Intouch Retiree Pension Bulletin
Defined benefit

TOTAL COMPENSATION **Pension** | Benefits | Pay and Incentives | Health and Well-Being

A message from your PAC: Personalized pension statement for retirees

Last July, Canada Post mailed over 33,000 personalized pension statements to retirees, survivors and deferred members of the defined benefit component of the Plan. Your Personalized Pension Statement was the result of the combined efforts of the Pension Advisory Council (PAC), retiree focus groups and the Pension Services team over the past two years. It was implemented well in advance of legislated requirements that come into effect in 2016. Since the statement was mailed, members have called the Pension Centre with questions about beneficiary changes, marital status, changes of address and other details related to their pension. We also heard from others to thank us for the statement.

The statement will be mailed annually. The Pension Services team plans to include additional information in the 2015 edition. We welcome your comments and suggestions on how to improve future statements. Send your feedback to pension.services@canadapost.ca or the address on page 3 of this issue.

Season's greetings

Best wishes for the holiday season

IN THIS ISSUE

Are you receiving CPP/QPP disability benefits?

Eligible retirees receive a bridge benefit from the Canada Post Pension Plan until they reach age 65, die or begin to receive a disability pension from the Canada Pension Plan / Quebec Pension Plan (CPP/QPP), whichever occurs first. Your bridge benefit ceases on the last day of the month when the event happens.

Remember, if you are receiving a bridge benefit and begin receiving CPP/QPP disability **benefits, you must contact the Pension Centre immediately.** Any bridge benefit payments made while you are receiving a CPP/QPP disability pension must be paid back to the Canada Post Pension Plan.

Your bridge benefit will not stop if you begin to receive your **regular** CPP/QPP pension benefit before age 65.

Corporate performance results

The Canada Post segment reported a loss before taxes of $13 million in the third quarter of 2015.

Continued strength in our Parcels business eased the impact of falling Transaction Mail volumes and higher employee benefit expenses.

While the Parcels business is usually slow in the third quarter, there was no summer lull in 2015. Revenues got a lift from back-to-school sales and Domestic Parcels volumes rose by 16.1 per cent over a year ago.

As the holiday season draws near, Canada Post is expecting it to be the busiest season ever for Parcels.

"It doesn't matter what time of year it is, our employees rise to the challenge. Their dedication makes growth like this possible," said Mary Traversy, Chief Operating Officer.

In the third quarter, Transaction Mail volumes continued to fall. The decline was less than in previous quarters in the year because of volumes attributed to the federal election. If not for that, third-quarter volumes would have fallen 5.5 per cent compared to a year ago.

The federal election also helped boost Direct Marketing (DM) volumes.

Canada Post is working hard to grow DM with new products like mini-catalogues and by reframing the value of physical advertising mail. It is a pillar of our growth strategy.

You asked?

Understanding indexation

At the end of the year, news reports announce the yearly rate of inflation from Statistics Canada. Sometimes that number is different from the indexation rate applied to your Canada Post pension. How does the Plan determine and apply the annual indexation?

It's all in the calculation. Indexation is a way to adjust income and maintain purchasing power after inflation. For the Canada Post Pension Plan (DB component), yearly indexation is a calculation of the difference between the 12-month average of the monthly consumer price index (CPI) for the year just ended and the 12-month average of the monthly CPI for the previous year. The 12-month period is from October 1 to September 30, and the increase is applied to pension payments starting the following January.

The yearly rate of inflation published by Statistics Canada measures the difference between the CPI in September of one year over the CPI for the same month of the previous year. It doesn't capture the monthly ups and downs in the CPI the way the calculation does under the Canada Post Pension Plan and under the Public Service Pension Plan.

Depending on the year, the Statistics Canada method produces a higher or lower rate than Canada Post's.

As at September 30	Statistics Canada CPI rate	Canada Post Pension Plan indexation rate (DB component)*
2014	2.0%	1.66%
2013	1.1%	0.94%
2012	1.2%	1.95%
2011	3.2%	2.81%
2010	1.9%	1.41%
2009	-0.9%	0.57%

*The rate is adjusted if you've been retired for less than 12 months.

