From anywhere... to anyone

Intouch Retiree Pension Bulletin **Defined Benefit**

Ten Years of Intouch!

Last April marked ten years since Pension Services published its first Intouch bulletin. It was launched on the recommendation of the Pension Advisory Council with the mission of keeping retired members informed about Plan changes, news, and other pension-related topics.

At the time, the Plan was a little over one year old with a total of 57,449 members, of which 1,439 were retirees. Today, retirees, deferred members and survivors account for over 25,500 of the total membership of nearly 85,000. Along with the membership, the Plan's assets have increased. As at December 31, 2011, net assets available for benefits stood at $15,431 million, up from $7,756 million on December 31, 2001.

Pension Services has grown, too. From a small core group, it now counts a staff of 64. Each member of this dedicated team is committed to providing you with excellent service.

The Intouch team, past and present, is proud to have been able to bring you pension news over the last decade and we look forward to continuing to do so in the future. Happy anniversary, Intouch!

Pensioner confirmation letters

It is important that your contact information is up-to-date in our records. From time to time, Pension Services mails out Pensioner Confirmation letters to obtain confirmation that you are in receipt of your pension benefit and that we have your correct information on file. This is done for audit purposes and to fulfill our important fiduciary responsibility to you. It helps to protect future pension benefits for all members and their eligible survivors. Should you receive one of these letters, your co-operation in completing and returning it will be greatly appreciated.

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Do you have a topic in mind for our next "Intouch" bulletin?
Please submit any suggestions or comments in writing to:

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

OR send an email directly to:
pension.services@canadapost.ca

Corporate performance results – August 2012

Continued volume decline has driven financial losses so far in 2012. The Group of Companies reported a loss before tax of $10 million in the second quarter, while the Canada Post segment reported a loss before tax of $34 million.

Volumes of Transaction Mail and domestic Lettermail each declined by tens of millions of pieces compared to the second quarter of 2011, which had suffered a labour disruption. Compared to 2010's first two quarters, Direct Marketing volumes in the first two quarters this year were down 140 million pieces.

"The volume erosion we are witnessing is part of a historic shift in business communication," said Jacques Côté, group president, Physical Delivery Network. "The decline creates an urgent need to reposition the business to be able to generate a profit and meet its obligations to its employees on a much lower mail volume."

Service performance is solid almost right across the board, and Parcel volumes are up on the strength of growth in e-commerce. However, Canada Post faces significant financial challenges given the core volume decline of the domestic Lettermail and the growing obligations to fund the pension plan and post-retirement benefits.

Did you know?

If you have terminated employment with Canada Post and elected a deferred pension, you can still use the "Calculate my Pension" calculator on **cpcpension.com** to obtain a personalized pension estimate. To access the calculator, you will need your Personal Identification Number (PIN). If you do not have a PIN, contact the Pension Centre to request one. You can reach the Pension Centre at 1-877-480-9220 (TTY 613-734-8265) Monday to Friday between 8 am and 6 pm EDT. If you are outside North America, please call 613-683-5908. Be sure to have your employee ID number when you call.

Facts and figures

According to the Canada Post Pension Plan 2011 Annual Report, the average age of active members is 48.2, down slightly from 48.3 in 2010, and the average age of retirees is 62.7, up from 62.3 in 2010.

Our Pension Plan website, **cpcpension.com**, receives over 8,500 visits each month. The site offers a wealth of information about the Plan including a section designed especially for pensioners and their families. Under **Pensioners**, you will find such topics as pension payment dates, indexation rates, information for and about survivors, and contact information. You will even find past copies of Intouch under **Forms and Publications**. Visit **cpcpension.com** today!

Changes to the Canada Pension Plan

The Government of Canada has made a series of changes to the Canada Pension Plan (CPP) that are being phased in until 2016. The purpose of these changes is to adapt the CPP to the new ways Canadians live, work and retire. These changes do not apply to the Quebec Pension Plan (QPP). For information on the QPP, visit **rrq.gouv.qc.ca**. The following is a summary of the CPP changes.*

1. Changes to the CPP adjustment factors – resulting in a lower benefit if you begin receiving your CPP before age 65 and a higher benefit if you wait until after age 65 to begin your CPP.

