Pension Plan News Defined Benefit

The Canada Post pension plan turns 10!

The Canada Post pension plan, one of the largest single-employer pension plans in Canada, marked its 10-year anniversary on October 1, 2010.

On October 1, 2000, Canada Post established its own pension plan, separating from the Public Service pension plan. All Canada Post employees who were members of the former plan were transferred over to the new Plan.

Over the past 10 years, a lot has changed:

- Our Plan membership has grown from approximately 55,000 active members to more than 81,000 active members, pensioners, deferred members and beneficiaries as of August 31, 2010. Pensioners represent over 20,000 members (nearly 25% of membership).
- Our fund's assets have increased from $6.9 billion to almost $14.5 billion as of September 30, 2010.
- The Canada Post Pension Centre has been open for six years, offering our members a number of services that were previously outsourced.
- We've developed communication tools to keep our members well informed:
  - the website – cpcpension.com
  - the Plan's annual report
  - a personalized pension statement
  - *Pension Plan News* (newsletter)
  - *Intouch* (Pensioners' newsletter)
- A Defined Contribution component for new management and exempt employees was added to our Plan effective January 1, 2010.

Although there have been many changes, our goals remain the same:

- Pension Services is committed to providing excellent service to all Plan members.
- Management, along with the Board of Directors of Canada Post, continues to work hard to protect our pensions by ensuring that sufficient funding is in place so that our pension benefit will be there when we need it.

Revised standards for commuted values

When the Canadian Institute of Actuaries (CIA) revised its standards for calculating commuted values effective April 2009, the following two changes were postponed to February 1, 2011:

- Assumed mortality rates will be based on a generational table instead of a static table.
- Assumed interest (discount) rates will be determined based on a one-month lag instead of a two-month lag.

WHAT DOES THIS MEAN FOR A DEFINED BENEFIT MEMBER OF THE PLAN?

These changes may result in slight changes to commuted values for members who leave Canada Post and are eligible to receive a commuted value.

For more information on commuted values or the 2009 CIA standards change, visit **cpcpension.com** under Forms and Publication ➢ Pension Plan News ➢ April 2009.

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.

Employee contribution rate for 2011

As we communicated to Plan members last summer, the employee contribution rate will increase by 0.4 per cent effective January 1, 2011.

This increase will not affect members who have completed 35 years of eligibility service and who are contributing at a rate of one per cent on pensionable earnings.

For 2011, employees will contribute:
• 6.1 per cent of pensionable earnings up to the 2011 YMPE* plus
• 9.6 per cent of pensionable earnings over the 2011 YMPE*

See calculation example below.

How are your contributions calculated?

Your Canada Post pension benefit is integrated with the Canada/Quebec Pension Plan (C/QPP). This integration reduces your contributions to the Plan and your pension amount to reflect the fact that you also contribute to and receive a C/QPP benefit.

Once your pensionable earnings exceed the YMPE* limit, your C/QPP deductions cease and your contributions to the Plan increase.

Here's how contributions are calculated for a member with pensionable earnings of $49,000 a year:

2010					2011				
5.7%	x	$47,200 (YMPE*)	=	$2,690.40	6.1%	x	$48,300 (YMPE*)	=	$2,946.30
9.2%	x	1,800 (49,000-47,200) (YMPE*)	=	165.60	9.6%	x	700 (49,000-48,300) (YMPE*)	=	67.20
Total annual contributions				$2,856.00	Total annual contributions				$3,013.50
Approximate contributions per paycheque				$109.85	Approximate contributions per paycheque				$115.90

* The YMPE (Year's Maximum Pensionable Earnings) is an earnings limit set by the government each year to determine Canada/Quebec Pension Plan (C/QPP) contribution rates. The amount of the YMPE was $47,200 in 2010 and will be $48,300 in 2011.

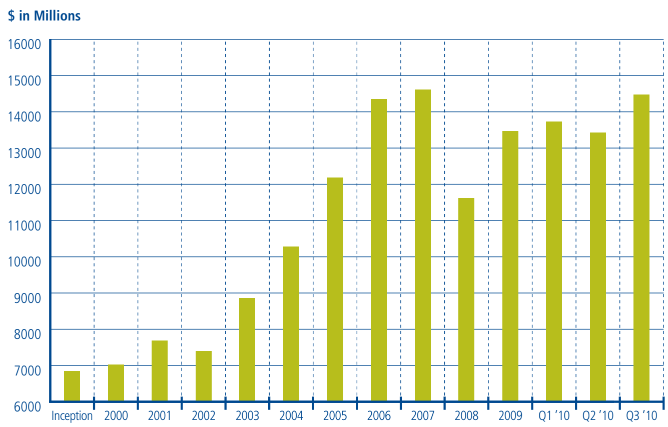
Market Conditions

Equity markets were higher in the third quarter of 2010 as the economy stabilized. The Canadian S&P/TSX Composite index was up 10.3 per cent, while in Canadian dollar terms the U.S. S&P 500 index was up 7.4 per cent, and the international EAFE index was up 12.4 per cent. The DEX Bond Universe was up 3.2 per cent on the quarter. The Bank of Canada twice raised interest rates by 0.25 per cent to bring the overnight rate to 1.00 per cent. The following table depicts the fund's performance (per cent return).

