From anywhere... to anyone

Canada Post Pension Plan
2009 Annual Report






Total Compensation

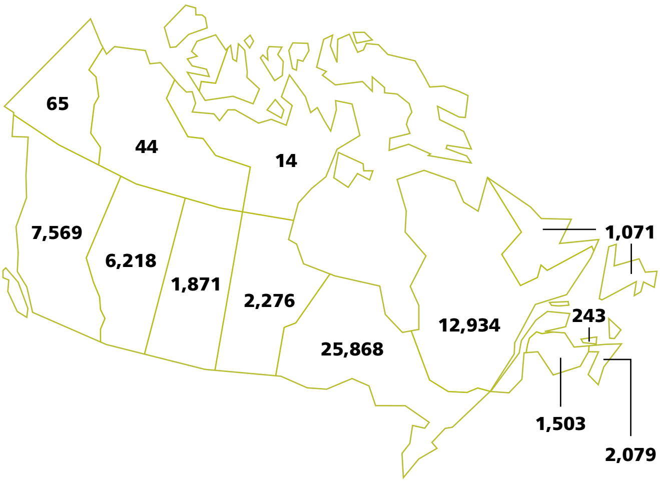
Membership Summary

Membership continues to grow in the Canada Post pension plan (the Plan) making it one of the largest single employer defined benefit pension plans in Canada, with a total of 80,646 active members, pensioners, deferred members and beneficiaries.

	2005	2006	2007	2008	2009
Active Members	62,292	63,134	63,531	63,239	61,755
% of Active Members	87.5%	85.0%	82.5%	79.8%	76.6%
Pensioners	7,976	10,165	12,398	14,753	17,269
% of Pensioners	11.2%	13.7%	16.1%	18.6%	21.4%
Deferred Members and Beneficiaries	901	948	1,050	1,249	1,622
% of Deferred Members and Beneficiaries	1.3%	1.3%	1.4%	1.6%	2.0%
Total	**71,169**	**74,247**	**76,979**	**79,241**	**80,646**

Total Active Members by Province and Territory

As of December 31, 2009, our 61,755 active members are spread across Canada.



Membership Age Distribution as of December 31, 2009

The Plan has 29,584 active members over age 50. The number of active members retiring year over year is continuing to increase. Pensioners increased by 2,516 in 2009.

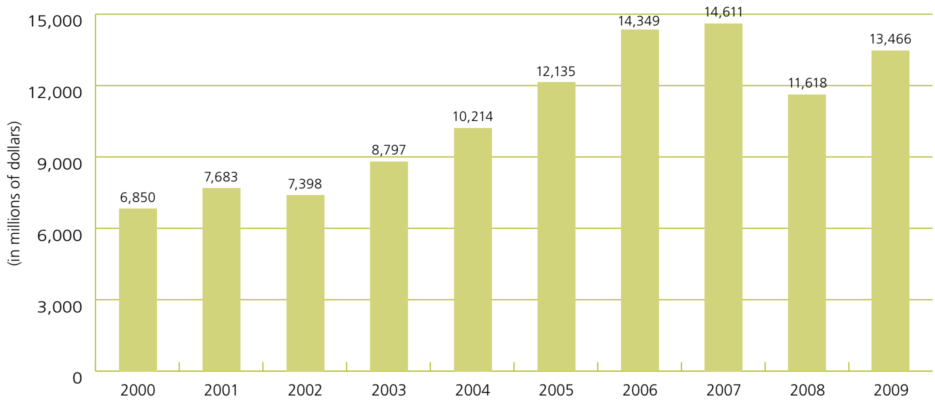
Age	< 30	30-39	40-49	50-59	60-69	70-79	80-89
Active Members	2,567	9,950	19,654	24,622	4,879	83	N/A
Pensioners	N/A	8	157	6,055	9,853	1,163	33

The average active member is 48.1 years of age (2008 – 47.8 years of age).
The average retiree age is 62.0 years of age (2008 – 61.6 years of age).

