

Pension Plan News

Have you missed one of our publications?

Pension Services issues several important publications each year that are mailed directly to your home. Most of these are available on cpcpension.com.



| | | Where to find it on cpcpension.com ? |
|----------|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| January | Changes to the Terms of the Pension Plan | Under Recent News - Archive |
| January | Collection of Spousal Information | Under Recent News - Archive |
| February | Pension Plan News – Winter 2012 | Under Forms and Publications |
| April | Your Personalized Pension Statement (mailed to members of the Defined Benefit component only) | Not available online |
| May | Canada Post Pension Plan 2011 Annual Report (mailed to members of the Defined Benefit component only) | Under Forms and Publications |

To continue receiving important messages sent by Pension Services, make sure to change your address if you move. Go to Employee Self Service (ESS) or speak to your team leader/supervisor if you do not have ESS access. Any questions? Visit the AccessHR website under "You at Canada Post" on Intrapost.

Elective Service Requests for Members of the Defined Benefit Component

Many members of the Defined Benefit component of the Plan may be able to purchase prior periods of Canada Post service. Buying back service may let you retire with a larger pension benefit or at an earlier date than without the purchase.

When an elective service request is received by the Pension Centre, a representative must validate that your service is eligible for purchase and provide you with a cost estimate. The process to finalize a purchase can take some time.

If you are planning to retire and would like to buy back periods of service, contact the Pension Centre a few months before your retirement date. This will allow enough time to finalize your buyback before you retire and ensure that your first pension benefit payment includes all your service.

For information on what periods of service are eligible for purchase or to request an elective service estimate, contact the Pension Centre at 1-877-480-9220.

Disclaimer:

The Canada Post Corporation Registered Pension Plan is referred to as the Plan in the Pension Plan News section. The official Plan text governs your actual benefits from the Plan and is the final authority in any case of dispute. For more information on terms used in this section, please visit cpcpension.com. More information can also be found in Your Personalized Pension Statement and Your Information Booklet.

Changes to the Canada Pension Plan

The Government of Canada has made a series of changes to the Canada Pension Plan (CPP) that are being phased in until 2016. The purpose of these changes is to adapt the CPP to the new ways Canadians live, work and retire. These changes do not apply to the Quebec Pension Plan (QPP). For information on the QPP, visit rrq.gouv.qc.ca. The following is a summary of the CPP changes.*

- Changes to the CPP adjustment factors** – resulting in a lower benefit if you begin receiving your CPP before age 65 and a higher benefit if you wait until after age 65 to begin your CPP.

| If you are | and start your CPP pension | then, your CPP pension will be | | What was it before? |
|-----------------|--------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------------|---------------------|
| age 60 to 64 | in 2012 in 2013 in 2014 in 2015 in 2016 or later | reduced by: | | .5% per month |
| | | .52% | per month before age 65, calculated from the time you begin receiving it. | |
| | | .54% | | |
| | | .56% | | |
| | | .58% | | |
| .60% | | | | |
| age 65 | anytime | the full amount you are eligible to receive at age 65. | | |
| age 66 to 69 | in 2011 in 2012 in 2013 or later | increased by: | | .5% per month |
| | | .57% | per month after age 65, until you turn 70, calculated from the time you begin receiving it. | |
| | | .64% | | |
| .70% | | | | |
| age 70 and over | anytime | the amount you would have received at age 70. | | |

As a result of these changes, by 2016, if you start receiving your CPP pension at age 60, your benefit will be 36% less than if you begin receiving it at age 65. On the other hand, as of 2013, if you begin receiving your CPP pension at age 70, your benefit will be 42% higher than if you had started at age 65. Before this change, the maximum reduction was 30% and the maximum increase was also 30%.

- Increase in general drop-out provision** – a higher number of years of zero or low earnings will be excluded automatically from the calculation of your CPP pension for time spent outside the workforce for school, layoffs, providing care, etc.

| Starting in | % of zero or low earnings excluded | # of years | What was it before? |
|-------------|------------------------------------|------------|---------------------|
| 2012 | 16% | up to 7.5 | 15% - up to 7 years |
| 2014 | 17% | up to 8 | |

Excluding low earning years from your CPP calculation increases your benefit amount.