<table>
<tr><th>If you are</th><th>and start your CPP pension</th><th colspan="2">then, your CPP pension will be</th><th>What was it before?</th></tr>
<tr><td rowspan="6">age 60 to 64</td><td rowspan="2">in 2012</td><td colspan="2">reduced by:</td><td rowspan="6">.5%
per month</td></tr>
<tr><td>.52%</td><td rowspan="5">per month before age 65, calculated from the time you begin receiving it.</td></tr>
<tr><td>in 2013</td><td>.54%</td></tr>
<tr><td>in 2014</td><td>.56%</td></tr>
<tr><td>in 2015</td><td>.58%</td></tr>
<tr><td>in 2016 or later</td><td>.60%</td></tr>
<tr><td>age 65</td><td>anytime</td><td colspan="3">the full amount you are eligible to receive at age 65.</td></tr>
<tr><td rowspan="4">age 66 to 69</td><td rowspan="2">in 2011</td><td colspan="2">increased by:</td><td rowspan="4">.5%
per month</td></tr>
<tr><td>.57%</td><td rowspan="3">per month after age 65, until you turn 70, calculated from the time you begin receiving it.</td></tr>
<tr><td>in 2012</td><td>.64%</td></tr>
<tr><td>in 2013 or later</td><td>.70%</td></tr>
<tr><td>age 70 and over</td><td>anytime</td><td colspan="3">the amount you would have received at age 70.</td></tr>
</table>

As a result of these changes, by 2016, if you start receiving your CPP pension at age 60, your benefit will be 36% less than if you begin receiving it at age 65. On the other hand, as of 2013, if you begin receiving your CPP pension at age 70, your benefit will be 42% higher than if you had started at age 65. Before this change, the maximum reduction was 30% and the maximum increase was also 30%.

2. Increase in general drop-out provision – a higher number of years of zero or low earnings will be excluded automatically from the calculation of your CPP pension for time spent outside the workforce for school, layoffs, providing care, etc. Excluding low earning years from your CPP calculation increases your benefit amount.

Starting in	% of zero or low earnings excluded	# of years	What was it before?
2012	16%	up to 7.5	15% - up to 7 years
2014	17%	up to 8	

Note: There are separate drop-out provisions for time spent out of the workforce because of disability or child-rearing leave.

3. Removal of work cessation test – the requirement to stop working or significantly decrease earnings for two months before qualifying for a reduced CPP pension has been eliminated. This means that, starting in 2012, you can begin receiving CPP benefits as early as age 60 without stopping work or reducing your earnings.

4. New – CPP contributions if you work while receiving CPP benefits – making CPP contributions will increase your future CPP benefits. Any contributions made during one year will increase your CPP benefits effective the following year.*

Starting in 2012, if you work while receiving CPP benefits and		What was it before?
you are	then	
age 60 to 64	you and your employer must make CPP contributions.	Regardless of your age, you did not make CPP contributions if you were already receiving your CPP benefits.
age 65 to 69	you will have the choice of whether or not to make CPP contributions. If you choose to make contributions, then your employer must make them as well.	
age 70 and over	you cannot make CPP contributions.	

* For more information on these changes, CPP benefits and contribution rates, visit **servicecanada.gc.ca**