If there are other terms you would like us to explain, let us know or check the glossary at **cpcpension.com**.

Care to spare a few clicks?

We want to know what you think of our website. Visit **cpcpension.com** and select one of our retirement program links. The survey is featured on each landing page. The survey of eight questions will only take a few minutes to complete. Your answers are anonymous and will help us improve the website.

Do you have a topic in mind for our next Intouch bulletin? **Submit your comments in writing to**

pension.services@canadapost.ca or

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News from your PAC

Congratulations to Angelo Colacci of Maple, Ontario, who was elected to the Pension Advisory Council (PAC) this fall to represent all active members of the Pension Plan. The election was held and ballots counted under the supervision of Internal Audit. Eligible members of the Plan had the opportunity to vote in two elections in 2015 – this one and another in the spring for the representative of management and exempt employees.

The PAC is where Canada Post as Plan administrator and representatives of Plan members, including retirees, come together to discuss ways to promote, among Plan members, awareness and understanding of their pension. The PAC also reviews financial, actuarial and administrative aspects of the Plan. PAC members are either elected by Plan members or selected by the unions and associations or by Canada Post. The PAC is part of the governance structure of the Plan and reports to the Pension Committee of the Board of Directors of Canada Post.

This year, in addition to the elections, there were a number of changes among the members who were selected. To learn more about the PAC and to view the biographies of members, go to **cpcpension.com** under Governance. To reach your elected PAC representative, send an email to pension.services@canadapost.ca**.**

Changes to the terms of the Canada Post Corporation Registered Pension Plan

The Pension Committee of the Board of Directors of Canada Post approved the following amendments to the Plan at its last meeting on November 18, 2015. *The Pension Benefit Standards Act, 1985,* requires Canada Post to notify members of all applicable changes to the Plan within 60 days of their approval.

- As ratified during the latest collective agreement negotiation, employees who are represented by the Public Service Alliance of Canada / Union of Postal Communications Employees (PSAC/UPCE) and who become eligible to the Plan on or after June 1, 2014, participate in the defined contribution (DC) component of the Plan.
- As ratified during the latest collective agreement negotiation, employees who are represented by the Association of Postal Officials of Canada (APOC) and who become eligible to the Plan on or after March 1, 2015, participate in the DC component of the Plan.
- Following an agreement with the Canadian Postmasters and Assistants Association (CPAA), term employees who are represented by the CPAA and who are engaged to work on a long-term replacement assignment greater than six months, will be eligible to become members of the Plan while on eligible assignments starting January 1, 2016.
- In the DC component, the member contribution rate is now set to the maximum, at 4% of pensionable earnings, for members who have not made a selection. DC members still have the option to lower their contribution rate if they choose.
- General housekeeping amendments related to process improvements and clarification of the Plan text.

For additional information about the Plan, your pension benefits, or the full Plan text, visit **cpcpension.com**.

What to do when a Plan member dies

When you lose a loved one, there are many personal and financial matters to deal with, including pension. Here is a list of questions often asked by survivors.

Who do I contact about the Canada Post Pension Plan?

Contact the Pension Centre at 1-877-480-9220 (TTY 1-866-370-2725; outside North America, 613-683-5908). If the member was an executive employee at Canada Post, call Executive Services at 1-866-275-9810.

What will I need to provide?

You will be asked for the member's employee identification number, an original death certificate, a copy of the will and proof of the appointment of the executor. The Pension Centre will also ask you to complete an information form.

Should the pension benefit issued at the end of the month of the member's death be returned?

No. The pension benefit issued in the month the member died is not returned.

Does a survivor who remarries after a member's death continue to receive a survivor benefit?

Yes. A survivor is entitled to the benefit until death.

A Pension Centre representative is there to answer your questions and guide you through each step of the process.
For more information, visit **cpcpension.com** > Defined Benefit > Members > For survivors.

Update on the actuarial valuation as at December 31, 2014

The Plan's latest actuarial valuation was filed with federal regulators in June. Results were nearly the same as the estimates reported in the 2014 Report to Members.