Note: There are separate drop-out provisions for time spent out of the workforce because of disability or child-rearing leave.

- Removal of work cessation test** – the requirement to stop working or significantly decrease earnings for two months before qualifying for a reduced CPP pension has been eliminated. This means that, starting in 2012, you can begin receiving CPP benefits as early as age 60 without stopping work or reducing your earnings.
- New – CPP contributions if you work while receiving CPP benefits** – making CPP contributions will increase your future CPP benefits. Any contributions made during one year will increase your CPP benefits effective the following year.*

| Starting in 2012, if you work while receiving CPP benefits and | | What was it before? |
|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| you are | then | |
| age 60 to 64 | you and your employer must make CPP contributions. | Regardless of your age, you did not make CPP contributions if you were already receiving your CPP benefits. |
| age 65 to 69 | you will have the choice of whether or not to make CPP contributions. If you choose to make contributions, then your employer must make them as well. | |
| age 70 and over | you cannot make CPP contributions. | |

* For more information on these changes, CPP benefits and contribution rates, visit servicecanada.gc.ca

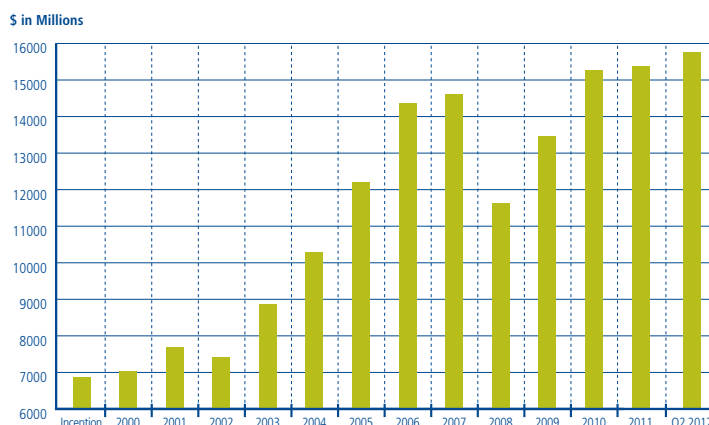
Market Conditions

Equity markets were lower in the second quarter of 2012. The Canadian S&P/TSX Composite index was down 5.7 per cent, while in Canadian dollar terms the U.S. S&P 500 index was down 0.8 per cent and the international EAFE index was down 5.3 per cent. The DEX Bond Universe was up 2.2 per cent on the quarter. The Bank of Canada held interest rates steady at 1.0 per cent. The following table depicts the fund's performance (per cent return).

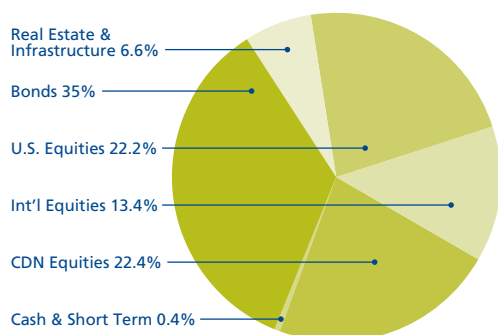
| ASSET CLASS | MARKET VALUE (\$ IN MILLIONS) | 2012 APR-JUN (%) | 2012 YTD (%) | 2011 ANNUAL (%) | 2010 ANNUAL (%) | 2009 ANNUAL (%) | 2008 ANNUAL (%) | 2007 ANNUAL (%) |
|--------------------------------------|-------------------------------|------------------|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Fixed Income | | | | | | | | |
| Cash & Short Term | 58.0 | 0.3 | 0.5 | 1.0 | 1.0 | 1.7 | 3.0 | 3.2 |
| Bonds | 5,551.9 | 2.4 | 2.5 | 10.5 | 7.7 | 8.7 | 3.7 | 3.5 |
| Equities | | | | | | | | |
| Canadian Equities | 3,543.8 | -6.1 | -2.0 | -9.1 | 15.2 | 33.0 | -32.0 | 9.0 |
| U.S. Equities | 3,522.5 | -2.2 | 9.6 | 3.1 | 9.5 | 9.9 | -21.6 | -10.7 |
| International Equities | 2,133.0 | -4.7 | 6.0 | -12.7 | 4.0 | 16.3 | -37.4 | -5.1 |
| Real Estate & Infrastructure | 1,042.1 | 2.3 | 4.7 | 15.0 | 15.1 | -9.1 | -1.5 | 16.8 |
| Total Registered Pension Plan | 15,851.3 | -1.75 | 3.53 | 0.19 | 10.38 | 16.19 | -19.27 | 2.09 |
| Benchmark | | -1.52 | 2.98 | 0.78 | 9.85 | 15.79 | -17.58 | 0.91 |

