered, the Canada Post Plan would be in a substantial solvency surplus position.

Recently, the federal government invited submissions from pension plan sponsors on a range of issues, including the funding requirements of defined benefit pension plans. Canada Post has stated it is generally accepted there is a pressing need to standardize pension plan funding requirements across all jurisdictions in Canada, thereby creating a level playing field.

"Canada Post provides one of the best pension benefits retirement packages in Canada," says Douglas Greaves, vice-president Pension Fund and chief investment officer. "It's important for our employees to realize Canada Post has the financial strength to meet all of its obligations and is rated 'Triple-A', the highest standard, by major credit rating agencies.

As the Plan continues to grow, reflecting the overall success of the Corporation in recent years, it is important for Canada Post to remain profitable. This will allow the company to continue to invest in new products and services to remain competitive while protecting existing employee benefit packages well into the future. ❖

Forgotten or lost your PIN, or just wanting to change it?



Have you forgotten your PIN?
If you have already set up a reminder question you can easily find your PIN here.

If this is your first time on this site, or you haven't been here for a while, follow these instructions. You will be asked to change the initial PIN assigned to you. You will then be prompted with a question that you and you only will have the answer to. The next time you forget or lose your PIN you can follow the instructions in "Have you forgotten your PIN" – without having to call the Pension Centre.

Would you like to change your PIN?
Easy – You will be asked for your employee number and your current PIN. You can then insert your new PIN and confirm it. Remember that PINs must be between 6 and 10 digits long and must be numeric.

If you have forgotten or lost your PIN and have not set up a reminder question, please contact the Pension Centre at 1-877-480-9220. A new PIN will be mailed to your home.
Note: For passwords related to ESS, you must contact the NCC help desk at 1-877-411-8585.

Pension Contribution Increase January 1, 2006

Effective January 1, 2006, contribution rates will increase by 0.4% of your pensionable earnings.

As previously communicated, member contributions to the Canada Post Registered Pension Plan and the Supplementary Retirement Arrangement will increase by 0.4% each year until the member contribution rates reach 40% of the annual current service costs. The current member contribution rate is 33%.

The increase of your pension contribution is important in order to help preserve the financial security of our Pension Plan, which will ensure a viable and healthy Plan for current and future retirees. The rate increase will not affect employees who have completed 35 years of pensionable service and who are currently contributing at a rate of 1% on earnings. ❖

You Asked?

This space is reserved for Q&As. We will answer one or two questions we hope will interest the majority. Please send your questions to pension.services@canadapost.ca

What is the difference between a *reduced* and *unreduced* pension?

A *reduced* pension is payable to you if you retire **before** you reach:

- age 60 with at least two years of eligibility service or Plan membership, or
- age 55 with at least 30 years of eligibility service

whichever happens first.

An *unreduced* pension is the pension you are entitled to receive if you retire **at** age 60 with at least two years of eligibility service or Plan membership, or age 55 with at least 30 years of eligibility service.

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

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