CANADA POST POSTES CANADA
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# Pension Plan News

## Planning Your Retirement Time

Generally, when people discuss their retirement, financial planning tends to dominate their thoughts. As future retirees understandably focus on the state of their finances, they often overlook other key considerations such as what to do with their time and what types of hobbies and activities they would like to pursue.

Because of your busy working life, you may not have had time to give any thought to these important questions. If that's the case, it may prove worthwhile to set some lifestyle goals as you make the transition from your working career to retirement.

Retirement planning experts suggest you should reflect on how you would like to spend your new found 'free time.' You may choose to spend more time with your family, rediscover old hobbies and personal interests or take on new challenges that weren't previously possible. Whether, for you, this amounts to taking care of your grandchildren, traveling, renovating your house, volunteering time with a charitable organization, or restoring a classic automobile, your retirement years should allow you to fulfill these post-working career ambitions. The ability to plan for these experiences ahead of time will undoubtedly enhance your level of enjoyment.

There are many elements involved in planning a sound retirement, which underscores why it is never too early, or too late, to prepare for this next phase of your life. Once you have prepared a plan outlining the retirement lifestyle you wish to pursue, it is recommended that you consult a financial advisor on how best to achieve your goals.

For further information on retirement planning and lifestyles, please visit our pension website at cpcpension.com.

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**Performance Results for January 1 to March 31, 2006**

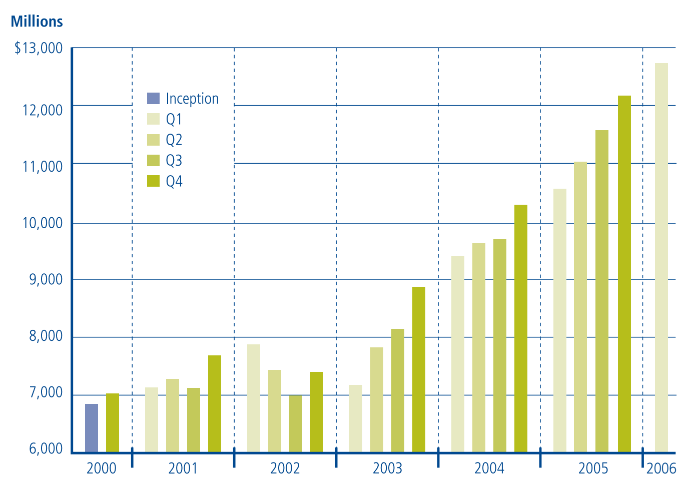
# Market Conditions

The benchmark Canadian S&P/TSX Composite Index added 8.0% during the first quarter. In the US the S&P 500 was up 4.3% in Canadian dollar terms with the US dollar gaining 0.4 %, while international markets rose 9.5% on the quarter. Bond markets fell slightly as the Bank of Canada raised rates from 3.25% to 3.75%. The following table depicts the Plan's performance since inception.

| ASSET CLASS | MARKET VALUE (IN MILLIONS) | 2006 JAN-MAR | 2005 ANNUAL | 2004 ANNUAL | 2003 ANNUAL | 2002 ANNUAL | 2001 ANNUAL |
|---|---|---|---|---|---|---|---|
| **Fixed Income** | | | | | | | |
| Cash & Short Term | $ 563.4 | 0.9% | 2.7% | 2.4% | 2.9% | 2.4% | 4.3% |
| Canadian Bonds | 3,558.9 | -0.6% | 8.6% | 9.6% | 8.4% | 10.2% | 7.3% |
| **Equities** | | | | | | | |
| Canadian Equities | 4,374.5 | 7.4% | 25.2% | 15.6% | 25.5% | –11.6% | –7.7% |
| US Equities | 2,338.8 | 6.3% | 3.4% | 4.9% | 7.5% | –20.9% | — |
| International Equities | 1,911.7 | 10.5% | 13.2% | 13.3% | 7.3% | –21.6% | — |
| Real Estate | 114.0 | 6.7% | 17.2% | — | — | — | — |
| **Total Registered Pension Plan** | **$ 12,861.3** | **5.01%** | **13.73%** | **11.13%** | **13.87%** | **–6.99%** | **5.10%** |

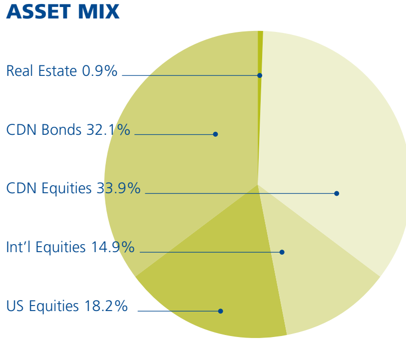
# Investment Highlights

- The fund's first quarter YTD return was 5.01% versus our benchmark of 4.17%.
- As at March 31, 2006, the fund held assets of $12,861.3 million.
- The fund received net contributions of $118.1 million in the first quarter including $67.3 million in special solvency payments. We reduced the Canadian equity allocation by $100.0 million and allocated $100.0 million to Canadian nominal bonds, $20.0 million to U.S. equities and $25.0 million to international equity. $4.5 million was added to real estate and short-term investments were increased by $70.0 million.




