# Canada Post Pension Plan

# Report to Members 2023

# Contents



**Privacy of pension records**
Canada Post Corporation is subject to the *Privacy Act* and complies with the Canada Post *Employee Privacy Policy*. Personal information, including pension information, is treated in a secure and confidential manner.

**Note**
For the purposes of this Report, "Plan" and "Pension Plan" refer to the Canada Post Corporation Registered Pension Plan, which includes the defined benefit component and the defined contribution component, unless otherwise specified. Canada Post Corporation provides pension benefits to members through the Plan, which is registered under the federal *Pension Benefits Standards Act, 1985*.

This Report presents the financial position and results of the operations of the Plan on an accrual basis. The financial information presented is an unaudited extract of the financial statements. This Report and the complete audited financial statements, including notes, are available at **cpcpension.com** or by request.

Terms that appear in **bold grey** the first time they are used are defined in the glossary at the back of the Report.



# Message from the Chair

**Suromitra Sanatani**
Chair of the Board of Directors

On behalf of the Board of Directors, I would like to thank all Canada Post employees and retirees for the important contributions they've made in their service to Canadians, and present you with the 2023 Canada Post Pension Plan Report to Members.

Our oversight of the Plan is a tremendous responsibility. Everyone wants a financially secure retirement -- we know how important this is.

With an appropriate mix of assets, the Plan always aims to achieve a financial performance above its benchmark. I'm pleased to report that the defined benefit (DB) component of the Plan again performed relatively well in 2023, with an annual rate of return of 7.7% compared to 9.9% for the benchmark.

In the defined contribution (DC) component, assets grew from $153.5 million to $211.7 million. DC members of the Plan can see the personal rate of return on their assets by looking at the statement mailed to their home. They can also log in at **mycanadalifeatwork.com** or use the My Canada Life at Work mobile app.

In 2023, the Plan continued its important work on environmental, social and governance (ESG) priorities, ensuring these are factored into its investment strategy while focusing on returns for Plan members.

Last year, that work involved climate considerations in the Plan's investment strategy, engagement activity and voting practices. This important exercise takes into account the risks of climate change and the potential consequences for capital markets and asset valuations.

As part of that exercise, the Plan undertook a carbon footprint baseline analysis across the majority of assets under management. This analysis establishes an inventory of the carbon footprint in our assets under management – and creates a 2019 baseline for which carbon emission comparisons can be drawn in future years. The exercise covered the following asset classes: publicly traded equities; corporate fixed income; private equities; infrastructure; and real estate.

We will continue to move toward setting asset class-specific emissions reduction targets, in line with our commitment to achieve net-zero emissions by 2050. The 2019 baseline inventory of emissions will be important to the Plan's actions on climate change, with an official Climate Action Plan expected for publication in 2024.

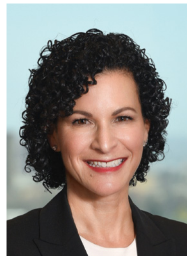
The Plan also continues to embrace equity, diversity and inclusion (EDI) – in its own team and in the leadership across its investment portfolio. In 2023, the Plan joined the Institutional Limited Partners Association (ILPA) Diversity in Action Initiative, which sets out mandatory actions for organizations to fulfill with the objective of progressing EDI within private equity.

The Plan is also a proud signatory to the Principles for Responsible Investment (PRI), a member of the Canadian Responsible Investment Association (RIA), and a member of the 30% Club Investor Group, a global campaign working to increase gender diversity at the board and executive-committee levels.

Once again, I'd like to thank our employees and all Plan members for their service to Canadians. We're working in the best interest of you, as Plan members, as we look ahead to 2024 and beyond. I would also like to thank the members of the Pension Committee for their ongoing oversight on behalf of Plan members.

# Message from the Chief Financial Officer and the Chief People and Safety Officer

**Jan Faryaszewski**
Chief Financial Officer



**Susan Margles**
Chief People and Safety Officer

At Canada Post we believe in a financially secure retirement for our people. They are the heart of our company and our greatest ambassadors.

In support of our people, the mission of the Canada Post Corporation Registered Pension Plan is to prudently administer it for the benefit of all members. As Plan sponsor, Canada Post is responsible for funding the Plan and managing a design and investment approach that benefits Plan members.

Canada Post's promise to Plan members is to provide pension benefits at a reasonable cost. The Plan's investment objectives are to select an appropriate asset mix and risk level so that it can achieve returns above its benchmark, and meet the Plan's long-term funding needs for members.

In 2023, according to the Plan's asset-liability strategy, it implemented a global approach to investment in public equities, as opposed to a regional approach. The Plan also created an allocation to cash given the liquidity needs of the fund, and the bond overlay was increased to gain more exposure to liability-matching fixed income.

The surplus in the defined benefit (DB) component of the Pension Plan grew from $6.5 billion to $7.5 billion on a going-concern basis in 2023. The funded ratio, or the Plan's financial position expressed as a ratio between assets and liabilities, was 131% at the end of the year, an improvement from 127% in 2022.

This going-concern valuation means the DB component of the Plan continues to have more than enough assets to meet its obligations to Plan members over the long term. In 2023, the solvency surplus declined slightly from $2.2 billion to $2.1 billion, changing the solvency funded ratio from 108% to 107%.

For financial markets in 2023, the inflation story led to some twists and turns. By the end of the year, global growth remained positive and markets rallied in response to central banks pausing their interest rate hikes. In the DB component of the Plan, the value of assets grew from $29.5 billion to $30.8 billion. The DB component also again demonstrated strong relative performance with an annual rate of return of 7.7%, compared to our benchmark's return of 9.9%. The 2022 rate of return was -6.7%.

Assets in the defined contribution (DC) component grew from $153.5 million to $211.7 million. These assets grow as the number of employees (members) in the DC component rises, as well as through the pension fund's investments.

We encourage DC members of the Plan to review their statements to see the personal rate of return on their assets. Canada Life is our service provider, with members' statements mailed to their homes. Statements can also be viewed online by signing in at **mycanadalifeatwork.com** or by using the My Canada Life at Work mobile app.

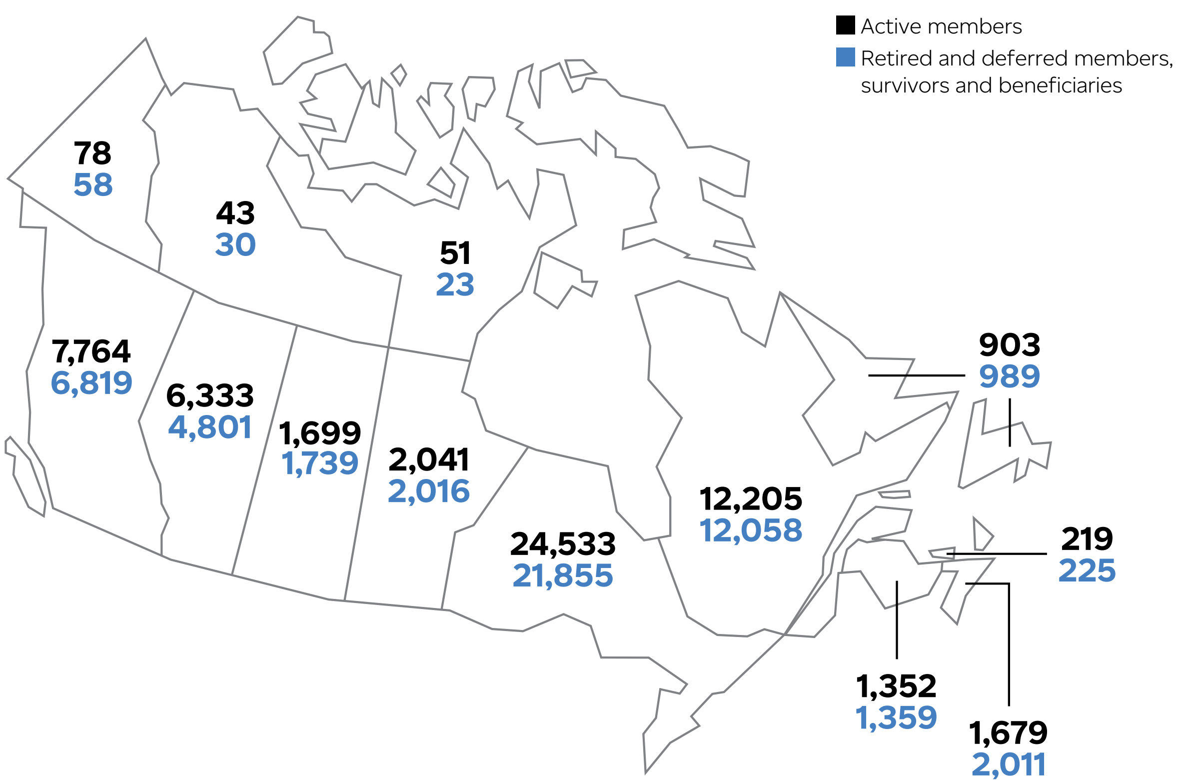
To all current and retired employees, we extend a sincere thank you for your dedication and contributions to Canada Post. You never cease to impress us. Together, we're building a stronger postal service for Canadians, and working to deliver a stronger Canada.

# Membership Snapshot

| | 2019 | 2020 | 2021 | 2022 | 2023[1] |
|---|---|---|---|---|---|
| Active members | 56,074 | 57,312 | 58,500 | 59,044 | 58,910 |
| Percentage | 55.2% | 54.7% | 54.1% | 53.1% | 52.2% |
| Retired members | 41,157 | 42,711 | 44,496 | 46,327 | 47,767 |
| Percentage | 40.5% | 41.0% | 41.1% | 41.7% | 42.3% |
| Deferred members, survivors and beneficiaries | 4,431 | 4,759 | 5,212 | 5,754 | 6,235 |
| Percentage | 4.4% | 4.5% | 4.8% | 5.2% | 5.5% |
| **Total** | **101,662** | **104,782** | **108,208** | **111,125** | **112,912** |

1. For 2023, the information includes 105,545 members of the defined benefit (DB) component and 7,367 members of the defined contribution (DC) component of the Plan (6,839 active and 528 deferred members in the DC).

## Members across Canada – December 31, 2023




Members across Canada – December 31, 2023, data table

## Age of active and retired members – December 31, 2023

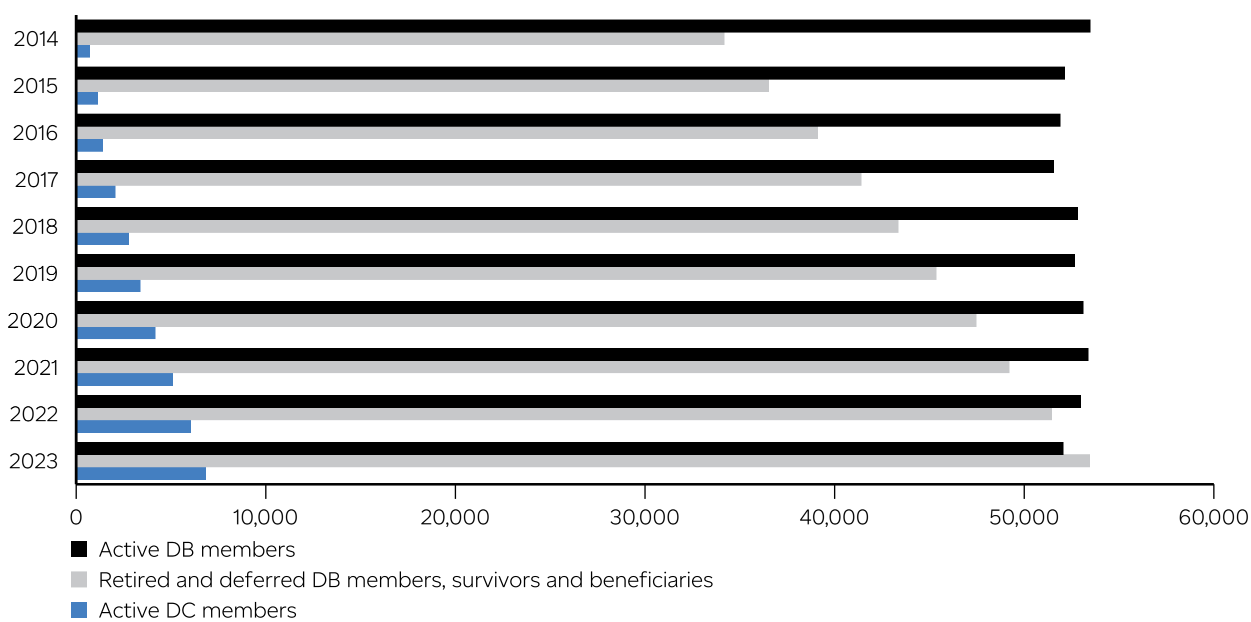
| Age | Less than 30 | 30-39 | 40-49 | 50-59 | 60-69 | 70-79 | More than 79 |
|---|---|---|---|---|---|---|---|
| Active DB members | 1,669 | 7,390 | 15,516 | 18,129 | 9,042 | 321 | 4 |
| Active DC members | 678 | 2,034 | 1,970 | 1,546 | 595 | 16 | 0 |
| Retired DB members | 0 | 8 | 128 | 2,483 | 21,660 | 20,491 | 2,997 |

| Average age | 2022 | 2023 |
|---|---|---|
| Active DB members | 49.8 | 50.1 |
| Active DC members | 43.0 | 43.5 |
| DB members at retirement | 59.4 | 59.6 |
| Retired DB members | 69.3 | 69.9 |

## Did you know?

Over the next five years, 18,475 active DB members will reach age 60.

## Changes in membership




Changes in membership data table

The Plan continues to mature with retired members now representing just under half of the membership and almost two thirds of the solvency obligations.

# Our Services to Members

## Personalized pension statements

In 2023, Pension Policy prepared almost 95,831 annual personalized pension statements for DB active members, retirees, deferred members and survivors. Canada Life issued 15,298 statements for DC members.