Operational Highlights

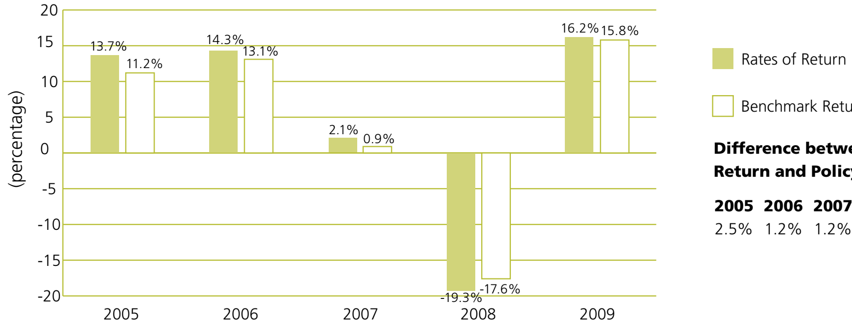
Total Pension Fund Assets

The Plan's assets held by the custodian ended the year at $13,466 million, an increase of $1,848 million from the end of 2008.



Actual Fund Rates of Return vs Policy Benchmark

The Plan was well positioned on the investment side to take advantage of recovering financial markets throughout 2009 and achieved a rate of return of 16.2% beating its benchmark.

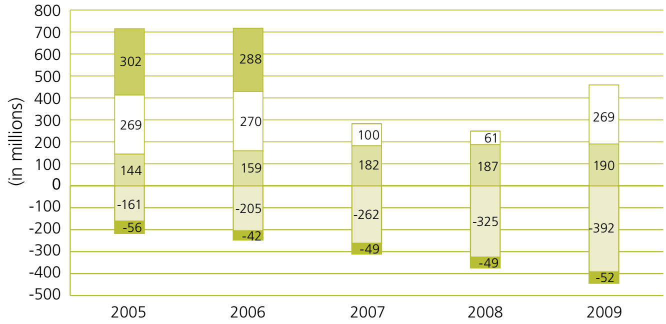


Difference between Actual Fund Return and Policy Benchmark

2005	2006	2007	2008	2009
2.5%	1.2%	1.2%	(1.7%)	0.4%

Contributions and Benefit Payments

Canada Post will begin making special solvency payments in 2010 based on current legislation designed to bring the solvency ratio up to 100 per cent.



Contributions

CPC Solvency Payments

CPC Current Service Contributions

Members Contributions

Total Contributions

2005	2006	2007	2008	2009
$715	$717	$282	$248	$459

Benefit Payments

Retirement and Survivor Pensions

Commuted Values Refunds and Death Benefits

Total Benefit Payments

2005	2006	2007	2008	2009
$217	$247	$311	$374	$444

What's New in the Annual Report?

The "What's New" section has been added this year to summarize the major changes between the 2009 report and last year's report and to briefly explain the effect of the changes on the financial statements.

So....................What's New?

Cap on asset values

In March 2009, the Office of the Superintendent of Financial Institutions (OSFI) added a cap on asset values used in actuarial valuations for funding purposes. See Notes 4.a and 14.

Actuarial Assumptions

OSFI conducted a review of the economic assumptions contained in the last filed actuarial valuation as at December 31, 2007 and requested that the discount rate used to calculate the current service cost and the discount rate used to calculate the going concern pension liability be changed to the same rate. Also salary escalation rates were adjusted to be consistent with long-term best estimates. See Note 15.b.

December 31, 2009 Actuarial Valuation

Canada Post has confirmed that a December 31, 2009 actuarial valuation will be filed for the Canada Post Corporation Registered Pension Plan (the Plan) with OSFI by June 30, 2010, a year earlier than required by federal pension legislation. See Note 17.

How does this effect the financial statements?

- Due to the cap on asset values, the 2008 actuarial asset value adjustment and actuarial value of net assets available for benefits had to be restated which changed our estimated 2008 going concern position from a surplus to deficit.
- Due to the actuarial assumption changes and the Plan being well-positioned on the investment side to take advantage of recovering financial markets by achieving a rate of return of 16.2%, the Plan returned to an estimated going concern surplus position of $567 million in 2009.
- The Plan is reporting an estimated solvency deficit of $2,007 million using an asset smoothing technique. Using the fair value of Plan assets (without smoothing), the solvency deficit is approximately $3.4 billion. In accordance with federal regulations, asset smoothing allows the Plan to spread (smooth) short-term market fluctuations over a number of years. Canada Post's 2010 employer cash contributions to the Plan will be approximately $793 million, broken down as current service cost contributions of $339 million plus special solvency payments of $454 million.

The estimates provided may change when the official actuarial valuation is filed in June using finalized data.

