Intouch Retiree pension bulletin **Defined benefit**

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

PAC news

Recent changes

The Pension Committee approved the following changes pertaining to the Pension Advisory Council (PAC):

- In 2017, the PAC membership will increase from 17 to 18 members to better represent the growing population of retirees. The PAC will include three retiree representatives.
- Knowledge requirements are now applicable to all PAC members.
- Elected representatives may have alternates to replace them when they're unable to attend a meeting.

2017 elections

Elections for three retiree representatives will take place in 2017. Eligible retirees will receive a nomination kit at the beginning of February and a voting kit around the end of March.

Visit **cpcpension.com** > DB > Governance > Pension Advisory Council, for more information on the recent changes and the elections. You can contact your retiree representative at pension.services@canadapost.ca.

Changes to terms of the Plan

Canada Post is required to notify members of all applicable changes to the Plan within 60 days of their approval.

The Canada Post Pension Committee approved the following amendment to the Plan at its last meeting, November 22, 2016:

- As a result of the latest collective agreement negotiation, employees who are represented by the Canadian Postmasters and Assistants Association (CPAA), and who become eligible to the Plan on or after September 1, 2016, participate in the defined contribution component of the Plan.

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

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Note: In this publication, "Plan" refers to the Canada Post Corporation Registered Pension Plan and "DB" refers to defined benefit.
Disclaimer: The official Plan text governs your actual benefits from the Plan and is the final authority in any case of dispute.
For more information, visit **cpcpension.com**.

Corporate performance results

The Canada Post segment reported a loss before tax of $60 million in the third quarter of 2016.

The risk of a work disruption in the third quarter prompted commercial customers to make other arrangements to deliver their parcels and mail, which reduced volumes and revenue for the Canada Post segment.

The net financial impact of the labour uncertainty is estimated at $100 million for the third quarter. That figure reflects the significant reduction in revenue but also includes slightly lower costs, such as less use of overtime and temporary employees, because volumes had declined sharply.

The Corporation and the Canadian Union of Postal Workers reached tentative agreements on August 30, 2016, but volumes took much longer to recover. Employee benefit expenses were also lower in the third quarter due to a $44-million non-cash one-time gain, resulting from the new collective agreement with the Canadian Postmasters and Assistants Association in August 2016.

For the first three quarters of 2016, Parcels volumes and revenue both increased, reflecting the continuing strength of Canada Post's e-commerce strategy and its innovative solutions for retailers and consumers.

Update on the actuarial valuation results

The Plan's actuarial valuation as at December 31, 2015, was filed with federal regulators in June 2016.

Actuarial valuation	Actual 2015	2015 estimates in the Report to Members
Solvency deficit to be funded	$6.3 billion 77.6% funded	$6.2 billion 77.8% funded
Solvency deficit – Market value	$6.1 billion 78.3% funded	$5.9 billion 78.8% funded
Going-concern surplus	$1.2 billion 106% funded	$1.2 billion 106% funded

Estimated 2016 Q3 results

The solvency deficit of the Plan (using market value of Plan assets) had increased from $6.1 billion at December 31, 2015, to an estimated $8.1 billion at the end of the second quarter of 2016 due to a significant drop in the discount rate in the first half of 2016. However, as the discount rate remained stable in the third quarter, it is expected that the solvency deficit has not changed significantly from its second-quarter estimate.

For more information about the Plan and actuarial valuations, see the 2015 Report to Members mailed to your home in June 2016 and also available at **cpcpension.com**.

Looking for information on post-retirement benefits?

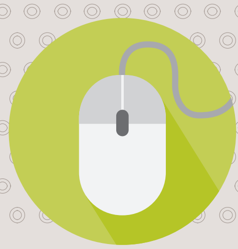
Whether you want to find out about post-retirement benefits coverage, the monthly cost or how to submit claims, the pension website provides all this information.

Visit **cpcpension.com**, select the Retirement tab under DB, then choose Post-retirement benefits.

Post-retirement benefits
Summaries of benefits
Claims – GroupNet and forms
Monthly contribution rates
Payment of premiums

Get quick reimbursement of your benefit claims

Sign up for GroupNet with Great-West Life



Your claim, your way

Get paid in as little as one day

Payments are deposited directly into your bank account

Details of your plan coverage and claims history are available online anytime

Here's how:

» Go to **groupnet.greatwestlife.com**
» Log in to your GroupNet account or click **Register now**
» Click on **Your Profile** to set up Direct Deposit