## cpcpension.com

**cpcpension.com** provides information about all the Canada Post pension programs: the defined benefit and defined contribution components of the Plan as well as the Voluntary Savings Plan.

| | |
|---|---|
| 121,888 | **cpcpension.com** visits |
| 79,357 | Unique visitors were recorded in 2023, compared to 85,249 in 2022 |

## mycanadalifeatwork.com

DC members have access to **mycanadalifeatwork.com** as their Plan member website where they can view their health and pension benefits. Members can view personal and workplace account balances, transaction history, statements and personal **rates of return**. DC members can also access the onboarding site **welcome.canadalife.com/canadapost** developed to assist new DC enrollees.

| | |
|---|---|
| 1,177 | **welcome.canadalife.com/canadapost** visits |

## Pension Centre for DB members

The Pension Centre is at the heart of member services, answering members' requests by telephone or mail and completing transactions. The team provides services related to issues such as marriage breakdown, processing of retirements, terminations and deaths as well as new retirees' pension payments, processing of elective service purchases, updating of retirees' life insurance beneficiaries and collecting of employee contributions for leaves of absence. In addition, the RBC Investor Services Trust provides to retired members services related to the payment of their DB pension benefits.

| | |
|---|---|
| 49,222 | Telephone calls from members to the Pension Centre |
| 11,651 | Telephone calls to members |
| 5,690 | Telephone calls from retirees to the RBC Investor Services Trust |
| 66,145 | Transactions completed for members by the Pension Centre |
| 138,813 | Pension estimates using the online calculator |
| 84% | Members' satisfaction score |
| 86% | Target score |

**The Pension Centre is committed to prompt, proactive and compassionate service for all Plan members.**

## Canada Life Call Centre for DC members

Representatives at the Canada Life Call Centre provide services such as helping members determine their investment personality, assist with selecting their investment options and completing the retirement goal-setting tool. In addition, Plan members have access to Canada Life's health and wealth consultants. They are licensed health and wealth professionals dedicated to delivering personalized support to help members reach their wealth and health goals.

| | |
|---|---|
| 1,404 | Telephone calls from members; top three reasons for calls were termination/retirement options, balance inquiries and withdrawals |
| 75% | Members' satisfaction score |
| 85% | Target score |
| 53 | Calls with health and wealth consultants |
| 100% | Members' satisfaction score with health and wealth consultants |

## Pre-retirement webinar for DB members

The pre-retirement webinar is offered to DB members to help them get ready to embark on the retirement journey. This webinar is by invitation only for members who are within 10 years of an unreduced pension. Topics include the features of the Canada Post Pension Plan, post-retirement benefits, government programs, financial planning, wills and estate planning, and health and wellness.

| | |
|---|---|
| 823 | Webinar registrations |

## Webinars for DC members

DC members have access to a series of free live educational webinars offered by Canada Life. These interactive webinars are designed to provide easy-to-understand information about financial and retirement planning for members at all career stages. Visit **mycanadalifeatwork.com** to register for an upcoming session.

| | |
|---|---|
| 1 | Canada Life webinar |
| 4 | Multi-employer webinars |
| 490 | Webinar registrations |

## Online tools for DC members

Review your investments at **mycanadalifeatwork.com**. Are you on track to reach your retirement goals? Use the retirement goal-setting tool to see if you are on track with your savings. To find out which investment options are right for you, use the investment personality questionnaire. Discover the tools and resources available to you in the Info centre of **mycanadalifeatwork.com**. You can view or update your investment instructions, find out when investments reach their maturity date or activate the automatic investment rebalancing feature.

**As at December 31, 2023**

| | |
|---|---|
| 9% | Completed the retirement goal-setting tool |

# Defined Benefit (DB) Component – Overview of 2023

**DB assets**

**$30.8** billion

Net investment **assets** as at December 31, 2023

**Rate of return in 2023**

**7.7%**

**Benchmark**

9.9%

**Funded status estimated as at December 31, 2023**

| **Solvency surplus market value**[1] (wind-up basis) | **Going-concern surplus** |
|---|---|
| $2.1 billion | $7.5 billion |
| 107.2% funded | 130.9% funded |

Canada Post estimates that it will not have to make employer contributions in 2024.

**Solvency surplus**[1]
(three-year average)

$0.6 billion 102.0% funded

**Contributions in 2023**

**Members**

$251 million[2]

**Canada Post current service**

$37 million

**Canada Post special payments**

$1 million

**Benefits paid in 2023**

$1,226 million

1. See page 30.
2. Amount includes $2 million of elective service contributions.

**Calls from members** to Pension Centre

49,222

**Members' satisfaction score**

84%

**Unique visitors at cpcpension.com**

79,357

# Defined Contribution (DC) Component – Overview of 2023

**DC assets** $211.7 million

**VSP[1] assets** $26.0 million

**Total assets** $237.7 million

Net investment assets as at December 31, 2023

1. Voluntary Savings Plan.

## Range of rates of return in 2023

5.05% 13.06%* 22.80%

**Benchmark:** Members can refer to the investment performance section on **mycanadalifeatwork.com** to view fund reports including benchmarking information.

*The numbers shown above represent the range of the 2023 returns of all the funds available in the DC component, from the lowest to the highest, with 13.06% being the average. See page 24 for the list of the DC fund investment rates of return.

| As at December 31 | 2022 | 2023 |
|---|---|---|
| Active members | 6,060 | 6,839 |
| Deferred members | 614 | 528 |
| DC assets | $153.5M | $211.7M |
| Canada Post contributions | $22.7M | $27.6M |
| Members' contributions | $13.6M | $16.5M |
| Net investment income | ($14.4M) | $22.2M |
| Withdrawals and expenses | ($8.1M) | ($8.1M) |
| **Average contribution (% of pay)** | **2022** | **2023** |
| Canada Post | 6.4% | 6.4% |
| Members | 3.9% | 3.9% |
| **Voluntary Savings Plan (VSP)** | **2022** | **2023** |
| Assets | $20.8M | $26.0M |
| VSP member average contribution (% of pay) | 4.0% | 4.1% |
| VSP members | 1,101 | 1,119 |

**Calls from members**
**to the Canada Life Call Centre**

1,404

**Members' satisfaction score**

75%

**Visitors at welcome.canadalife.com/canadapost**

1,177

## Want to know how your investments did in 2023?

Refer to your Canada Life personalized statement dated December 31, 2023, sent to your home, or visit **mycanadalifeatwork.com**.

# Plan Governance

**Canada Post's vision is for all Pension Plan members to have a financially secure retirement, and its mission is to prudently administer the Plan for the benefit of its members.**

Canada Post, as Plan sponsor, is responsible for the funding of the Plan and its design as it determines the benefits offered to Plan members. Canada Post is also the Plan administrator and is responsible for managing the Plan and investing the pension funds.

The Board of Directors of Canada Post oversees these activities to ensure they are conducted responsibly and in the best interest of all Plan members. In carrying out its responsibilities, the Board follows its standards of conduct, which contain ethical rules on matters such as conflict of interest, care, diligence and skill (available at **canadapost.ca** > Our company > About us > Our leadership > Corporate governance).

A robust governance structure was established by the Board for the Plan (below).

The committees that report directly to the Board are made up of selected Board members with expertise in pension plans. The Investment Advisory Committee and the Pension Advisory Council (PAC) include representatives of the bargaining agents and advise the Pension Committee on investment and administrative matters. The reports of the PAC meetings can be found at **cpcpension.com** > Governance > Pension Advisory Council > PAC meetings.

For more information, visit **cpcpension.com** under Governance.

**Canada Post Board of Directors**
Oversees activities conducted by the Plan sponsor and Plan administrator.

**Audit Committee**
Reviews and recommends approval of the financial statements and reviews Plan audits.

**Pension Committee**
Oversees the strategic direction of the Plan, fund investments and administration activities.

**Human Resources and Compensation Committee**
Reviews and recommends pension benefit policies, Plan design and employee/employer contribution rates.

**Environmental Social Governance Committee**
Reviews and recommends improvements pertaining to environmental and social responsibility.

**Investment Advisory Committee**
Provides expert investment advice.

**Pension Advisory Council**
Reviews communication, financial, actuarial and administrative aspects of the Plan.

### Membership of the Canada Post Board of Directors and committees as at December 31, 2023

**Board of Directors**

Suromitra Sanatani LL.B, ICD.D (Chair)[1,2,3,4]
Doug Ettinger
Louise Champoux-Paillé C.M., C.Q.[3,4]
Krista Collinson[2,4]
Ron Cuthbertson[1,3]
Ricky Fontaine[2,4]
Claude Germain[1,2]
André Hudon[3,4]
Ann MacKenzie[1,2,3]
Tom Ruth[1,4]
Melissa Sonberg[1,3]

1. Member of the Pension Committee
2. Member of the Audit Committee
3. Member of the Human Resources and Compensation Committee
4. Member of the Environmental, Social and Governance Committee

APOC Association of Postal Officials of Canada
CPAA Canadian Postmasters and Assistants Association
CUPW Canadian Union of Postal Workers
PSAC Public Service Alliance of Canada
UPCE Union of Postal Communications Employees

Member biographies are available at **cpcpension.com**.

**Investment Advisory Committee**

Michael Butera (Interim Chair)
Phillip H. Doherty BComm, MBA, FCPA, FCA
Rindala El-Hage CPA, CA
Ann MacKenzie
Aida Tammer CFA, ICD.D

**Union representatives**
Isla Carmichael Ph.D
Chris Roberts Ph.D

**Pension Advisory Council**

**Canada Post representatives**
Michael Butera (Chair)
Julie Philippe CHRP
Ariane Sauvé MBA, B.Com
Adam Taouabit MBA, CPA, CMA
Dawn-Lee Wainwright CPA, CA

**Elected representatives**
Karen Kennedy (retired members)
Jaye Poirier (management and exempt members)
David Taylor (retired members)
Raymond Tsang (all active members)
Peter Whitaker (retired members)

**Union and association representatives**
Jean-Charles Bédard (PSAC/UPCE)
Martin Champagne (CUPW)
Beverly Collins (CUPW)
Rona Eckert (CUPW)
Catherine Chazalon (CPAA)
Jean-Pierre Noël (PSAC/UPCE, APOC, CPAA)
Sylvain Sicotte (CUPW)
Joe Blanchard (APOC)

## Delegated duties and responsibilities to qualified professionals

The Pension Committee of the Board delegates the investment and administrative activities of the Plan to the Canada Post Investment Division, Pension Finance and Pension Policy teams. These are teams of qualified professionals who have the knowledge, skills, information resources and expertise to fulfill their specialized functions. In addition to the internally managed investment mandates, the Investment Division team also selects reputable external investment managers to execute specific investment mandates in accordance with our statements of investment policies and procedures.

The Pension Committee also uses other external service providers with specialized expertise, such as actuarial and consulting firms, as required. For more information on how the Plan is administered and supported, visit **cpcpension.com** under Governance overview.

## Our good governance practices

**Risk management**

The Board has established a risk management framework that defines the risk tolerance for the Plan in matters of administration and investment. The framework guides the development of strategies to meet overall objectives. In addition, the Pension Committee consults with the Pension Risk Management Officer who provides advice on any potential risk exposures.

The risk management strategy appears on pages 12-14.

**Monitoring**

This practice includes the quarterly review of investment performance and funded ratios. Investment compliance checklists, service performance, service provider contracts, investment managers (internal and external) and service level agreements are also monitored regularly.

**Assessment**

Effective governance and prudent investment practices are reviewed annually through the questionnaires of the Canadian Association of Pension Supervisory Authorities (CAPSA). The Pension Committee reviews results to determine how successfully the Plan follows CAPSA's guidelines. See **capsa-acor.org**.

**Audit**

Regular audits are conducted by independent external auditors and by our internal auditors. In addition, the Office of the Superintendent of Financial Institutions (OSFI) can carry out on-site governance reviews from time to time.

**Communication**

Communication with DB and DC members of the Plan occurs through a number of publications and initiatives. In 2023, we communicated with members by producing the 2022 Report to Members, personalized pension statements for active members and retired DB members, and the *Intouch* newsletter. DC members received additional communications from Canada Life, the DC service provider. Most of the publications noted here, as well as the Plan's audited financial statements, are available at **cpcpension.com**.

In 2023, the Communications and Consultation Group (C&C Group) met jointly with PAC members on three occasions. To stay informed and connected on the activities of the C&C Group, visit **cpcpension.com** > C&C Group. Plan members are invited to send their questions and concerns to the C&C Group at **GroupeCCGroup@canadapost.ca**.

# Environmental, Social and Governance Strategy

The Canada Post Corporation Registered Pension Plan integrates environmental, social and governance (ESG) factors into its investment strategy while maintaining a focus on returns for our employees and pensioners. Our approach is based on our beliefs that long-term value creation requires effective management of environmental and social risks and opportunities, and that good governance leads to better returns.

Our ESG investment strategy has four key pillars:

1. **Integration** – We will work to incorporate ESG issues into our investment strategy, analysis and decision-making.
2. **Engagement** – We will engage with companies on ESG issues, and expect our asset managers to engage as well.
3. **Advocacy** – We will advocate for policies and practices that support a more sustainable and inclusive future.
4. **Investment** – We will seek opportunities to invest in solutions that contribute to the improved long-term sustainability outcomes.

## Our ESG strategic priorities

Here are our positions and expectations:

**Climate change**

Climate change is a systemic and material risk to the global economy and humanity. Failure to act will have catastrophic and pervasive consequences, notably for capital markets and asset valuations. As a result, climate considerations, with respect to physical and transition risk, are considered in our investment strategy, engagement activity and voting practices.

In 2023, we undertook a carbon footprinting baseline exercise for the year 2019 across the majority of our assets under management. Asset classes in this initial exercise included public **equities**, corporate **fixed income**, private equities, and infrastructure and real estate. We will continue to collect greenhouse gas emission data in order to move toward setting asset class-specific interim emission-reduction targets in line with our net-zero-by-2050 commitment. We expect to publish our official Climate Action Plan in 2024.

Our efforts are intended to encourage all companies to align with this ambition and clearly articulate climate strategies and transition pathways that will deliver net-zero emissions by the middle of the century. Climate targets should be built around robust methodologies, such as the Science Based Targets Initiative (SBTi) framework.

**Equity, diversity and inclusion (EDI)**

At Canada Post, we embrace EDI within our own Plan team and across the leadership of our investment portfolio. We believe that promoting equity, diversity and inclusion is not only the right thing to do but that it can also be financially beneficial.

We expect public companies in which we invest to have a board with at least 40% of its members who are women. For Canadian and U.S. public companies, we expect a minimum of 20% of the board to be represented by racially or ethnically diverse directors. We expect our managers to promote EDI within their internal operations and disclose any relevant diversity policies, strategies and targets, and progress toward such targets. We are a member of the 30% Club Investor Group and the Real Property Association of Canada (REALPAC) Diversity & Inclusion Committee. In 2023, we became an LP Member of the Institutional Limited Partners Association (ILPA) Diversity in Action Initiative, which sets out mandatory actions for organizations to fulfill with the objective of progressing EDI within private equity.

## ESG implementation

We made the following progress in 2023 across the four pillars of our ESG investment strategy.

**1. Integration**

- Conducted ESG due diligence on every new fund allocation made in 2023, with the findings included in the investment recommendation memo to the Investment Advisory Committee and Pension Committee.
- Assessed 22 of our infrastructure and private equity managers on ESG performance, including across our key areas of climate change and EDI. We expect to engage with each manager to share best practices in 2024, while also expanding the assessments to include private debt managers and external public equity managers.
- Updated our ESG provisions of side letters for all new infrastructure and private equity fund mandates.

**2. Engagement**

- Engaged with all of our real estate managers on ESG performance. We expect to update our real estate ESG questionnaire in 2024, while continuing to have annual discussions with our managers on the topic.
- Engaged with portfolio companies, including Enbridge, TC Energy, Caterpillar and TransAlta Corporation for more ambitious climate strategies through collaborative investor initiatives (such as Climate Action 100+ and Climate Engagement Canada).