# Asset Mix Highlights

**ASSET MIX**




- As at March 31, 2006, 67.9% of assets were invested in equities and real estate, above the asset mix target of 62.5%. Of the total, Canadian equities represented 33.9%, U.S. equities 18.2%, international equities 14.9% and real estate 0.9%.
- 32.1% of assets were invested in bonds and short-term investments, compared to an asset mix target of 37.5%. This included 6.6% in real return bonds, 21.1% in Canadian bonds and 4.4% in cash and short-term investments.

# 5 Great Facts About Your Pension Plan

**You may not be aware of it, but your pension benefit is one of the most valuable assets you will obtain from your employment with Canada Post. Despite the considerable financial value and the peace of mind it offers, you may not be aware of the other benefits your pension plan provides you. Here are five great reasons to take pride in your Canada Post pension plan:**

- The Canada Post pension plan is a defined benefit pension plan. This means that your pension at retirement is defined in advance based on a formula. In contrast, defined-contribution pension plans depend on how much you contribute and how well your pension investments perform.

- Your pension is protected from inflation. Each January 1, your pension increases by a percentage that reflects the average monthly increase in the Consumer Price Index for the previous 12-month period, calculated from October to September. This increase is known as indexing. Having your pension keep pace with the cost of living is a huge benefit.

- An approved leave of absence without pay (LWOP) is considered pensionable service as long as you make contributions for the leave period when you return from leave and before you terminate your employment.

- Your pension provides benefits to eligible survivors whether you die before you retire or during retirement.

- The pension plan's website, www.cpcpension.com, is a valuable tool which is available for you to use. Whether you're searching for information on the plan, interested in one of Pension Services' many publications, wanting to print a form, or looking to calculate your pension payments, this online tool should always be one of your first points of reference for anything related to your pension plan.

# Pension Advisory Council Updates

We are pleased to announce that Robin Ghosh was re-elected to the Pension Advisory Council as the Representative of the Management/Exempt members. Robin served for the previous three years and was the successful candidate in the recent election.

Please note that the election for the All Active Representative to the Pension Advisory Council will take place during the summer. Nominations and voting processes are underway and the process will be completed in the fall.

# Actuarial Valuation Results

The December 31, 2005 actuarial valuation for the registered pension plan was completed by the plan actuary in June and filed with the Office of the Superintendent of Financial Institutions (OSFI), the pension regulator. The purpose of an actuarial valuation is to determine the financial position of the plan, on a going concern and solvency basis, and the employer funding requirements. Going concern assumes the plan will continue indefinitely while solvency assumes the plan will be terminated as at the valuation date. A summary of the valuation results compared to the December 31, 2004 results is presented in the chart on the right.

| FINANCIAL POSITION | 2005 (IN MILLIONS) | 2004 |
|---|---|---|
| **Going Concern** | | |
| Funding Excess | $ 351 | $ 95 |
| Funded Ratio | 103% | 101% |
| **Solvency** | | |
| Solvency Shortfall | $ 1,201 | $ 1,136 |
| Solvency Ratio | 91% | 90% |
| **Required Payments to Fund Solvency Shortfall** | $ 316 | $ 267 |

The Corporation is required to fund the solvency shortfall over a five-year period. When the December 31, 2006 valuation is completed in June 2007 the required solvency shortfall payments will again be determined based on the solvency funding position of the plan as at December 31, 2006.

# Proposed Solvency Relief Funding Regulations — May 2, 2006 Federal Budget

The Federal Budget tabled on May 2, 2006, contained options providing temporary funding relief for federal defined benefit plans. One option available to Federal Crown Corporations includes extending the solvency funding period to 10 years, subject to meeting the terms and conditions of the Solvency Funding Relief Regulations (the Regulations). These proposed Regulations are subject to public comments and to being adopted by the Government. A revised December 31, 2005 actuarial report may be filed with OSFI, subject to the terms and conditions of the final regulations, once the regulations come into force.

## Did you Know?

The tax deductibility of your buyback contributions is based on when the service you are buying back occurred and whether or not you contributed during the calendar year(s) when the service occurred.

**For service prior to January 1, 1990 while NOT a contributor to a pension plan**
The tax deduction allowed includes the total of your buyback contributions made during a calendar year up to a maximum of $3,500, PLUS your current service contributions.

**For service prior to January 1, 1990 while a contributor to a pension plan**
The tax deduction allowed includes the total of your buyback contributions made during a calendar year up to a maximum of $3500, MINUS your current service contributions, including contributions for periods of leave without pay. Note that the tax deductibility of your buyback contributions is nil if your current service contributions are equal to or exceed the $3500 maximum.

**For service after 1989**
The tax deduction allowed includes the total of your buyback contributions during a calendar year plus your current service contributions subject to the Canada Revenue Agency's approval.

## 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**

**Where are my contributions held?**

Contributions made by both you and Canada Post, along with the investment income earned, are held in a trust fund separate and apart from Canada Post's operating funds. Professional investment managers manage the fund's investments in line with the Plan's investment policy.

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

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