Season's greetings

Best wishes for the holiday season

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

pension.services@canadapost.ca or

PENSION SERVICES
2701 RIVERSIDE DRIVE SUITE B320
OTTAWA ON K1A 0B1

DB component of the Plan

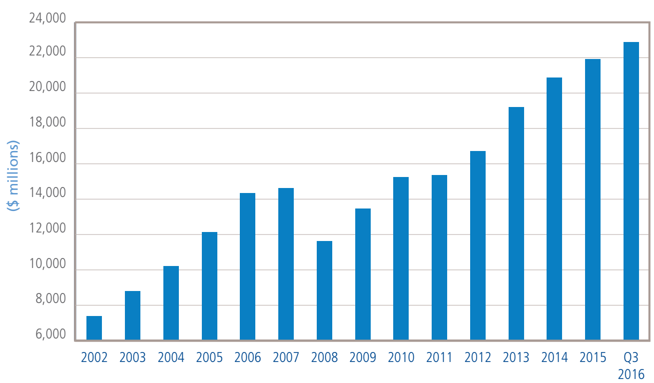
Investment performance results from July 1 to September 30, 2016

Market conditions

Equity markets were mostly up in the third quarter of 2016. The Canadian S&P/TSX Composite index was up 5.5%, while in Canadian dollar terms the U.S. S&P 500 index was up 5.1% and the international EAFE index was up 7.7%. The FTSE TMX Bond Universe was up 1.2% in the quarter. The Bank of Canada maintained interest rates at 0.50% during the quarter. The following table depicts the performance of the Plan's fund (per cent return).

Asset class	Market value ($ millions)	2016 Jul-Sep (%)	2016 YTD (%)	2015 Annual (%)	2014 Annual (%)	2013 Annual (%)	2012 Annual (%)
Fixed income							
Cash and short-term	99.2	0.1	0.4	0.8	1.1	1.0	1.0
Bonds	8,714.1	1.8	7.2	3.1	8.3	-2.0	4.6
Equities							
Canadian equities	3,921.1	6.0	14.3	-4.0	11.6	20.3	7.3
U.S. equities	3,915.2	6.5	-0.7	21.8	22.3	44.2	14.7
International equities	3,229.2	9.0	3.6	16.3	3.9	24.0	17.8
Real estate, private equity and infrastructure	2,997.3	2.5	4.8	16.6	8.3	11.3	15.2
Currency overlay	-11.5						
Total (DB component)*	**22,864.4**	**4.28**	**6.22**	**7.27**	**10.86**	**16.88**	**10.13**
Benchmark		**3.81**	**6.24**	**5.12**	**10.99**	**14.00**	**8.51**

Investment highlights



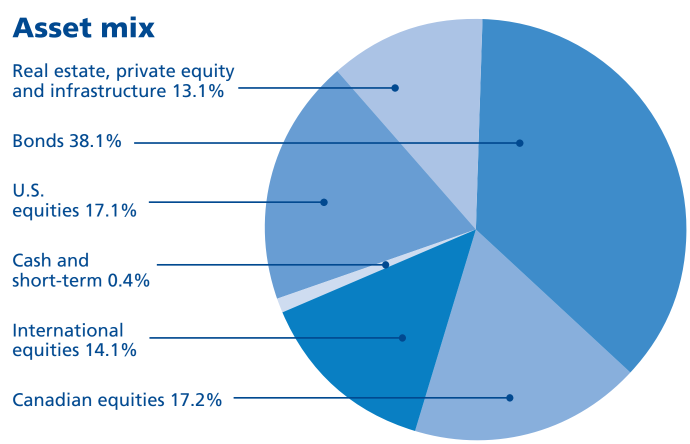
- The fund's third quarter return was 4.28% compared to our benchmark of 3.81%. Year to date, the fund return was 6.22% compared to our benchmark of 6.24%.
- As at September 30, 2016, the fund held assets of $22.9 billion.
- The fund had net cash outflows of $105.2 million in the third quarter. We reduced Canadian equity by $175 million and U.S. equity by $24.3 million. We added $19.2 million to the currency overlay account and $20.0 million to cash and short-term investments. In the alternative assets, we reduced real estate by $5.9 million due to asset sales and added $22.4 million to infrastructure and $25.9 million to private equity during the quarter.

*Numbers may not add up due to rounding.

Asset mix highlights

- As at September 30, 2016, 61.5% of assets were invested in equities and alternative investments compared to the asset mix target of 60%. This was made up of 17.2% Canadian equities, 17.1% U.S. equities, 14.1% international equities, 8.1% real estate, 2.9% private equity and 2.1% infrastructure.
- 38.5% of assets were invested in bonds and short-term investments, compared to an asset mix target of 40%. This included 9.4% in real return bonds, 28.7% in nominal bonds and 0.4% in cash and short-term investments.

Asset mix



Note: Currency overlay -0.1%