A proud participant of: Climate Action 100+ Global Investors Driving Business Transition

CLIMATE ENGAGEMENT CANADA

**3. Advocacy**

- Continued to engage actively in industry working groups including REALPAC ESG Committee, Responsible Investment Association (RIA) ESG Working Group, Ceres Private Equity and Infrastructure working groups.

**4. Investments**

At the end of 2023, the DB component of the Pension Plan reported the following results:

- We invested $1.1 billion in buildings that have LEED[1] or BOMA BEST[2] ratings (environmental assessment and sustainable building certification programs for real estate).
- In our infrastructure portfolio, we have $305 million invested in renewable energy and energy storage, which includes wind power, hydroelectric power, solar power, biomass, energy from waste and energy storage.
- In our public fixed income portfolio, we invested $318 million in green and sustainability-linked **bonds**.

The Pension Plan is a signatory to the Principles for Responsible Investment (PRI) and a member of the Canadian RIA.

PRI Principles for Responsible Investment

RIA Responsible Investment Association

1. Leadership in Energy and Environmental Design.
2. Building Owners and Managers Association – Building Environmental Standards.

# Risk Management Strategy – DB Component

There are many factors that can pose a risk to the health of a pension plan. The main ones are funding risk and investment risk.

There are three main levers available to pension plan sponsors to manage pension risks:

**Funding policy**
(contributions from employer and employees)

**Investment policy**
(return enhancement and/or risk reduction strategies and risk transfer strategies such as longevity insurance and buying annuities)

**Benefits policy**
(level and type of pension benefits offered)

## Understanding the risk factors of a pension plan

**Funding risk**

Funding risk is one of the main risks faced by the Plan. It is the risk that the Plan's investment asset growth and contribution rates will not be sufficient leading to the inability to cover the Plan's **pension obligations**. Among the most significant contributors to this inability for the Canada Post Pension Plan – DB component:

- declining **discount rates**, i.e., interest rates net of **inflation** (real interest rates) resulting in increased **liabilities**;
- insufficient investment returns having the impact of reducing plan assets.

Throughout 2023, the Plan's net funded position maintained its surplus:

- The Plan's liabilities increased since the end of 2022 due to a slight decrease in the Plan's real discount rate.
- Positive plan investment returns for 2023 led to an increase in plan assets over the same period, offsetting the increase in liabilities and resulting in a very similar funded position year over year.

The unpredictable nature of financial markets can lead to abrupt changes in plan assets and liabilities resulting in changes to the Plan's net funded status. Such changes can result in a mismatch between the Plan's assets and its obligations.

**Liability-driven investing (LDI)**: Asset-liability studies are conducted from time to time to inform the Plan's investment strategy. These studies evaluate how different investment strategies would perform in varying economic scenarios and examines how risks that we care about might evolve in different markets. The studies take into account Plan members' age, the number of retirees and other demographic factors ultimately showing how Canada Post contribution levels and benefit security measures such as solvency ratio and going-concern funded ratio evolve over time.

The primary focus of the investment strategy is to minimize the difference between the rate of growth between net investment assets and pension obligations, while at the same time maintaining a reasonable rate of return on the Plan's investments. To do so, the Plan employs an approach known as liability-driven investing (LDI) – an investment strategy that manages the Plan's assets relative to its liabilities.

Funding volatility is minimized by better matching of the Plan's assets with the liabilities. The LDI strategy attempts to increase the Plan's interest rate hedge ratio. The fixed income target allocation is increased as solvency levels go up. Finally, the target allocation to **alternative assets**, i.e., private equities, real estate and infrastructure, is increased gradually to potentially enhance long-term returns, while diversifying risk.

The Pension Committee manages funding risk by monitoring and reviewing the funded ratio on a regular basis to ensure that funding objectives are suitable and that investment decisions are made in accordance with the Statement of Investment Policies and Procedures – DB component and in consideration of the Plan's demographics and long-term obligations.

The Investment Division team oversees compliance with the statements of investment policies and procedures approved by the Pension Committee, which establish guidelines for prudent risk levels through diversification of asset classes and types, industry sectors, geographic/economic areas, management styles, liquidity and **market capitalization**. Unintended risks, such as large exposures or concentration in a particular industry sector, are clearly identified to the appropriate investment manager, as well as to the Chief Investment Officer and the Pension Committee.

**Investment risk**

The Plan is subject to a variety of investment risks that could adversely affect its cash flows, financial position, and income. Investment risks include equity risk through stock holdings as well as interest rate risk and credit risk within the fixed income portfolio. Investments are subject to price risk and liquidity risk. Price risk or valuation risk occurs when the price paid for an asset is too high. The Investment Division team and external investment managers carefully review the financial metrics prior to making an investment to prevent overpaying. Liquidity risk is the inability to buy or sell an investment in a timely manner at a fair price.

A large portion of total assets have daily liquidity, and the Investment Division team monitors short-term funding needs on a weekly basis.

Investments are also made in foreign markets so there is exposure to currency risk, which is partially mitigated through **hedging** strategies. Additional measures are taken to minimize the potential adverse effect of these risks and to optimize gains over the entire portfolio in order to fulfill the promise to Plan members of providing pension benefits, at a reasonable cost.

The risk management framework guides the development of investment strategies to meet overall objectives. Each asset class has its own risks and limits, such as limits on exposures, concentrations, leverage, and counterparties. Each asset class and its associated risks are closely monitored by the Investment Division team, and appropriate action is taken according to the Plan's statements of investment policies and procedures.

Every quarter, investment risks are reviewed by the Pension Committee and the Investment Advisory Committee based on reports from the Investment Division team.

**Benefits policy and other risks**

The Plan faces other risks that are not of a financial nature, such as demographic factors including the longevity of pensioners (how long retirees are living compared to what was expected) and the rules surrounding the funding of pension plans that are under the jurisdiction of the *Pension Benefits Standards Act, 1985*, and other applicable legislation and standards. We monitor pension industry trends and the developments in legislation to respond appropriately when changes occur.

## Statement of Investment Policies and Procedures – DB

The Pension Committee has established a Statement of Investment Policies and Procedures (SIPP) to effectively monitor and manage investment risk within the Plan.

The SIPP – Defined Benefit Component (SIPP-DB) is the governing document that provides guidance for investing the DB assets of the Plan. The SIPP-DB details fund governance, Plan characteristics, liabilities, investment objectives, asset-mix policy, permitted investments and constraints, as well as other requirements concerning the investment and administration of the Plan's DB assets.

The SIPP-DB is reviewed and approved once a year by the Pension Committee. The **actuary** of the Plan and the members of the Pension Advisory Council receive a copy of the updated SIPP-DB after its approval. The SIPPs of the Plan are available at **cpcpension.com** under Governance documents.

# Risk Management Strategy – DC Component

DC Plan members have diverse demographics, varying levels of investment and financial experience, and different risk tolerances. The Corporation believes that the best way to address the diverse investment needs of DC Plan members is to offer a range of investment options including market-based options (investment funds) that cover the major asset classes and the risk/return spectrum appropriate for retirement funds.

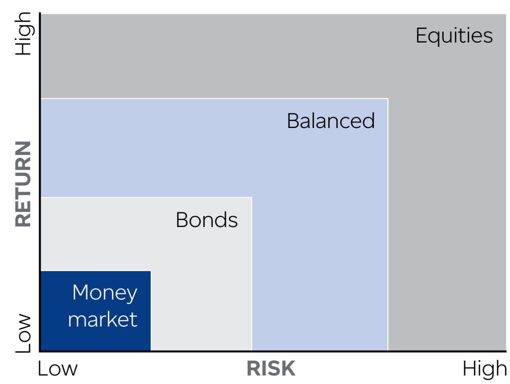
Different funds and investment approaches may be appropriate for different points in a member's career, since the options range from low risk/return to higher risk/return. Members of the DC Plan have access to Canada Life's website, **mycanadalifeatwork.com**, which has tools and information to build their investor profile and investment strategy, and revise them as life goes on. The site also offers all the information they need about the investment funds offered and historical fund returns. It is the member's responsibility to use this information and make informed choices.

If investment returns are high, for funds such as fixed income or equity funds, members reap the rewards and bear the risk. Segregated funds, in which member contributions are invested, are held separately from the assets of Canada Life and, while fund values fluctuate, the money is always used for the members' benefit.

Certain funds offered under the DC component of the Pension Plan entail more risk than others. Members need to ask themselves if they are comfortable with the level of risk that comes with their asset allocation. Tools at **mycanadalifeatwork.com** can help members with their decisions.

Canada Post reviews the performance of the funds in the DC component of the Pension Plan at least semi-annually and assesses the **fund manager**'s performance against relevant qualitative and quantitative factors, periodically, but no less frequently than annually and may propose changes to the existing fund selection or add new funds, if required.

**Understanding risk against return**




## Statement of Investment Policies and Procedures – CAP

The Pension Committee has established a statement of investment policies and procedures to effectively monitor and manage investment risk within the Plan.

The Statement of Investment Policies and Procedures – Capital Accumulation Plans (SIPP-CAP) is the governing document for the investment structure of the **capital accumulation plans** (CAP) offered by Canada Post, including the DC component of the Plan. The SIPP-CAP covers fund governance, the investment structure and beliefs, as well as other requirements in the investment and administration of the CAP assets. The investment objectives set out in the SIPP-CAP are fulfilled as a part of the contractual obligations of the DC service provider, Canada Life.

The SIPP-CAP is reviewed and approved once a year by the Pension Committee. The actuary of the Plan and the members of the Pension Advisory Council receive a copy of the updated SIPP-CAP after its approval. The SIPPs of the Plan are available at **cpcpension.com** under Governance documents.

## Outlook for 2024

**Governance activities review:** Canada Post will complete a review of governance activities that meets key requirements of the Joint Forum of Financial Market Regulators Guidelines for Capital Accumulation Plans.

**Administration activities:** Canada Post will continue to work on improving the member experience and ensure that members have access to best-in-class products and services.

# Our Investments – DB Component

**Michael A. Butera**
Vice-President, Pension Fund and Chief Investment Officer

Market performance in 2023 was markedly different from 2022. Several asset classes performed better than in 2022, exceeding consensus expectations. Global growth remained positive. Central banks paused interest rate hikes, inflation slowed and earnings growth and labour market strength continued – all of which contributed to a better year than forecasted. The year ended with a broad-based equity rally in November and December as Federal Reserve policymakers signalled that their rate-hiking efforts may be coming to an end.

The Canada Post Corporation Registered Pension Plan – DB component showed positive absolute returns for the year. The Plan's returns were competitive when compared to other pension plans.

Net investment assets of the Plan totalled $30.8 billion as of December 31, 2023, compared to $29.5 billion at the end of 2022 and $32.3 billion at the end of 2021. After significantly exceeding its benchmark return in 2022, the Plan delivered a return of 7.7% for 2023, below its benchmark return of 9.9%. The Plan's 2023 return placed in the middle of Canadian pension plans.

Over the past four calendar years, the Plan provided a return of 5.1%, exceeding its benchmark of 4.2%. Over the long term, the Plan's record of outperformance has continued. In the past 10 years, the Plan's average annual return was 7.2%. During this period the Plan outperformed its benchmark of 6.1% and its return objective over time of 6.5%. We attribute this success in part to the Plan's investment strategy. By actively managing our portfolio, we have added $3.1 billion in value above the benchmark return over the last 10 years.

The Plan is implementing the investment strategy that was approved by the Board of Directors in 2022. The strategy is focused on the continued sustainability of the Plan through the gradual reduction of volatility between net investment assets and pension obligations, while maintaining returns on investments for Plan members. This disciplined approach to de-risking increases the allocation to alternatives such as real estate, infrastructure and private equity. The approach has also created a specific allocation to private debt, took first steps toward a global allocation within the public equity portfolio, and created an allocation to cash given the liquidity needs of the pension fund. With higher interest rates, the Plan's solvency ratio improved, leading to a contribution holiday for the Plan's sponsor. The bond overlay was also increased to raise the pension fund's exposure to liability-matching fixed income.

## Key drivers of Plan performance

- Throughout the year, a global softening of inflation provided central banks with an opportunity to pause further hikes in interest rates. Worldwide, stock markets made a remarkable recovery, rebounding from their worst performance since the financial crisis era. Despite escalating geopolitical unrest and ongoing market volatility, global equities experienced a significant upturn. U.S. large cap growth, and economic activity in Canada and EAFE (Europe, Australasia and Far East), especially in Japan, added value. Interest-rate sensitive industries began to benefit, while cyclical, high-growth technology, communications, and consumer discretionary sectors staged incredible rebounds, becoming the top-performing sectors of the year by a large margin. 2023 emerged as a kind of inverse to 2022. The best performers in 2022 – energy, value and defensive (staples, utilities and healthcare) equities – became the worst performers in 2023.
- In fixed income, all three actively managed mandates considerably surpassed their benchmarks, with especially strong outperformance in the Canadian Universe mandate. A conservative yet selective stance within credit positioning, in combination with tactical duration and yield curve management early in 2023, were largely responsible for this outperformance.
- The infrastructure portfolio outperformed its benchmark despite an uncertain global macro-environment, demonstrating its insulation from inflation, higher interest rates, and geopolitical tension. The increase in the market value of the infrastructure portfolio was driven by a combination of new deployment and valuation increases, net of distributions and asset realizations.

- Elevated government **bond yields** supported positive absolute returns for private debt. However, on a relative return basis, the private debt portfolio underperformed in 2023 due to fewer long-term, fixed rate positions and more floating interest rate investments, compared to the benchmark.
- Higher interest rates, lower transaction activity and an uncertain economic outlook weighed on portfolio company valuations. This contributed to a slightly positive private equity portfolio return that underperformed its benchmark for the year. The benchmark was buoyed by expectations of interest rate cuts and outperformance of large tech stocks. Private equity exceeded its benchmark significantly in 2022.
- While the real estate portfolio experienced stable income returns from its investment assets, the overall performance was negative. This was the result of deteriorating investor sentiment driven by inflation and higher interest rates, which translated into higher return requirements for all asset classes. The office sector was particularly impacted by weaker demand and higher vacancy rates due to hybrid work structures.

**Here are some financial market movements that affected the Plan's net investment assets in 2023:**

The environment at the end of 2023 was very different from its start. When 2023 began, the market consensus was that the global economy would tip into recession but this did not come to fruition.

Early in the year, central banks continued with interest rate hikes to fight inflation. The goal was to prevent above-target inflation from becoming entrenched, a situation in which inflation feeds on itself and it becomes increasingly difficult to contain. Generally, central banks have a 2% inflation target. Canada's inflation growth rate (consumer price index) slowed to 3.9% in 2023 from 6.8% in 2022.

The Bank of Canada increased its policy rate three times in 2023, each by 0.25%, until July 2023, and remained at 5.0% until year's end. The U.S. Federal Funds rate started off the year at 4.50% and after four 0.25% interest rate increases through to late July 2023, ended the year at 5.50%.