Investment Highlights

- The fund's second quarter return was minus 1.75 per cent compared to our benchmark of minus 1.52 per cent. Year to date the fund is up 3.53 per cent versus a benchmark return of 2.98 per cent.
- As at June 30, 2012, the fund held assets of \$15,851.3 million.
- The fund had net cash outflows of \$29.9 million in the second quarter. We reduced Canadian equity by \$45.1 million, U.S. equity by \$39.8 million and international equity by \$40.1 million and allocated \$113.6 million to real estate, \$12.6 million to private equity and \$0.4 million to infrastructure investments. We also redeemed \$55.0 million from real return bonds and \$37.3 million from cash & short-term investments while allocating \$20.0 million to nominal bonds and \$43.0 million to our currency overlay account.



ASSET MIX



Asset-mix Highlights

- As at June 30, 2012, 64.6 per cent of assets were invested in equities and real estate & infrastructure, versus the asset-mix target of 62.5 per cent. This was made up of 22.4 per cent Canadian equities, 22.2 per cent U.S. equities, 13.4 per cent international equities and 6.6 per cent real estate & infrastructure.
- 35.4 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 7.6 per cent in real return bonds, 27.4 per cent in nominal bonds and 0.4 per cent in cash & short-term investments.

Pension Advisory Council 2012 Elections

Two separate elections are being held this year to fill two positions on the Pension Advisory Council (PAC) that are coming to the end of their three-year terms. Eligible Plan members of both the Defined Benefit and Defined Contribution components may vote.

During the first election held in May, John Polak, General Manager, Addressing and Delivery, was re-elected for a second consecutive mandate to represent management and exempt employees who are members of the Plan.

This fall, all active Plan members will be invited to elect their representative. Members received notification in August of the nomination period, which came to an end in early September. Voting will take place in October and the name of the successful candidate is expected to be announced in November.

[✓] YOUR
PENSION

[✓] YOUR
VOTE

[✓] YOUR
CHOICE

Watch the mail for your
PAC election voting kit

Mail in your vote by October 26, 2012

DEFINED BENEFIT MEMBERS

Have you updated your spousal information?

Thank you to the more than 12,500 Plan members who have already updated their spousal information. If you haven't already done so, make sure that the name and date of birth of your spouse (including common-law partner) are recorded in the Employee Self Service (ESS) module of SAP. The Pension Centre uses this information for communication and administration purposes.

You can update your information on ESS by visiting and selecting "I'm an employee" or through My SAP on Intrapost.

For more information about the collection of spousal information and to view frequently asked questions (FAQ), visit cpcpension.com under Recent News – Archive.

Did you know?

According to the Canada Post Pension Plan 2011 Annual Report:

| Plan Members | Defined Benefit | Defined Contribution |
|----------------------|-----------------|----------------------|
| Active: | 58,958 | 271 |
| Retirees and others: | 25,648 | |
| Total: | 84,606 | 271 |

The Pension Services Team

| | |
|-----------|-----------------------|
| Answered | 54,486 calls |
| Received | 86,439 website visits |
| Completed | 38,631 transactions |

The **average age** of active members is **48.2** (down slightly from 48.3 in 2010)

The **average age** of retirees is **62.7** (up from 62.3 in 2010)

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

PENSION SERVICES
2701 RIVERSIDE DR SUITE B320
OTTAWA ON K1A 0B1
Email: pension.services@canadapost.ca