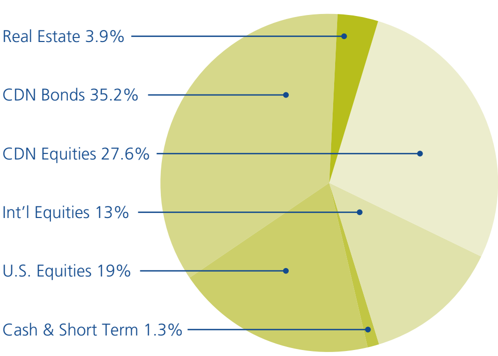
ASSET CLASS	MARKET VALUE ($ IN MILLIONS)	2010 JUL–SEP (%)	2010 YTD (%)	2009 ANNUAL (%)	2008 ANNUAL (%)	2007 ANNUAL (%)	2006 ANNUAL (%)	2005 ANNUAL (%)
Fixed Income								
Cash & Short-Term	181.2	1.6	1.8	1.7	3.0	3.2	4.1	2.7
Canadian Bonds	5,096.5	3.5	7.8	8.7	3.7	3.5	2.4	8.6
Equities								
Canadian Equities	4,001.1	10.2	6.0	33.0	–32.0	9.0	18.9	25.2
U.S. Equities	2,747.4	7.6	2.2	9.9	–21.6	–10.7	16.9	3.4
International Equities	1,878.2	13.6	0.1	16.3	–37.4	–5.1	28.4	13.2
Real Estate	567.9	1.9	5.6	–9.1	–1.5	16.8	24.8	17.2
Total Registered Pension Plan	**14,472.3**	**7.26**	**5.21**	**16.19**	**–19.27**	**2.09**	**14.25**	**13.73**
Benchmark		**7.15**	**5.33**	**15.79**	**–17.58**	**0.91**	**12.98**	**11.17**

Investment Highlights

- The fund's third quarter return was 7.26 per cent versus our benchmark of 7.15 per cent. Year to date the fund's return is 5.21 per cent against our benchmark return of 5.33 per cent.
- As at September 30, 2010, the fund held assets of $14,472.3 million.
- The fund had net inflows of $81.8 million in the third quarter including special solvency payments of $106.3 million. We reduced real estate by $19.7 million and cash and short-term investments by $16.0 million. During the quarter we allocated $30.0 million to U.S. equities, $35.0 million to international equities, $47.7 million to our currency overlay account and $11.8 million to private equity.



ASSET MIX



Asset Mix Highlights

- As at September 30, 2010, 63.5 per cent of assets were invested in equities and real estate, slightly above the asset mix target of 62.5 per cent consisting of 27.6 per cent Canadian equities, 19.0 per cent U.S. equities, 13.0 per cent international equities and 3.9 per cent real estate.
- 36.5 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 7.7 per cent in real return bonds, 27.5 per cent in Canadian bonds and 1.3 per cent in cash and short-term investments.

Canada/Quebec Pension Plan: When to begin – Age 60, 65 or somewhere in between?

Although many people choose to start receiving their Canada/Quebec Pension Plan (C/QPP) pension at age 65, you can choose to take a reduced C/QPP pension as early as age 60.

If you start your C/QPP pension			
between 60 and 65	**at age 65**	**between 65 and 70**	**after age 70**
You will receive a C/QPP pension payment that is reduced by 0.5 per cent per month before age 65, calculated from the time you begin receiving your C/QPP pension.	You will receive the full C/QPP pension amount you are eligible to receive.	You will receive a C/QPP pension that is increased by 0.5 per cent per month after age 65 until you turn 70, calculated from the time you begin receiving your C/QPP pension.	You will receive the C/QPP pension amount you would have received at age 70.

Note: The adjustment factors for early and late retirees are under review and may be changing. The proposed changes, to be phased in starting in 2011, could mean higher payouts for those waiting beyond age 65 and less for those collecting before age 65. Any approved changes will be communicated to you in a future *Pension Plan News*, but in the meantime you can visit **servicecanada.gc.ca** or **rrq.gouv.qc.ca** for any updates.

WHAT HAPPENS TO YOUR CANADA POST PENSION (LIFETIME PENSION AND BRIDGE BENEFIT†) IF YOU DECIDE TO TAKE YOUR C/QPP PENSION EARLY?

Regardless of when you start your C/QPP pension,
- your lifetime pension will continue to be paid until your death, and
- your bridge benefit will continue to be paid until you reach age 65, die or begin receiving a C/QPP disability pension, whichever occurs first. Your Canada Post bridge benefit will not stop when a C/QPP pension (other than a C/QPP disability pension) is taken prior to age 65.

HOW DO YOU DECIDE WHEN TO TAKE YOUR C/QPP PENSION?

This is a very personal decision and depends on your circumstances. You may want to consider your expenses, other retirement income, your health and your retirement plans.

Need more information to help you make a decision?
- For CPP, visit **servicecanada.gc.ca** or call 1 800 277-9914 (TTY 1 800 255-4786).
- For QPP, visit **rrq.gouv.qc.ca** or call 1 800 463-5185 (TTY 1 800 603-3540).

They can also provide you with estimates of your reduced and unreduced C/QPP pension.

† Your Canada Post pension is integrated with your C/QPP. This integration reduces your Canada Post pension contributions and pension amount to reflect that you also contribute to and receive a C/QPP benefit. Your Canada Post bridge benefit was designed to supplement your income until age 65 (when C/QPP benefits are payable in full).

HOLIDAY GREETINGS

Wishing you and your families a happy and healthy holiday season, from the Canada Post pension team.

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**