In fixed income markets, bond yields increased ahead of every central bank interest rate hike. The 10-year federal bond yield surged between May and October, reaching a 16-year high of 4.3%, before drifting down to levels prevailing at the start of 2023. The Canadian 10-year yield was 3.1% at the end of December 2023, virtually unchanged from the end of December 2022.

Equities were extremely volatile. Global equity markets experienced months of volatility. U.S. large cap growth equities rebounded from their sharp declines in 2022 due to excitement around generative artificial intelligence (AI). A handful of information technology stocks drove much of the gains. The stock markets declined from August to October, to near correction territory, as bond yields rose rapidly and capital markets started to believe central banks would keep interest rates higher for longer. A risk-on, broad-based equity rally occurred in November and December as market consensus turned yet again and Federal Reserve policymakers signalled that their rate-hiking efforts may be coming to an end. Interest rate sensitive industries began to benefit, even as the information technology sector continued to make gains.

Throughout 2023, the currency exchange rate relative to the U.S. dollar was mixed. The U.S. dollar weakened broadly in the fourth quarter of 2023 as investors rebalanced toward risk assets.

The world economy continued to grow, though at a slower trajectory. Inflation subsided and the labour market was resilient despite higher borrowing costs with global interest rates at four-decade highs in inflation-adjusted terms.

Lacklustre returns in defensive and value stocks, real estate, private equity, inflation-linked bonds and emerging market equities, along with the incredible rebound in a concentrated number of U.S. high-growth technology stocks, resulted in the Plan's return of 7.7% trailing its benchmark return of 9.9%. The Plan's liabilities continued to decrease with the increase in bond yields. The Plan added to its bond overlay strategy to increase the interest rate hedge ratio.

With the rise in the real discount rate (interest rates) combined with our prudent investment management, the Plan's solvency ratio remained strong in 2023. The solvency ratio was at 108.7% at the beginning of the year and was 107.2% as of December 31, 2023.

As a result of the solvency ratio continuing to be above 105%, the Corporation, as the sponsor of the Plan-DB component, was on a contribution holiday in 2023 and it is expected to remain on the contribution holiday in 2024.

## Investment objectives

The Plan's investment objectives are to select the appropriate asset mix and risk level to achieve returns above the benchmark and meet the Plan's long-term funding needs. Sound investment decisions contribute to the sustainability and affordability of the Plan and support Canada Post as it fulfills the promise to Plan members of providing pension benefits at a reasonable cost.

The Plan's asset-liability strategy is updated every three years. The strategy provides direction on how to maximize asset returns to meet pension promises, while minimizing fluctuations in the Plan's funded status and potential solvency payment obligations from the Plan sponsor. In 2022, the Board of Directors approved the study that updated the asset-liability strategy.

Execution of the strategy is under way with increases to the allocation of private market alternative asset classes, including real estate, private equity and infrastructure. In addition, a specific allocation to private debt was established. The implementation of a global approach for public equities was initiated. An allocation to cash was created given the liquidity needs of the pension fund. The bond overlay was increased from 8% to just over 10% to increase the pension fund's exposure to liability-matching fixed income. The equity hedge overlay was developed to enhance returns and manage risks.

The Plan's Statement of Investment Policies and Procedures – DB Component (SIPP-DB) was updated after the Board's approval of the strategy. It is updated whenever the Plan moves to a new asset mix and is reviewed on an annual basis.

The asset-liability strategy ensures that the Plan's asset mix better matches its liabilities and that its interest rate risk is reduced over time. The adoption of the strategy had reduced the Plan's funded status volatility.

In the long term, the Plan's record of outperformance relative to its benchmark portfolio has continued. The Plan's benchmark portfolio represents the performance of the market index for each of the asset classes in the Plan. Over 10 years, the Plan's average annual return was 7.2%, meaning the Plan outperformed its benchmark of 6.1% and its return objective over time of 6.5%. Over the short term, the Plan relies on a benchmark portfolio to evaluate investment performance.

## Asset mix

The Plan's asset mix is designed to maximize growth opportunities, minimize risks and meet the requirements of risk management. In accordance with the strategy, the Plan's asset mix targets and ranges were adjusted after the Board approved the investment strategy. As of year's end 2023, the asset mix targets are 57.0% in equities (public and private), real estate and infrastructure and 43.0% in fixed income.

The asset class mix is meant to provide the Plan with a long-term net rate of return of 4.5% above the estimated inflation rate of 2.0% for a total of 6.5%. It is estimated that this rate can support the Plan's investment objectives and the growth of its pension obligations.

At any given time, the asset mix may vary from the long-term targets. The SIPP-DB has minimum and maximum limits to allow for flexibility as market conditions change. The Plan's actual asset mix as of December 31, 2023, was 53.6% in equities (public and private), real estate and infrastructure, and 46.4% in fixed income and cash.

The performance of each asset class is measured against its own relevant benchmark. During the year, the Plan added to its bond overlay strategy to increase the interest rate hedge ratio. This was funded by cash raises from equities that were reinvested into bonds and derivatives. The Plan maintained a solvency ratio above 100% due to the increases in interest rates from an already high level from the prior year. The investment team uses its knowledge and expertise to manage the investment portfolio in accordance with the guidance provided by the SIPP-DB.

## Fund performance

The Plan posted a rate of return of 7.7% in 2023, compared to its benchmark return of 9.9%.

In the midterm, the four-year average annual return was 5.1% and in the long term, the 10-year average annual return was 7.2%. This compares favourably with the fund's portfolio benchmarks of 4.3% and 6.1% for the same periods. The Plan's evolving investment strategy contributed to this investment success.

The Plan's public equity, infrastructure and fixed income asset classes provided the best returns for the year as central banks paused interest rate hikes mid-year as inflation softened globally. Real estate marginally decreased in value over the year as investors increased their return requirements and demand slowed. Yet the portfolio exceeded the benchmark return.

Canadian equities had positive absolute and relative returns, driven by strong stock selection in active portfolios and a recovery in the Canadian stock market. U.S. equities generated the strongest absolute returns in 2023, but lagged its asset class benchmark, the S&P 500 index. The S&P 500 rebounded from 2022, its worst year since 2008, ending 2023 with a 22.9% return that was driven by the cyclical, high-growth technology, communications and consumer discretionary sectors. In fact, most of the S&P 500 Index return was driven by seven technology stocks and the investment team decided not to sacrifice prudent diversification to chase returns. International equities posted strong absolute returns due to strong returns of developed international stocks. Emerging market returns were in positive territory, though their returns trailed the other markets.

The active equities team completed the first step in its transition to a Canada + global allocation. The internal equities team implemented total return swaps across its two portfolios to complement their conventional investment approaches alongside a concerted effort to work closely with the investment operations team to improve existing functions.

In fixed income, all three actively managed mandates considerably surpassed their benchmarks. The Canadian Universe mandate had an especially strong outperformance due to a conservative yet selective stance within credit positioning, in combination with tactical duration and yield curve management early in 2023. The long bond portfolio outperformed its benchmark mostly due to positive duration and yield curve management, while the universe and corporate portfolio also benefited from selective sector overweights in the financial and real estate sectors, which outperformed in the second half of 2023.

The fixed income team completed its operating transition to a hybrid portfolio management system. The team will continue to automate and optimize its reporting and internal performance functions and will participate in future plan-wide system implementation initiatives.

The infrastructure portfolio outperformed its benchmark despite an uncertain global macro-environment, demonstrating insulation from inflation, higher interest rates, and geopolitical tension. The increase in the market value of the infrastructure portfolio was driven by a combination of new deployment and valuation increases, net of distributions and asset realizations.

The infrastructure investment team continued to advance a more active investment strategy and made two investments, a co-investment into a wireless tower owner/operator and an increased commitment into a North American renewable energy generation platform.

Elevated government bond yields supported positive absolute returns for private debt. On a relative return basis, the private debt portfolio underperformed in 2023 due to owning less long-term, fixed rate and more floating interest rate investments compared to the benchmark.

The private debt portfolio made inroads on its plan to diversify across regions and asset types during the year. Of particular note, several fund commitments were made during 2023 that should bolster its non-North American investments in due time.

Private equity returns were slightly positive in 2023 as rising interest rates, lower transaction activity and macro-economic uncertainty led to managers holding portfolio company valuations fairly constant for the year. On a relative basis, the portfolio underperformed its benchmark, as the index return was driven by optimism over potential Federal Reserve interest rate cuts and the strong performance of the "Magnificent Seven" stocks, neither of which impacted on the private equity portfolio.

While the real estate portfolio experienced stable income return from its investment assets in 2023, the overall performance was negative as a result of the deterioration of investor sentiment driven by inflation and increased interest rates, which translated into increased return requirements for all asset classes. The office sector was particularly impacted by weaker demand and the effects of a hybrid work structure that increased vacancy rates. The Plan continued to invest in core assets with strong cash flow and growth potential in line with the portfolio strategy including investments in development assets for long-term hold and the construction of some industrial/logistics assets integrating zero-carbon design features. Overall, the real estate portfolio exceeded the benchmark return.

## Outlook for 2024

**Funded status volatility, the movement of investment returns and pension obligations will continue to be monitored closely.** The Plan's Investment Division team will continue to execute on its strategic priorities, which are based on the Board-approved strategic asset allocation.

**The public equity portfolio redesign will continue.** In 2024, the Plan will refine its implementation roadmap for portfolio construction and continue manager searches and selections in certain externally managed public equity sub-asset classes.

The internal equity portfolio is committed to further developing the derivative overlay program to enhance returns and manage risks. The concerted effort to work closely with the investment operations team to improve existing functions will continue. The focus will be on innovating and refining the processes further across the front, middle and back-office segments to maximize the efficiency of the investment process.

For 2024, the fixed income portfolio plans to build on the success of this year and continue to exhibit a cautious stance in risk management as we enter a period of heightened market uncertainty, with questions surrounding the persistence of inflation and the Federal Reserve's response as the primary concerns.

**The Plan will continue to increase its investments in alternative assets.** The infrastructure portfolio will continue to focus our investment manager relationships, while building relationships with new managers to deliver deployment targets. Co-investment will remain a key part of the strategy and will be targeted toward filling sector or geographic gaps. The investment appetite outside North America and Europe is expected to focus on developed and politically stable markets through co-investment with strong managers. Recruitment of high performers will replace existing vacancies and support portfolio growth. We will add to our suite of investment management tools to enhance our investment coverage, transaction execution, and portfolio analytics and management capabilities.

Private debt will continue to establish new manager relationships and fund investments in the pursuit of a larger and broader investment portfolio. In the year ahead, additional investment commitments will be made to improve diversification by investment strategy, debt security and geography.

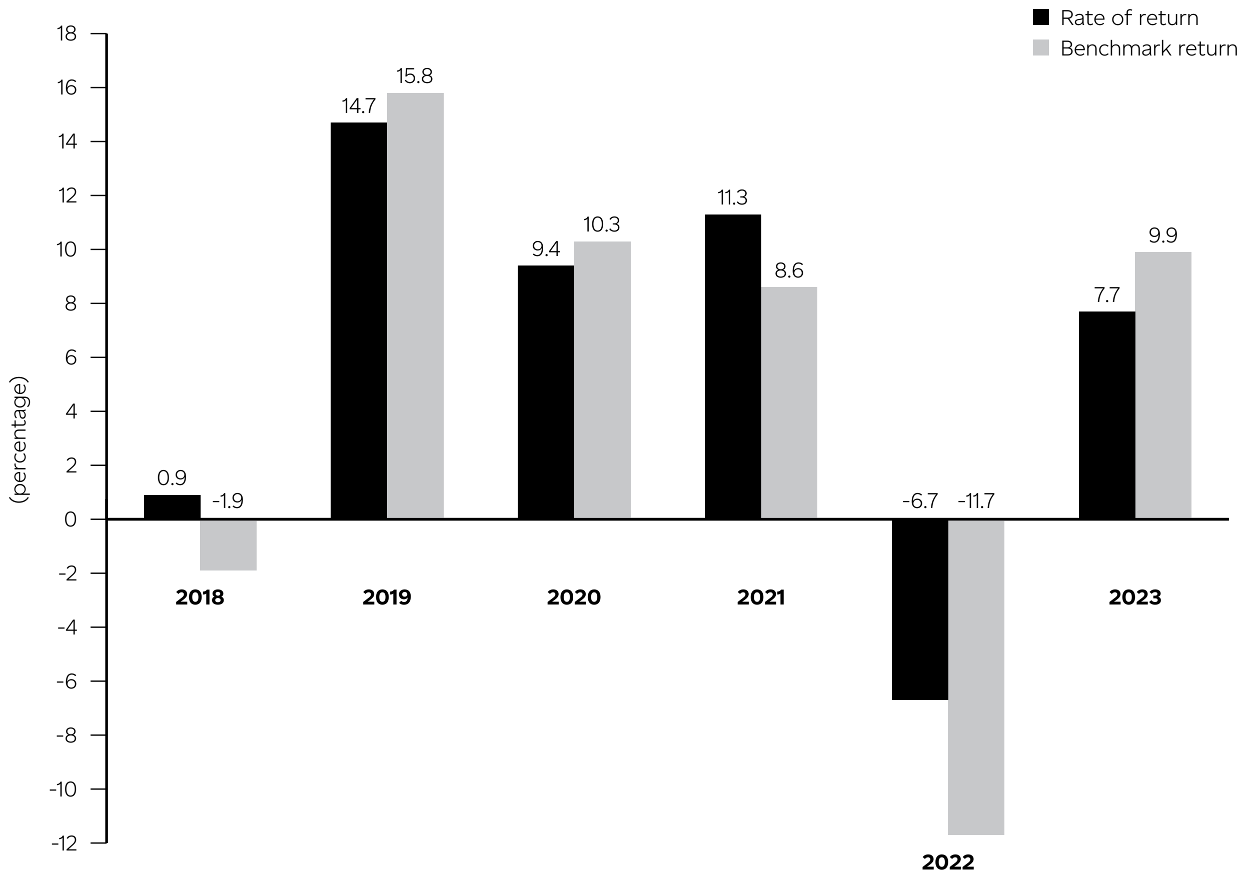
Private equity will continue to invest with existing managers in the portfolio that have demonstrated strong performance, while also working toward identifying high conviction managers that were previously difficult to access. In addition, the team will work toward new investments in growth equity and developing the pipeline outside of Canada and the United States.

In 2024, the goals for the real estate portfolio include the expansion of the non-domestic allocation, diversification of the asset base with alternative investments, reduction of office asset exposure and the continuation of the portfolio's decarbonization.

**For 2024, the Plan will complete our top ESG priority, our Climate Action Plan.** This plan will continue to embed climate considerations into our portfolio construction and manager selection; set interim climate-related targets in line with achieving net-zero emissions by 2050; identify our engagement and advocacy priorities; and build climate-related capabilities within the investment team.