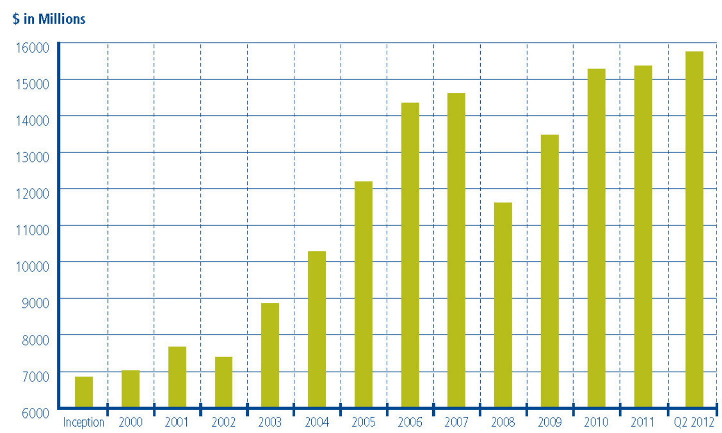
Market Conditions

Equity markets were lower in the second quarter of 2012. The Canadian S&P/TSX Composite index was down 5.7 per cent, while in Canadian dollar terms the U.S. S&P 500 index was down 0.8 per cent and the international EAFE index was down 5.3 per cent. The DEX Bond Universe was up 2.2 per cent on the quarter. The Bank of Canada held interest rates steady at 1.0 per cent. The following table depicts the fund's performance (per cent return).

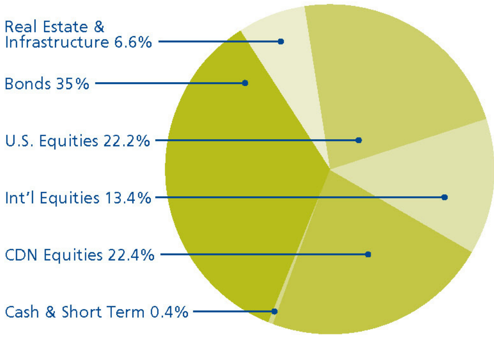
ASSET CLASS	MARKET VALUE ($ IN MILLIONS)	2012 APR-JUN (%)	2012 YTD (%)	2011 ANNUAL (%)	2010 ANNUAL (%)	2009 ANNUAL (%)	2008 ANNUAL (%)	2007 ANNUAL (%)
Fixed Income								
Cash & Short Term	58.0	0.3	0.5	1.0	1.0	1.7	3.0	3.2
Bonds	5,551.9	2.4	2.5	10.5	7.7	8.7	3.7	3.5
Equities								
Canadian Equities	3,543.8	-6.1	-2.0	-9.1	15.2	33.0	-32.0	9.0
U.S. Equities	3.522.5	-2.2	9.6	3.1	9.5	9.9	-21.6	-10.7
International Equities	2,133.0	-4.7	6.0	-12.7	4.0	16.3	-37.4	-5.1
Real Estate & Infrastructure	1,042.1	2.3	4.7	15.0	15.1	-9.1	-1.5	16.8
Total Registered Pension Plan	**15,851.3**	**-1.75**	**3.53**	**0.19**	**10.38**	**16.19**	**-19.27**	**2.09**
Benchmark		**-1.52**	**2.98**	**0.78**	**9.85**	**15.79**	**-17.58**	**0.91**

Investment Highlights

- The fund's second quarter return was minus 1.75 per cent compared to our benchmark of minus 1.52 per cent. Year to date the fund is up 3.53 per cent versus a benchmark return of 2.98 per cent.
- As at June 30, 2012, the fund held assets of $15,851.3 million.
- The fund had net cash outflows of $29.9 million in the second quarter. We reduced Canadian equity by $45.1 million, U.S. equity by $39.8 million and international equity by $40.1 million and allocated $113.6 million to real estate, $12.6 million to private equity and $0.4 million to infrastructure investments. We also redeemed $55.0 million from real return bonds and $37.3 million from cash & short-term investments while allocating $20.0 million to nominal bonds and $43.0 million to our currency overlay account.



ASSET MIX



Asset-mix Highlights

- As at June 30, 2012, 64.6 per cent of assets were invested in equities and real estate & infrastructure, versus the asset-mix target of 62.5 per cent. This was made up of 22.4 per cent Canadian equities, 22.2 per cent U.S. equities, 13.4 per cent international equities and 6.6 per cent real estate & infrastructure.
- 35.4 per cent of assets were invested in bonds and short-term investments, compared to an asset-mix target of 37.5 per cent. This included 7.6 per cent in real return bonds, 27.4 per cent in nominal bonds and 0.4 per cent in cash & short-term investments.