Actuarial valuation	Actual 2014	2014 estimates in the Report to Members
Solvency deficit to be funded	$6.8 billion 75.5% funded	$6.8 billion 75.5% funded
Solvency deficit – Market value	$6.9 billion 75.3% funded	$6.9 billion 75.2% funded
Going-concern surplus	$500 million 103% funded	$481 million 102.6% funded

For more information about the Plan and actuarial valuations, see the 2014 Report to Members mailed to your home in June and also available at **cpcpension.com**.

Canada Post Corporation Registered Pension Plan (defined benefit component)

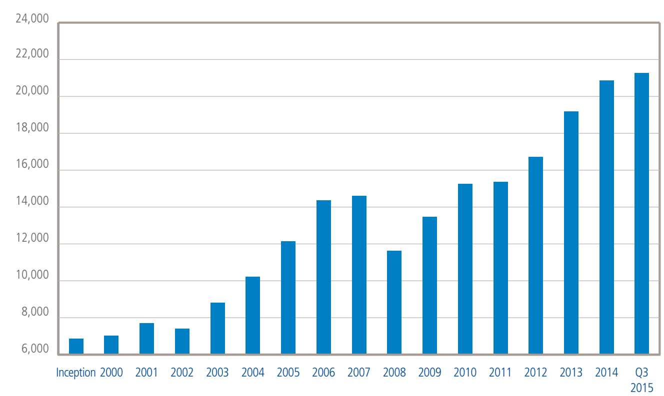
Investment performance results from July 1 to September 30, 2015

Market conditions

Equity markets were mostly down in the third quarter of 2015. The Canadian S&P/TSX composite index was down 7.9%, while in Canadian dollar terms the U.S. S&P 500 index was up 0.5% and the international EAFE index was down 3.6%. The FTSE TMX Bond Universe was up 0.2% on the quarter. The Bank of Canada lowered interest rates from 0.75% to 0.50% during the quarter. The following table depicts the performance of the Plan's fund (per cent return).

Asset class	Market value (in millions of dollars)	2015 Jul-Sep (%)	2015 YTD (%)	2014 Annual (%)	2013 Annual (%)	2012 Annual (%)	2011 Annual (%)	2010 Annual (%)
Fixed income								
Cash and short-term	212.6	0.2	0.7	1.1	1.0	1.0	1.0	1.0
Bonds	7,736.5	-0.6	2.1	8.3	-2.0	4.6	10.5	7.7
Equities								
Canadian equities	3,750.9	-5.4	-4.4	11.6	20.3	7.3	-9.1	15.2
U.S. equities	4,010.0	-1.1	10.3	22.3	44.2	14.7	3.1	9.5
International equities	2,979.9	-4.7	7.8	3.9	24.0	17.8	-12.7	4.0
Real estate, private equity and infrastructure	2,564.3	5.4	13.3	8.3	11.3	15.2	15.0	15.1
Total (DB component)	**21,254.2**	**-2.02**	**3.48**	**10.86**	**16.88**	**10.13**	**0.19**	**10.38**
Benchmark		**-2.65**	**1.83**	**10.99**	**14.00**	**8.51**	**0.78**	**9.85**

Investment highlights



The fund's third quarter return was -2.02% compared to our benchmark of -2.65%. Year-to-date the fund return is 3.48% compared to our benchmark of 1.83%.

As at September 30, 2015, the fund held assets of $21,254.2 million.

The fund had net cash outflows of $113.7 million in the third quarter. We reduced Canadian equity by $394.8 million, U.S. equity by $320.8 million and international equity by $210 million. We added $375 million to real return bonds, $200 million to nominal bonds, $121.3 million to the currency overlay account and $47.8 million to cash and short-term investments. In the alternative assets space we added $49.4 million to real estate, $14.4 million to private equity and $4 million to infrastructure during the quarter.

Asset mix highlights

As at September 30, 2015, 62.6% of assets were invested in equities and alternative investments compared to the asset mix target of 60.0%. This was made up of 17.6% Canadian equities, 18.9% U.S. equities, 14% international equities, 7.6% real estate, 2.8% private equity and 1.7% infrastructure.

37.4% of assets were invested in bonds and short-term investments, compared to an asset mix target of 40%. This included 8.4% in real return bonds, 28% in nominal bonds and 1% in cash and short-term investments.