**We will maintain our commitment to meeting the Plan's long-term funding objectives.** Through appropriate asset allocation and risk mitigation regarding our liabilities, we aim to earn returns above the benchmark portfolio, while considering economic and demographic changes. We will continue to implement strategies designed to increase sustainable returns without taking undue risks.

## Rate of return against benchmark

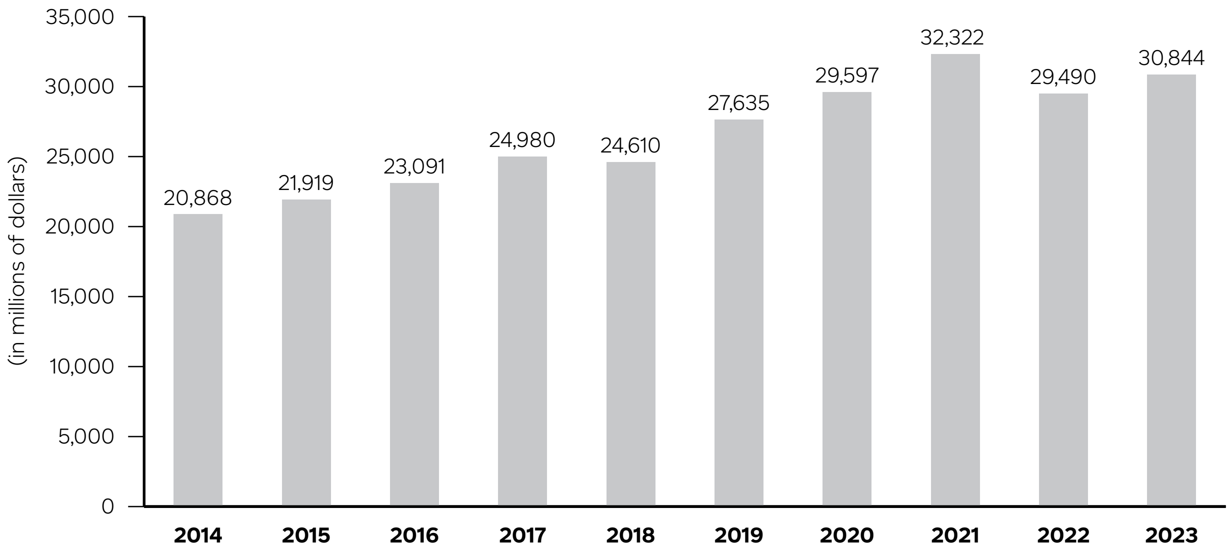



Rate of return against benchmark data table

## Rate of return

| | Since Plan inception | Over the last 10 years | Over the last 5 years | 2022 | 2023 |
|---|---|---|---|---|---|
| Our Plan | 6.6% | 7.2% | 7.0% | -6.7% | **7.7%** |
| Our benchmark | 5.4% | 6.1% | 6.5% | -11.7% | **9.9%** |
| Rate of return objective over time | | | 6.5% | | |

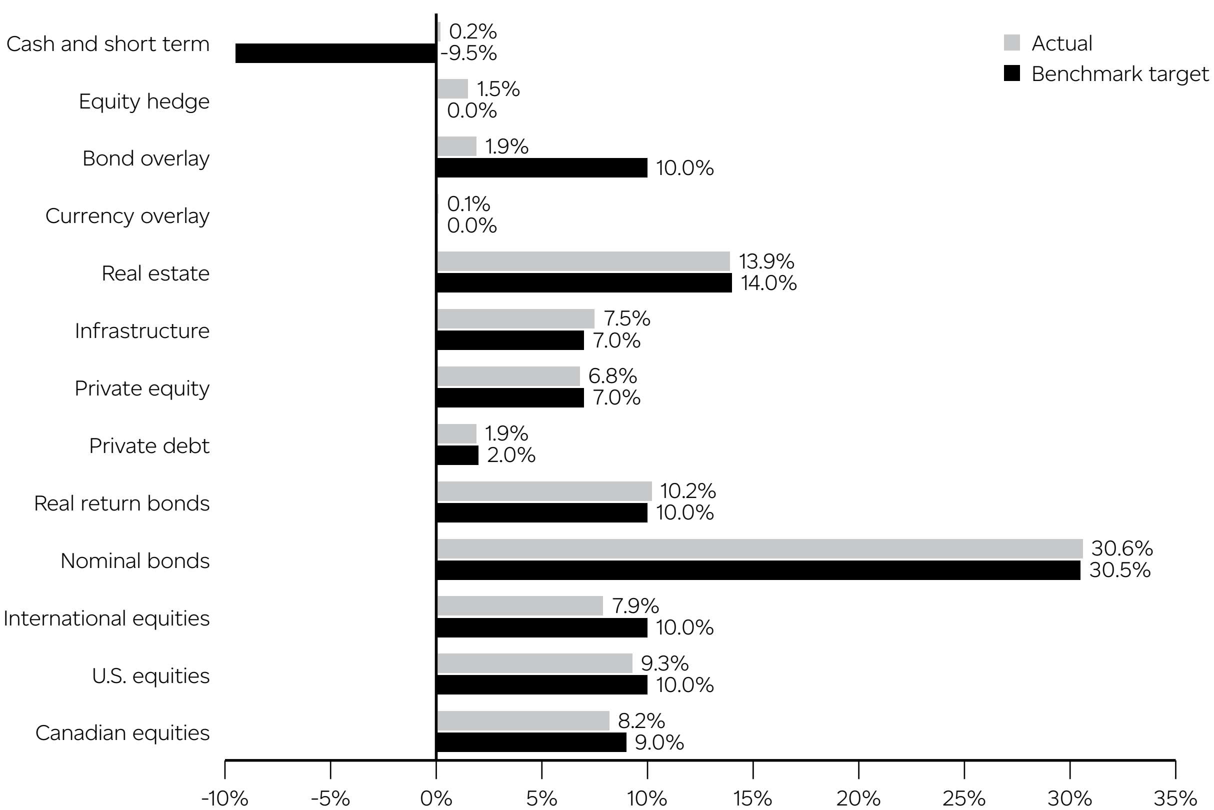
## Net investment assets




Net investment assets are defined as investments plus investment-related receivables, minus investment-related liabilities.

Net investment assets data table

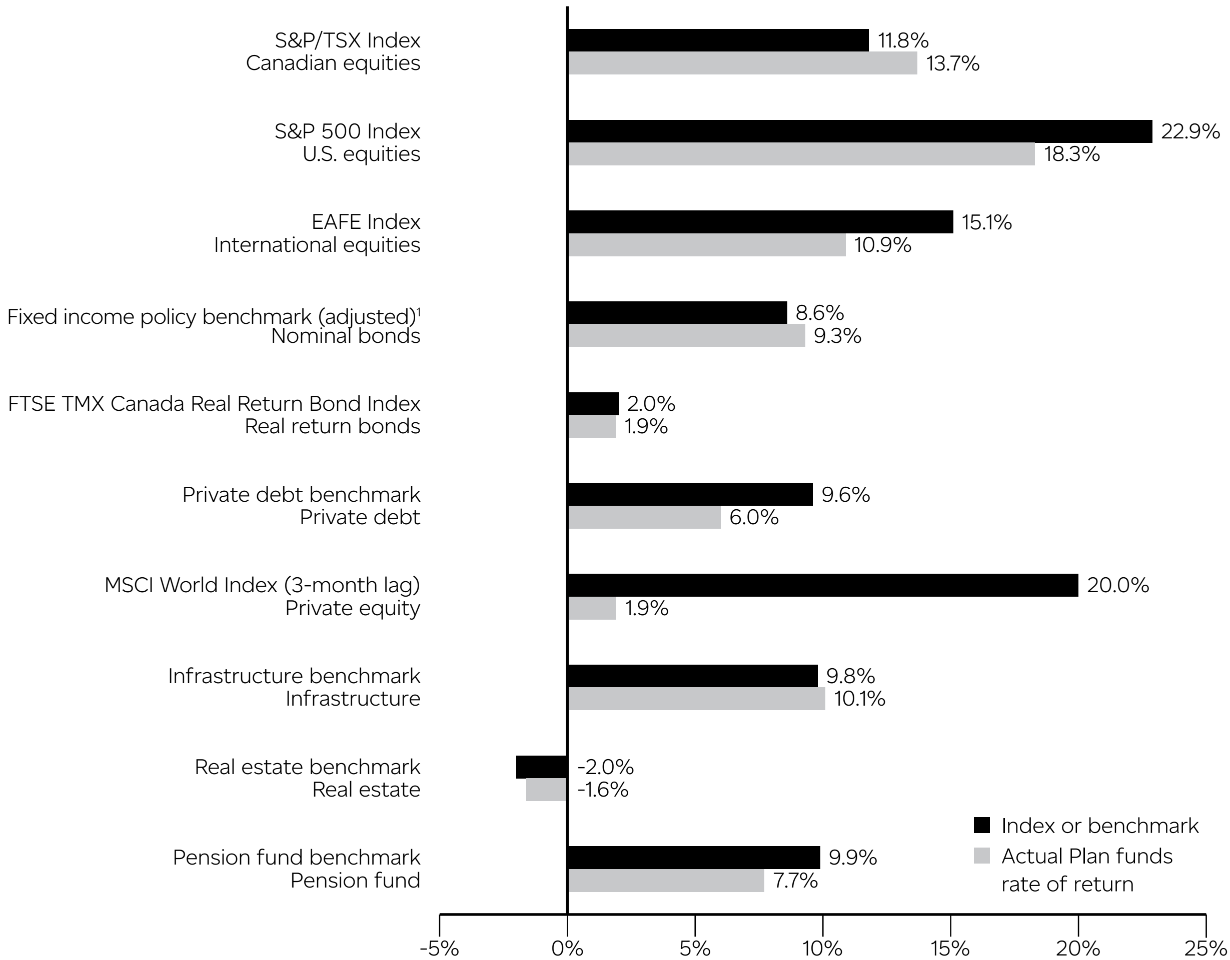
## Asset mix




International equities include emerging markets. Nominal bonds include long bonds. Numbers may not add up due to rounding.

Asset mix (DB component) data table

## Rates of return by asset class and total Plan




1. Fixed income policy benchmark excluding real return bond index and private debt benchmark.

Rates of return by asset class and total Plan data table

## Investment management costs

**CEM Benchmarking Survey**

| Per $100 of average assets | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Plan | $0.41 | $0.42 | $0.41 | $0.40 | $0.41 |
| Peer group | $0.48 | $0.47 | $0.47 | $0.45 | $0.49 |
| Benchmark | $0.48 | $0.46 | $0.43 | $0.43 | $0.47 |
| The Plan's investment costs were $15.7 million below benchmark costs. | | | | | |

## Equity holdings greater than 0.25% of Plan assets

As at December 31, 2023 (in millions of dollars)

| | Market value | Percentage of overall fund |
|---|---|---|
| Microsoft Corp. | 103.9 | 0.34 |
| Apple Inc. | 97.8 | 0.32 |
| Canadian National Railway | 77.3 | 0.25 |
| Royal Bank of Canada | 76.7 | 0.25 |
| | **$355.7** | **1.16%** |

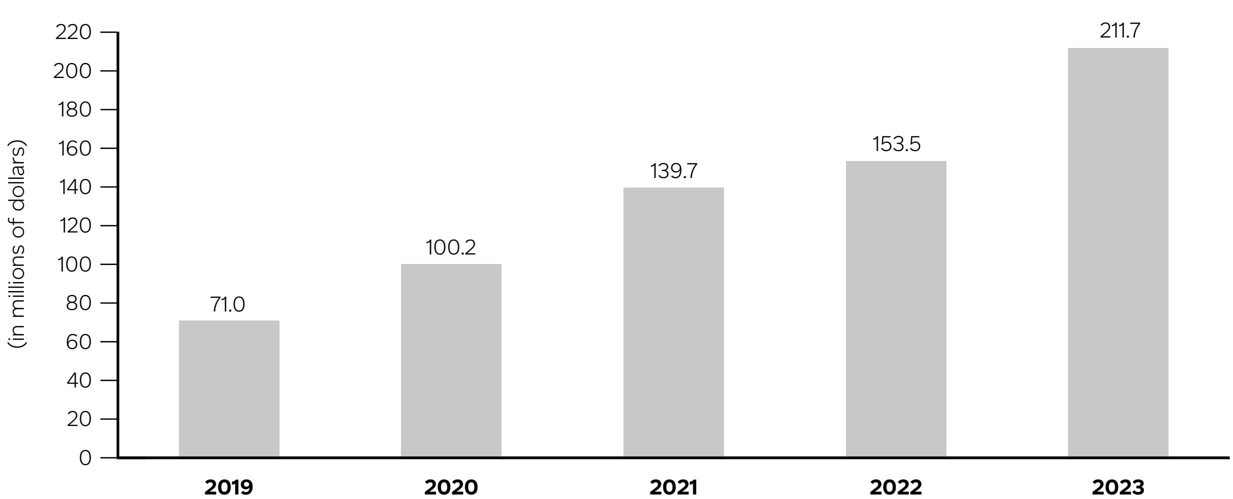
# Our Investments – DC Component

## Rates of return

As at December 31, 2023

| Fund | 1 year | 5 years | 10 years |
|---|---|---|---|
| BlackRock LifePath® Index 2020 | 9.63 | 4.92 | 5.44 |
| BlackRock LifePath® Index 2025 | 10.02 | 5.72 | 6.12 |
| BlackRock LifePath® Index 2030 | 11.06 | 6.77 | 6.78 |
| BlackRock LifePath® Index 2035 | 12.06 | 7.76 | 7.46 |
| BlackRock LifePath® Index 2040 | 13.08 | 8.71 | 8.15 |
| BlackRock LifePath® Index 2045 | 14.13 | 9.53 | 8.75 |
| BlackRock LifePath® Index 2050 | 14.91 | 10.06 | 9.12 |
| BlackRock LifePath® Index 2055 | 15.26 | 10.17 | N/A |
| BlackRock LifePath® Index 2060 | 15.23 | 10.03 | N/A |
| BlackRock LifePath® Index 2065 | 15.03 | N/A | N/A |
| BlackRock LifePath® Index Retirement | 9.61 | 4.87 | N/A |
| BlackRock U.S. Equity Index | 22.80 | 14.81 | 14.43 |
| CC&L Group Canadian Equity | 10.99 | 12.89 | 8.68 |
| MFS Global Equity | 17.44 | 12.36 | 11.22 |
| MFS International Equity | 17.13 | 10.72 | 9.05 |
| Mackenzie Money Market | 5.05 | 1.98 | 1.47 |
| TDAM Canadian Bond Index | 6.61 | 1.15 | 2.29 |
| TDAM Canadian Equity Index | 11.72 | 11.30 | 7.61 |

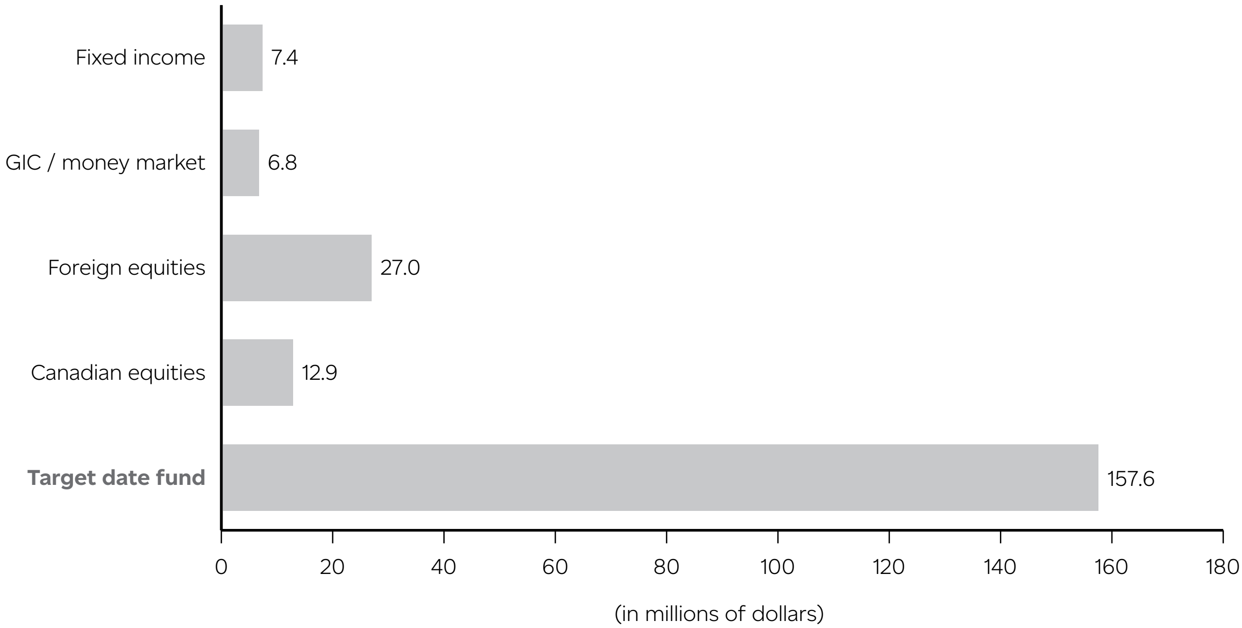
## Investment assets




Investment assets data table

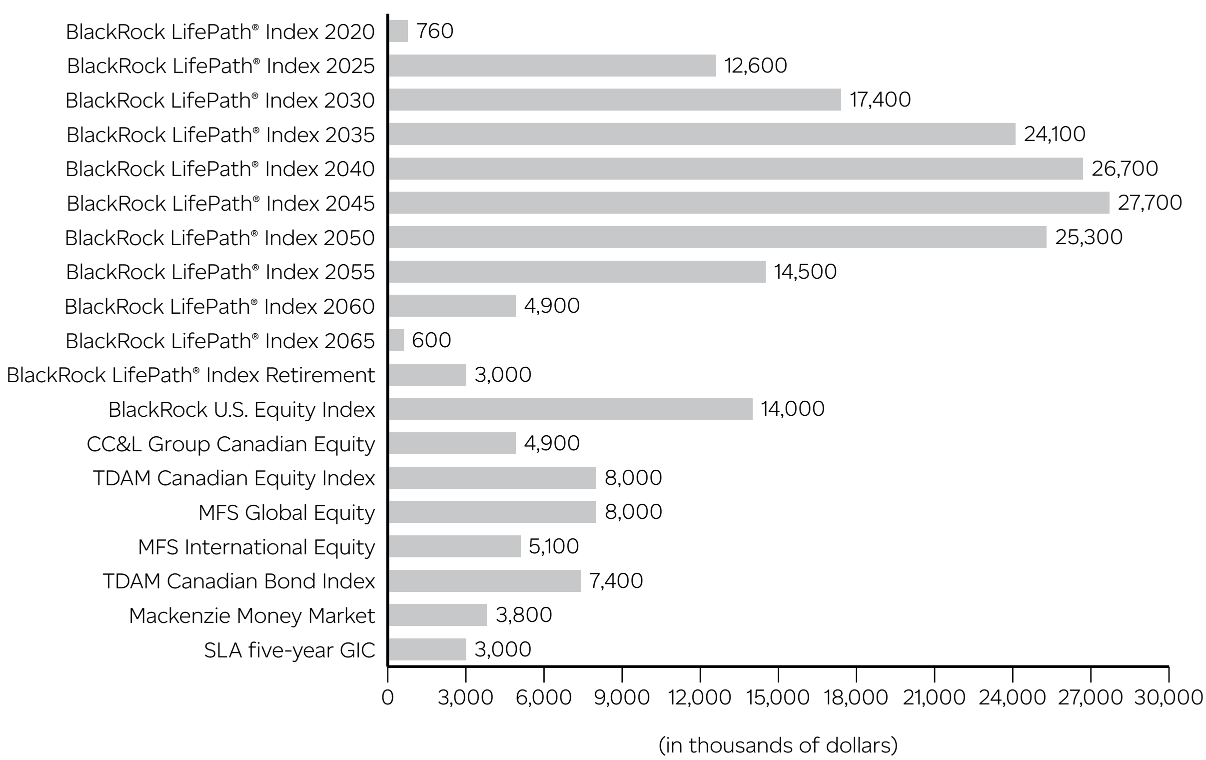
## Asset mix

As at December 31, 2023




Asset mix (DC component) data table

## Detailed asset mix




Detailed asset mix data table

## Fund management fees

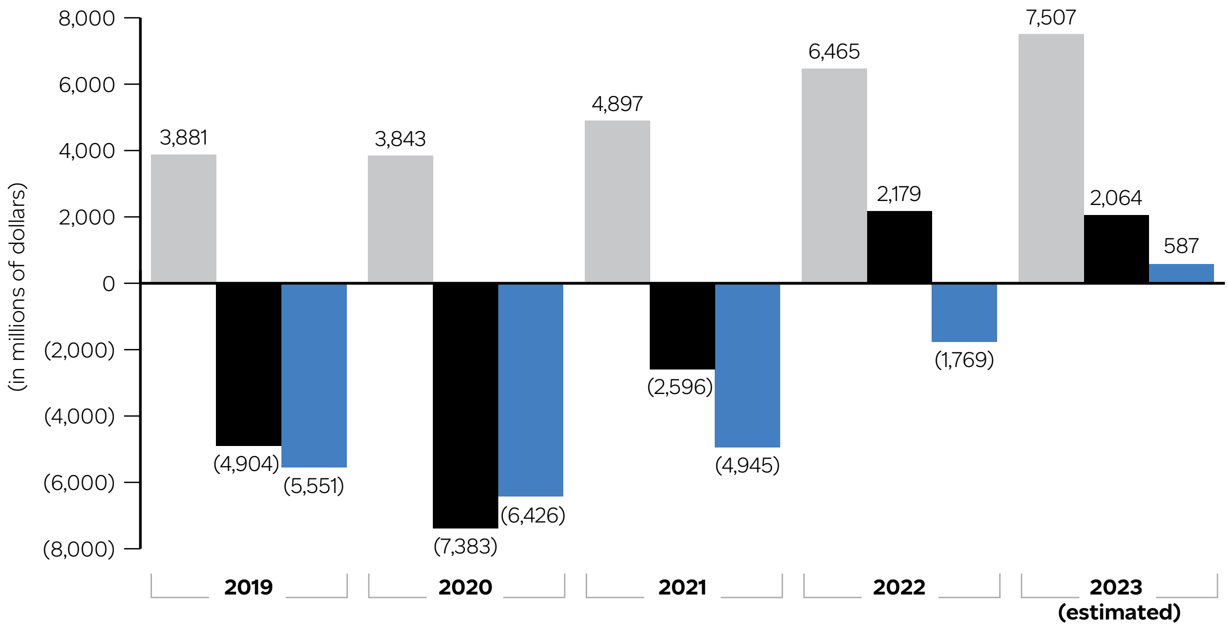
As at December 31, 2023

| Fund | Annualized percentage |
|---|---|
| BlackRock LifePath® Index 2020 | 0.22% |
| BlackRock LifePath® Index 2025 | 0.23% |
| BlackRock LifePath® Index 2030 | 0.24% |
| BlackRock LifePath® Index 2035 | 0.24% |
| BlackRock LifePath® Index 2040 | 0.25% |
| BlackRock LifePath® Index 2045 | 0.26% |
| BlackRock LifePath® Index 2050 | 0.26% |
| BlackRock LifePath® Index 2055 | 0.26% |
| BlackRock LifePath® Index 2060 | 0.26% |
| BlackRock LifePath® Index 2065 | 0.26% |
| BlackRock LifePath® Index Retirement | 0.22% |
| BlackRock U.S. Equity Index | 0.19% |
| CC&L Group Canadian Equity | 0.35% |
| MFS Global Equity | 0.57% |
| MFS International Equity | 0.58% |
| Mackenzie Money Market | 0.09% |
| TDAM Canadian Bond Index | 0.12% |
| TDAM Canadian Equity Index | 0.11% |

The **fund management fees** listed cover the costs of operations and investment expertise. They are also subject to applicable sales tax which is not included in the amounts listed above.

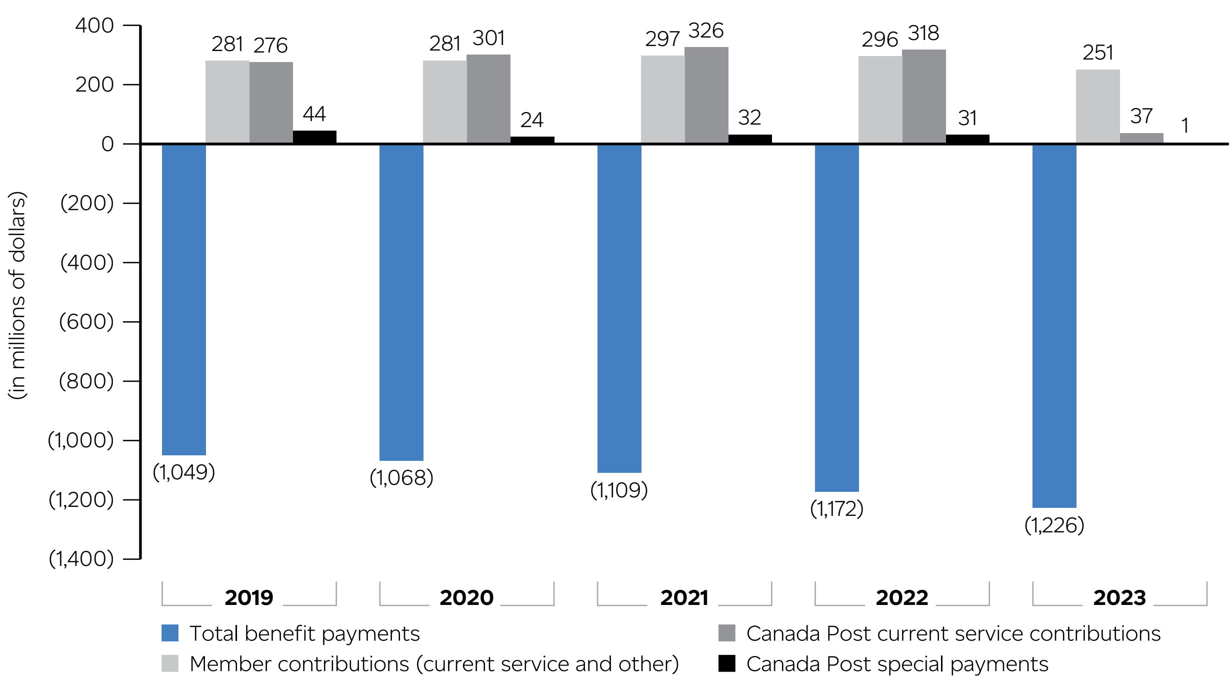
# Financial Position Highlights – DB Component

## Plan's funded status




Plan's funded status data table

## Contributions and benefit payments




Canada Post contributions represent amounts paid after taking into account deficit funding relief. In 2023, member contributions of $251 million included $2 million of elective service contributions.

Contributions and benefit payments data table

# Summary of Financial Statements

## Net assets available for benefits

The Canada Post Corporation Registered Pension Plan posted a 7.7% return in 2023. The Plan ended the year with net assets available for benefits of $31,090 million (including $213 million in the DC component), an increase of $1,376 million from $29,714 million (including $154 million in the DC component) at the end of 2022.

## Changes in net assets available for benefits

The $1,376 million increase in net assets available for benefits represented contributions of $334 million plus an investment gain of $2,443 million, offset by pension benefit payments of $1,234 million and expenses of $167 million.

Investment gain – comprising interest, dividends and income from alternative assets in addition to realized and unrealized gains – was $2,443 million for 2023, compared to investment loss of $2,176 million for 2022.

Plan contributions in 2023 were $334 million compared to $682 million in 2022, a decrease of $348 million primarily as a result of the mandatory contribution holiday for the sponsor.

Pension benefit payments for 2023 were $1,234 million compared to $1,180 million in 2022, an increase of $54 million. This was the result of an increase in the number of retirees combined with the 6.33% annual indexation that was effective January 1, 2023.

## Changes in pension obligations

Pension obligations were $24,480 million (including $213 million in the DC component) compared to $24,365 million (including $154 million in the DC component) in 2022, an increase of $115 million.

The increase was mainly due to interest accrued on the pension obligations partially offset by benefits paid.

| (in millions of dollars) | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| Accounting basis | DB | DC | Total | DB | DC | Total |
| Net assets | 30,877 | 213 | 31,090 | 29,560 | 154 | 29,714 |
| Pension obligations | 24,267 | 213 | 24,480 | 24,211 | 154 | 24,365 |

## Surplus (deficit)

The difference between assets available for benefit and pension obligations as at December 31, 2023, resulted in a surplus of $6,610 million, as disclosed in the financial statements based on standards of the Chartered Professional Accountants of Canada (CPA Canada).

The going-concern surplus as of the same date was estimated at $7,507 million. The difference between the accounting surplus of $6,610 million and the estimated going-concern surplus of $7,507 million was an **actuarial asset value adjustment** (or **smoothing**) of -$897 million.

The smoothed-asset valuation method recognizes gains or losses on investments over a five-year period to minimize fluctuations due to market volatility. This actuarial adjustment is not permitted as a valuation methodology for accounting purposes under CPA Canada Section 4600 since 2011.

The full audited financial statements, including notes, are available at **cpcpension.com** or by request.

# Five-year financial review

| **Financial position** (in millions of dollars) | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investments | $29,635 | $29,584 | $32,397 | $29,592 | $27,594 |
| Investment-related receivables | 1,634 | 247 | 216 | 129 | 246 |
| Contribution / other receivables | 81 | 118 | 114 | 105 | 99 |
| **Total assets** | **$31,350** | **$29,949** | **$32,727** | **$29,826** | **$27,939** |
| **Liabilities** | | | | | |
| Investment-related liabilities | 213 | 187 | 149 | 23 | 134 |
| Accounts payable and accrued liabilities | 47 | 48 | 41 | 46 | 49 |
| **Total liabilities** | **$260** | **$235** | **$190** | **$69** | **$183** |
| **Net assets available for benefits** | **$31,090** | **$29,714** | **$32,537** | **$29,757** | **$27,756** |
| **Pension obligations and surplus (deficit)** | | | | | |
| Pension obligations | $24,480 | $24,365 | $25,083 | $24,149 | $22,504 |
| Surplus (deficit) | 6,610 | 5,349 | 7,454 | 5,608 | 5,252 |
| **Total pension obligations and surplus (deficit)** | **$31,090** | **$29,714** | **$32,537** | **$29,757** | **$27,756** |

| **Changes in net assets available for benefits** (in millions of dollars) | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| **Investment income (loss)** | **$2,443** | **($2,176)** | **$3,356** | **$2,583** | **$3,608** |
| **Contributions – Sponsor** | | | | | |
| Current service | 65 | 341 | 345 | 317 | 288 |
| Special payments | 2 | 31 | 32 | 25 | 45 |
| **Contributions – Members** | | | | | |
| Current service | 265 | 308 | 305 | 288 | 284 |
| Past service and other | 2 | 2 | 3 | 3 | 4 |
| **Total contributions** | **$334** | **$682** | **$685** | **$633** | **$621** |
| **Less** | | | | | |
| **Benefits** | | | | | |
| Retirement and survivor pensions | 1,167 | 1,079 | 1,029 | 1,005 | 968 |
| **Commuted value** transfers and other | 67 | 101 | 87 | 67 | 85 |
| **Total benefits** | **$1,234** | **$1,180** | **$1,116** | **$1,072** | **$1,053** |
| **Administration expenses** | | | | | |
| Plan administration | 33 | 30 | 27 | 27 | 25 |
| Investment fees | 134 | 119 | 118 | 116 | 110 |
| **Total administration expenses** | **$167** | **$149** | **$145** | **$143** | **$135** |
| **Increase (decrease) in net assets** | **$1,376** | **($2,823)** | **$2,780** | **$2,001** | **$3,041** |

| **Changes in pension obligations** (in millions of dollars) | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Interest on pension obligations | $1,341 | $1,180 | $1,141 | $1,149 | $1,166 |
| Benefits accrued | 622 | 647 | 685 | 586 | 577 |
| Changes in plan provisions | 89 | 776 | – | – | – |
| Changes in **actuarial assumptions** | (604) | (2,482) | 9 | 1,180 | 322 |
| Net experience losses (gains) | (99) | 341 | 215 | (198) | (82) |
| Benefits paid | (1,234) | (1,180) | (1,116) | (1,072) | (1,053) |
| **Net increase (decrease) in pension obligations** | **$115** | **($718)** | **$934** | **$1,645** | **$930** |

# Funding Valuation Summary – DB Component

Canada Post is required to file annual actuarial valuations of the Plan on a going-concern and solvency basis with the federal pension regulator, the Office of the Superintendent of Financial Institutions (OSFI). An actuarial valuation is a report on the health of the Plan. It presents the funded status of the Plan on a going-concern and solvency basis at a specific date. The latest actuarial valuation was filed in April 2023 and provided results as at December 31, 2022.

## Actuarial valuation results – Going concern

| Going-concern funded status of the Plan as at December 31 | | | | |
|---|---|---|---|---|
| | 2023 estimated | | 2022 actual | |
| | In millions of dollars | Funded ratio | In millions of dollars | Funded ratio |
| Going-concern assets (smoothed value) | 31,774 | | 30,746 | |
| Going-concern obligations | 24,267 | | 24,281 | |
| Going-concern surplus | 7,507 | 130.9% | 6,465 | 126.6% |

## Actuarial valuation results – Solvency

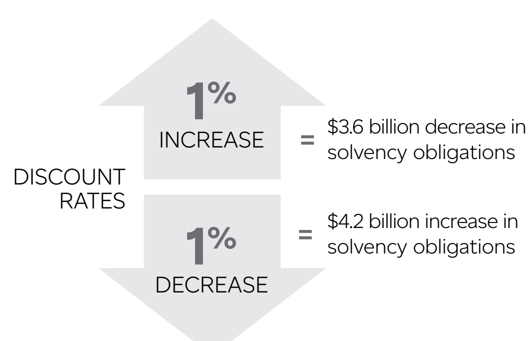
| Solvency funded status of the Plan as at December 31 | | | | |
|---|---|---|---|---|
| | 2023 estimated | | 2022 actual | |
| | In millions of dollars | Funded ratio | In millions of dollars | Funded ratio |
| Solvency assets (market value) | 30,837 | | 29,520 | |
| Solvency obligations | 28,773 | | 27,341 | |
| Solvency **surplus** (based on market value of Plan assets) | **2,064** | 107.2% | **2,179** | 108.0% |
| Solvency **surplus (deficit)** to be funded (using three-year **average solvency ratio** method) | **587** | 102.0% | **(1,769)** | 93.5% |

The solvency position using the market value of Plan assets remained relatively flat, decreasing marginally from $2,179 million surplus at the end of 2022 to an estimated $2,067 million surplus at the end of 2023. The change was mainly due to a lower discount rate, partially offset by gains on asset returns.

The average solvency ratio over the three-year period used for the valuation increased in 2023, going from 93.5% to 102.0%. This resulted in the solvency deficit to be funded, decreasing from $1,769 million at the end of 2022 to an estimated surplus of $587 million at the end of 2023.

If the Plan had been terminated and wound up on December 31, 2023, there would have been enough assets to pay 100% of the pension benefits.

A small change in discount rates has a significant impact on the overall pension obligations. A discount rate decrease would result in an increase in pension obligations on a solvency basis. Similarly, an increase in discount rates would result in a decrease in pension obligations.



## Contributions

| Contributions (in millions of dollars)[1] | 2023 | 2024 |
|---|---|---|
| Members | 251 | 263 |
| Canada Post regular contributions | 37 | - |
| Canada Post special payments | 1 | – |
| **Total contributions** | **289** | **263** |
| **Current service cost sharing[2,3]** (regular contributions) | **2023** | **2024** |
| Members | 46% | 48% |
| Canada Post | 54% | 52% |

1. Canada Post did not make employer contributions in 2023 after the 2022 funding valuation was filed and estimates that it will not have to make employer contributions for 2024.
2. Excluding contributions for elective service.
3. Prior to use of surplus.

The solvency ratio (using market value of plan assets) and going-concern ratio (using the smoothed value of plan assets) of the Plan are estimated to continue to exceed legislative thresholds (105% and 125%), respectively, for the Canada Post Registered Pension Plan as at December 31, 2023. As a result, Canada Post is expected to continue using the surplus and is not permitted to make regular contributions for 2024. Final actuarial valuation results may differ significantly from these estimates. The funded position and impacts on regular contributions will be reassessed at the next valuation date.

The special payments made by Canada Post in 2023 are top-up payments (transfer deficiency). The top-up payments are required to pay the full commuted value when someone leaves the Plan when the solvency ratio is below 100%.

These payments were no longer required once the 2022 solvency valuation report was filed with OSFI in 2023 as the solvency ratio exceeded 100% at December 31, 2022.

## Deficit funding relief

Low solvency discount rates increase the Plan's solvency obligations and deficits significantly. From 2011 to 2013, Canada Post used solvency relief measures, as permitted by pension legislation for all federally regulated pension plans. Under these measures, the maximum amount of relief could not exceed 15% of the market value of the Plan's assets at the end of the preceding year.

In 2014, the Government of Canada introduced the *Canada Post Corporation Pension Plan Funding Regulations*. They provided temporary relief to Canada Post from the need to make special payments into the Plan for four years (2014 to 2017). In 2017, the *Pension Benefits Standards Regulations, 1985*, were amended to change the solvency reduction limit applicable to the pension plans of Crown corporations from 15% of a plan's assets to 15% of a plan's solvency liabilities. Under these regulations, Canada Post expected to make $368 million of solvency special payments for 2020 beyond the relief limit.

However, due to COVID-19 effects on the economy, the *Solvency Special Payment Relief Regulations* came into force in 2020, establishing a moratorium on solvency special payments for the remainder of the year for federally regulated, defined benefit pension plans. Under the *Pension Benefits Standards Act, 1985*, Canada Post was not required to make special payments for 2021. In 2022, the Government of Canada approved the *Canada Post Corporation Pension Plan Funding Regulations* to provide Canada Post with temporary relief from its solvency funding obligations until December 31, 2024. Without this relief, Canada Post expected to make special payments of $794 million for 2022 and $354 million for 2023, as the solvency relief of 15% available under the *Pension Benefits Standards Act, 1985*, was fully utilized. For 2024, as the solvency funded ratio (using three-year average solvency ratio method as at December 31, 2023) is estimated to exceed 100%, no special payments are required.

| **Relief** (in millions of dollars) | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
|---|---|---|---|---|---|---|---|---|---|
| Solvency relief under the *Pension Benefits Standards Act, 1985* | – | – | – | 1,289 | 1,150 | 278 | 1,285 | 165 | – |
| Relief under the *Canada Post Corporation Pension Plan Funding Regulations* | 1,360 | 1,254 | 1,352 | – | – | – | – | 824 | 354 |
| *Solvency Special Payments Relief Regulations, 2020* | – | – | – | – | – | 833 | – | – | – |

With deficit funding relief comes additional potential risk for the Plan and its members. There is a lower value of Plan assets than would be the case if Canada Post had the cash necessary to make the special payments. Therefore, there is a risk of some deterioration of the solvency and going-concern valuations over the relief period. The effect will depend on factors such as investment returns and interest rates. While the Plan is currently able to pay all benefits to members as they become due, and it is projected to continue to be able to do so over the relief period, Canada Post needs to find long-term solutions to ensure that the Plan is sustainable and affordable for Plan members and the Corporation.

During the temporary relief, Canada Post, as Plan administrator, continues to file annual valuations with regulators to monitor the Plan's status. This status is communicated to all Plan members on at least an annual basis.

Regular pension contributions (current service) from Canada Post and from Plan members continue to be made during this deficit funding relief as prescribed by the funding valuation.

## Funding valuation history

OSFI requires that a funding valuation be done on a going-concern and solvency basis. Prior to 2010, a mandatory funding valuation had to be filed every three years, unless the plan was in a solvency deficit position. However, plan sponsors could voluntarily file earlier, if desired. Since 2010, it is required to file a funding valuation every year, unless the solvency funded status is greater than 120%. Canada Post's 2023 funding valuation will be filed by June 2024.

| | **Estimated** | **Filed funding valuations** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| As at December 31 (in millions of dollars) | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
| **Going concern** – assuming the Plan continued in operation | | | | | | | | | | |
| Market value of assets | $ 30,877 | $ 29,560 | $ 32,397 | $ 29,656 | $ 27,685 | $ 24,669 | $ 25,045 | $ 23,166 | $ 21,987 | $ 20,932 |
| Asset smoothing adjustment | 897 | 1,186 | (2,628) | (1,790) | (1,443) | 176 | (1,322) | (1,124) | (1,541) | (1,832) |
| Smoothed value of assets | 31,774 | 30,746 | 29,769 | 27,866 | 26,242 | 24,845 | 23,723 | 22,042 | 20,446 | 19,100 |
| Funding target | 24,267 | 24,281 | 24,943 | 24,023 | 22,361 | 21,447 | 20,762 | 20,253 | 19,200 | 18,600 |
| Funding surplus (deficit) | $7,507 | $6,465 | $4,826 | $ 3,843 | $ 3,881 | $ 3,398 | $ 2,961 | $ 1,789 | $ 1,246 | $ 500 |
| Funded ratio | 130.9% | 126.6% | 120.0% | 116.0% | 117.4% | 115.8% | 114.3% | 108.8% | 106.5% | 102.7% |
| **Assumptions used for going-concern valuations** | | | | | | | | | | |
| Discount rate | 5.80% | 5.60% | 4.80% | 4.80% | 5.20% | 5.50% | 5.50% | 5.50% | 5.80% | 5.80% |
| Inflation rate | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.25% | 2.25% |
| Real return rate (net of inflation) | 3.80% | 3.60% | 2.80% | 2.80% | 3.20% | 3.50% | 3.50% | 3.50% | 3.55% | 3.55% |
| **Solvency** – assuming the Plan was terminated on the date of valuation | | | | | | | | | | |
| Market value of assets (net of termination fees) | $ 30,837 | $ 29,520 | $ 32,357 | $ 29,616 | $ 27,644 | $ 24,629 | $ 25,005 | $ 23,146 | $ 21,967 | $ 20,912 |
| Solvency obligations | 28,773 | 27,341 | 34,953 | 36,999 | 32,548 | 29,705 | 30,874 | 29,663 | 28,038 | 27,790 |
| Solvency – market value | | | | | | | | | | |
| Surplus (deficit) | $ 2,064 | $ 2,179 | $ (2,596) | $ (7,383) | $ (4,904) | $ (5,076) | $ (5,869) | $ (6,517) | $ (6,071) | $ (6,878) |
| Solvency ratio | 107.2% | 108.0% | 92.6% | 80.0% | 84.9% | 82.9% | 81.0% | 78.0% | 78.3% | 75.3% |
| Solvency – to be funded | | | | | | | | | | |
| Surplus (deficit) | $ 587 | $ (1,769) | $ (4,945) | $ (6,426) | $ (5,551) | $ (5,749) | $ (6,446) | $ (6,760) | $ (6,269) | $ (6,801) |
| Solvency ratio | 102.0% | 93.5% | 85.9% | 82.6% | 83.0% | 80.6% | 79.1% | 77.2% | 77.6% | 75.5% |
| **Assumptions used for solvency valuations** | | | | | | | | | | |
| Discount rate (real return rates, net of inflation) | | | | | | | | | | |
| For commuted values | | | | | | | | | | |
| Rate for first 10 years | 2.80% | 2.20% | 0.80% | 0.70% | 1.20% | 1.70% | 1.40% | 1.10% | 1.30% | 1.30% |
| Rate after 10 years | 2.80% | 2.60% | 1.20% | 0.90% | 1.20% | 1.80% | 1.60% | 1.30% | 1.80% | 1.60% |
| For annuities | 2.30% | 2.60% | 0.50% | -0.10% | 0.60% | 1.30% | 0.90% | 1.10% | 1.20% | 1.10% |

## Questions and answers about actuarial valuations – DB component

**What is an actuarial valuation and what does it determine?**

An actuarial valuation is like a report card for the long-term financial health of a pension plan as of a specific date. An independent actuary is hired by the Canada Post Board of Directors to conduct an actuarial valuation. The valuation compares the plan assets to pension obligations to see whether there is a surplus or a deficit of funds to cover the value of accumulated pension benefits.

Pension obligations represent the cost of future pension benefits, based on plan members' pensionable earnings and pensionable service earned to the date of the calculation. To calculate pension obligations, the actuary makes assumptions about the future, such as expected inflation, rates of return on invested assets, salary increases, retirement age, life expectancy and several other factors.

OSFI requires that actuarial valuations be done on a going-concern and solvency basis. These valuations use hypothetical situations to assess a pension plan and protect the interests of its members.

**What happens if there are deficits?**

If an actuarial valuation reports a solvency deficit – a shortfall of solvency plan assets to solvency obligations – the plan sponsor is required to make special payments into the plan, based on the solvency deficit to be funded, over five years or less to eliminate the deficit. The plan sponsor may also request to use solvency relief measures, if they are available.

If an actuarial valuation reports a going-concern deficit – a shortfall of going-concern plan assets to going-concern obligations – the plan sponsor is required to make special payments into the plan over 15 years or less to eliminate the deficit.

In a given year, plan sponsors must pay the amount necessary to cover the ongoing **current service cost** in excess of employee contributions. If there are deficits, the sponsor must also make special payments to reduce the deficits, as described above, unless solvency relief measures are used.

**What is deficit funding relief?**

Since 2011, solvency relief measures have been available to all defined benefit pension plans subject to the *Pension Benefits Standards Act, 1985*, including those of Crown corporations like Canada Post based on approval from the Minister of Finance and the Minister of Public Services and Procurement. The measures help pension plan sponsors meet their funding obligations with less sensitivity to short-term economic conditions.

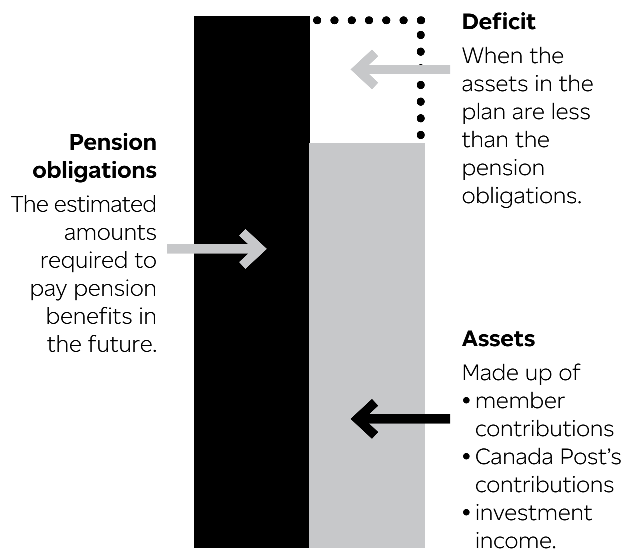
Funding relief does not reduce or eliminate Canada Post's obligation to fully fund the Plan and it remains responsible for funding any deficits.

**What is a going-concern valuation?**

The going-concern valuation assumes that a pension plan continues in operation and is longer term in focus. It determines if there are enough assets in the plan for pension benefit to be paid in the future for accumulated service to date. It also assesses the required contributions to be made by plan members and the plan sponsor to cover the current service cost.

**What is a solvency valuation?**

The solvency valuation assumes a pension plan is terminated on the date of valuation. This test allows pension regulators to verify that, in such an unlikely situation, plan members would be paid the benefit fully owed to them to that point. It has a short-term view and the results are strongly affected by the market interest rate on that date. The solvency valuation is done on a market-value basis, which measures the worth of the plan's assets on the date of valuation and is used in the case of a wind-up of the plan. It is also done on a to-be-funded basis, which uses a three-year average solvency ratio method. This method lessens the effects of short-term market volatility and is used for funding purposes.



# Glossary

**Actuarial asset value adjustment** (or **smoothing**): Represents the difference between the actual return and the actuarial assumption for return on the plan's assets, which is then amortized over five years. Smoothing is an evaluation method commonly used by pension plans for going-concern valuations. It evens out highs (gains) and lows (losses) in investment returns. It helps stabilize results and avoid significant contribution changes up and down from one year to another, for employees and the employer. It is similar to budgeted payments for utility bills.

**Actuarial assumptions:** Factors used by an actuary in forecasting uncertain future events affecting pension cost. They involve such things as estimating interest and investment earnings, inflation, mortality rates and retirement patterns.

**Actuary:** A professional who is responsible for calculating the liabilities of pension plans and the costs of providing pension plan benefits. Under the *Pension Benefits Standards Act, 1985*, all actuarial reports must be prepared by a person who is a Fellow of the Canadian Institute of Actuaries.

**Alternative assets:** Holdings that are considered non-traditional assets, for example, private equity, infrastructure and real estate. Alternative assets are less liquid than traditional investments and are better suited to longer investment horizons. They also offer inflation protection for indexed pension plans.

**Asset:** Item with monetary value, such as cash, stocks, bonds and real estate.

**Average solvency ratio:** A method of measuring solvency using the average of three years' results. This method lessens the effects of short-term market volatility and is used for funding purposes.

**Benchmark:** A point of reference used as a basis for evaluation or comparison. An index can be used as a benchmark against which the performance of a group of similar assets can be measured or compared.

**Bond:** Debt issued by a corporation or government, which provides a promise to the holder that the principal and a specified amount of interest will be repaid within a specific period of time. Investing in a bond is like lending money to a government or organization.

**Bond yields:** Interest (adjusted for amortization of discount or premium) or dividend income as related to the cost of an investment in bonds or shares.

**Capital accumulation plan (CAP):** Tax-assisted investment or savings plan that permits the members of the CAP to make investment decisions among options offered within the plan.

**Commuted value:** An estimated value of future pension benefits expressed in today's dollars. It is a calculation based on actuarial assumptions and market rates, which may fluctuate over time.

**Current service cost:** The additional pension obligation to be created over the coming year, as another year of credited service is added for current employees contributing to the plan.

**Discount rates:** Long-term interest rates used to calculate pension obligations.

**Equities:** Common and preferred stocks that represent a share in the ownership rights of a company and the right to collect dividends from profits. Private equities are equities that are not publicly traded.

**Fixed income:** An asset class that provides returns in the form of regular interest payments and are generally considered less volatile than equities.

**Fund management fee:** A fee charged for managing an investment portfolio and for general administrative expenses.

**Fund manager:** A professional who is responsible for making investment decisions and carrying out investment activities in order to meet specified goals for the benefit of investors.

**Hedging:** Reducing the risk of an investment by making an offsetting investment.

**Inflation:** Occurs when purchasing power declines due to an increase in the prices of goods and services.

**Market capitalization:** The total market value of a company's outstanding shares.

**Pension obligations** or **liabilities:** The actuarial present value of pension benefits for service completed up to a particular date, calculated using actuarial assumptions.

**Rate of return:** The amount gained or lost on an investment over a period of time, normally as a percentage of initial investment. Real return is a return adjusted for inflation. Net return is a return adjusted for expenses.

**Smoothing:** See actuarial asset value adjustment (or smoothing).

**Target date fund:** A fund that has an asset mix chosen with a specific timeframe in mind, such as a retirement date. A target date fund automatically shifts toward a more conservative asset mix as the target maturity date of the fund approaches.

**This report, the audited financial statements and more information about the Plan are available at cpcpension.com.**

**Do you have suggestions for this report or other pension publications? Send us an email at pension.services@canadapost.ca.**

# Information

## DB members

**Canada Post Pension Centre**

Questions about the Plan

1-877-480-9220
613-683-0219 (OUTSIDE NORTH AMERICA)

Monday to Friday
8 am to 6 pm (ET)

**cpcpension.com**

PENSION CENTRE
PO BOX 2073
MISSISSAUGA ON L5B 3C6

**RBC Investor Services Trust**

Questions about pension payments

1-800-876-4498

Monday to Friday
8 am to 8 pm (ET)

BENEFIT PAYMENT SERVICES
1 PLACE VILLE MARIE
5TH FLOOR EAST WING
MONTRÉAL QC H3B 1Z3

## DC members

**Canada Post AccessHR**

Questions on eligibility, contributions, etc.

1-877-807-9090

Monday to Friday
8 am to 6 pm (ET)

**cpcpension.com**

**Canada Life Call Centre**

Questions about your investments and returns

1-866-716-1313

Monday to Friday
8 am to 8 pm (ET)

**mycanadalifeatwork.com**

## Members across Canada – December 31, 2023, data

| Province | Active members | Retired and deferred members, survivors and beneficiaries |
|---|---|---|
| Yukon | 78 | 58 |
| Northwest Territories | 43 | 30 |
| Nunavut | 51 | 23 |
| British Columbia | 7,764 | 6,819 |
| Alberta | 6,333 | 4,801 |
| Saskatchewan | 1,699 | 1,739 |
| Manitoba | 2,041 | 2,016 |
| Ontario | 24,533 | 21,855 |
| Quebec | 12,205 | 12,058 |
| Newfoundland and Labrador | 903 | 989 |
| Prince Edward Island | 219 | 225 |
| New Brunswick | 1,352 | 1,359 |
| Nova Scotia | 1,679 | 2,011 |

Back to "Members across Canada – December 31, 2023" graph, page 2

## Changes in membership data

| Member type | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Active DB members | 53,482 | 52,141 | 51,903 | 51,578 | 52,839 | 52,685 | 53,132 | 53,397 | 52,984 | 52,071 |
| Retired and deferred DB members, survivors and beneficiaries | 34,189 | 36,548 | 39,112 | 41,413 | 43,364 | 45,365 | 47,470 | 49,228 | 51,467 | 53,474 |
| Active DC members | 721 | 1,149 | 1,402 | 2,063 | 2,773 | 3,389 | 4,180 | 5,103 | 6,060 | 6,839 |

Back to "Changes in membership" graph, page 3

## Rate of return against benchmark data

| Return type | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| Rate of return | 0.9% | 14.7% | 9.4% | 11.3% | -6.7% | 7.7% |
| Benchmark return | -1.9% | 15.8% | 10.3% | 8.6% | -11.7% | 9.9% |

Back to “Rate of return against benchmark” graph, page 20

## Net investment assets data

| Asset | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net investment assets (in millions of dollars) | 20,868 | 21,919 | 23,091 | 24,980 | 24,610 | 27,635 | 29,597 | 32,322 | 29,490 | 30,844 |

Back to “Net investment assets” graph, page 21

## Asset mix data (DB component)

| Asset | Actual | Benchmark target |
|---|---|---|
| Cash and short term | 0.2% | -9.50% |
| Equity hedge | 1.5% | 0.0% |
| Bond overlay | 1.9% | 10.0% |
| Currency overlay | 0.1% | 0.0% |
| Real estate | 13.9% | 14.0% |
| Infrastructure | 7.5% | 7.0% |
| Private equity | 6.8% | 7.0% |
| Private debt | 1.9% | 2.0% |
| Real return bonds | 10.2% | 10.0% |
| Nominal bonds | 30.6% | 30.5% |
| International equities | 7.9% | 10.0% |
| U.S. equities | 9.3% | 10.0% |
| Canadian equities | 8.2% | 9.0% |

Back to “Asset mix” graph (DB component), page 21

## Rates of return by asset class and total Plan data

| Asset | Index or benchmark | Actual Plan funds rate of return |
|---|---:|---:|
| S&P/TSX Index | 11.8% | – |
| Canadian equities | – | 13.7% |
| S&P 500 Index | 22.9% | – |
| U.S. equities | – | 18.3% |
| EAFE Index | 15.1% | – |
| International equities | – | 10.9% |
| Fixed income policy benchmark (adjusted) | 8.6% | – |
| Nominal bonds | – | 9.3% |
| FTSE TMX Canada Real Return Bond Index | 2.0% | – |
| Real return bonds | – | 1.9% |
| Private debt benchmark | 9.6% | – |
| Private debt | – | 6.0% |
| MSCI World Index (3-month lag) | 20.0% | – |
| Private equity | – | 1.9% |
| Infrastructure benchmark | 9.8% | – |
| Infrastructure | – | 10.1% |
| Real estate benchmark | -2.0% | – |
| Real estate | – | -1.6% |
| Pension fund benchmark | 9.9% | – |
| Pension fund | – | 7.7% |

Back to "Rates of return by asset class and total Plan" graph, page 22

## Investment assets data

| Asset | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---:|---:|---:|---:|---:|
| Investment assets (in millions of dollars) | 71.0 | 100.2 | 139.7 | 153.5 | 211.7 |

Back to "Investment assets" graph, page 24

## Asset mix data (DC component)

| Asset | Value (in millions of dollars) |
|---|---|
| Fixed income | 7.4 |
| GIC / money market | 6.8 |
| Foreign equities | 27.0 |
| Canadian equities | 12.9 |
| Target date fund | 157.6 |

Back to "Asset mix" graph (DC component), page 25

## Detailed asset mix data

| Asset | Total (in thousands of dollars) |
|---|---|
| BlackRock LifePath® Index 2020 | 760 |
| BlackRock LifePath® Index 2025 | 12,600 |
| BlackRock LifePath® Index 2030 | 17,400 |
| BlackRock LifePath® Index 2035 | 24,100 |
| BlackRock LifePath® Index 2040 | 26,700 |
| BlackRock LifePath® Index 2045 | 27,700 |
| BlackRock LifePath® Index 2050 | 25,300 |
| BlackRock LifePath® Index 2055 | 14,500 |
| BlackRock LifePath® Index 2060 | 4,900 |
| BlackRock LifePath® Index 2065 | 600 |
| BlackRock LifePath® Index Retirement | 3,000 |
| BlackRock U.S. Equity Index | 14,000 |
| CC&L Group Canadian Equity | 4,900 |
| TDAM Canadian Equity Index | 8,000 |
| MFS Global Equity | 8,000 |
| MFS International Equity | 5,100 |
| TDAM Canadian Bond Index | 7,400 |
| Mackenzie Money Market | 3,800 |
| SLA five-year GIC | 3,000 |

Back to "Detailed asset mix" graph, page 25

## Plan’s funded status data

| Status | 2019 | 2020 | 2021 | 2022 | 2023 (estimated) |
|---|---|---|---|---|---|
| Going concern surplus (smoothed) (in millions of dollars) | 3,881 | 3,843 | 4,897 | 6,465 | 7,507 |
| Solvency surplus (deficit) – market value (in millions of dollars) | -4,904 | -7,383 | -2,596 | 2,179 | 2,064 |
| Solvency surplus (deficit) – to be funded (in millions of dollars) | -5,551 | -6,426 | -4,945 | -1,769 | 587 |

Back to “Plan’s funded status” graph, page 27

## Contributions and benefit payments data

| Status | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Total benefit payments (in millions of dollars) | -1,049 | -1,068 | -1,109 | -1,172 | -1,226 |
| Member contributions (current service and other) (in millions of dollars) | 281 | 281 | 297 | 296 | 251 |
| Canada Post current service contributions (in millions of dollars) | 276 | 301 | 326 | 318 | 37 |
| Canada Post special payments (in millions of dollars) | 44 | 24 | 32 | 31 | 1 |

Back to “Contributions and benefit payments” graph, page 27