Note: In order to provide Plan members with this important information, the actual equity holdings by sector previously on this page can be found on page 14 of this report.

Canada Post Pension Plan 2009 Annual Report

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Privacy of Pension Records

Canada Post adheres to federal legislation on the privacy of personal information and ensures that personal pension information is treated in a secure and confidential manner.

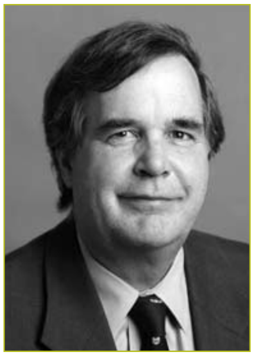
To obtain information on their pension benefits, members may:

Visit the Canada Post pension plan website at www.cpcpension.com

Call the Pension Centre at 1-877-480-9220 (TTY 613-734-8265) and use the Voice Response Unit (VRU) or speak with a Pension Centre Representative.

Message from Marc A. Courtois

Chairman of the Board



The Board of Directors of Canada Post (the Board) continued to exercise its pension fiduciary responsibilities throughout 2009, closely monitoring pension fund activities during the year.

2009 was a difficult year for businesses overall, but we saw financial markets begin to rebound from the global economic downturn. The Canada Post Corporation Registered Pension Plan (the Plan) was well positioned on the investment side to take advantage of these recovering financial markets throughout the year.

The Board, while recognizing that a strong Plan sponsor is critical to protecting the pension benefits of members, had to make some difficult choices based on affordability. As a result, in 2009, the Board approved a change that saw the introduction of a Defined Contribution component to the Plan for employees in management and/or exempt positions who started work on or after January 1, 2010. I want to reassure members that the Plan continues to be regulated by the federal *Pension Benefit Standards Act, 1985*. This Act sets out the rules for the prudent management of the Plan's funds over the long-term for all members.

The Board will continue to monitor the Plan as part of the overall pension governance process. Working with the Plan Sponsor, the Board will strive to ensure that sufficient funding is in place and excellent service is delivered to the more than 80,000 members.

On behalf of the Board, I would like to thank Denyse Chicoyne, Chair of the Pension Committee, for her stewardship during challenging times, and to thank the pension team for their outstanding efforts during the past year. I would also like to thank the Investment Advisory Committee of Canada Post for their continued due diligence and guidance.

Message from Moya Greene

President and CEO

The past year has been one of the most challenging that Canada Post has faced. The effects of the economic downturn that began in late 2008 were still felt, as evidenced by the sharp decline in revenues and volumes that we experienced during 2009. I am pleased to report, however, that the investment returns for the Canada Post Corporation Registered Pension Plan (the Plan) were more positive. The Plan was well positioned on the investment side to take advantage of recovering financial markets throughout 2009. The assets of the Plan increased year-over-year by $1,867 million, for a rate of return of 16.2 per cent.

While the Plan remains fully funded on a going-concern basis, the investment returns were not sufficient to offset a decline in interest rates. As a result, the Plan ended the year with a solvency ratio of approximately 88 per cent. Based on the estimated financial status of the Plan on December 31, 2009, an actuarial valuation in accordance with current solvency ratio standards will be filed. Canada Post, as the Plan sponsor, is responsible for funding any Plan deficits. Canada Post will begin making special solvency payments in 2010 based on current legislation designed to bring the solvency ratio up to 100 per cent.

During the year, the Board of Directors of Canada Post (the Board) had to make some difficult choices based on affordability. As a result, it approved the introduction of a Defined Contribution component to the Plan for employees in management and/or exempt positions who started work on or after January 1, 2010. This change for new hires was required so that we could be better positioned to protect the pension promise made to current employees and retirees.

As the Plan sponsor, the financial risk of the Defined Benefit component rests solely with Canada Post. Accordingly, the best security for Plan members continues to be a financially strong Plan sponsor. Management, along with the Board which monitors the Plan, is working hard to protect our pensions. This requires that we continue to invest to modernize so that we can remain relevant to our customers. These needed changes will help ensure that the Corporation remains financially sustainable.

This has been a challenging year for those managing our Plan. I want to thank Douglas Greaves and his pension team for their hard work, and for providing excellent service to all members of our Plan. For more information, or for Plan members who wish to view personal pension information in confidence, I invite you to visit www.cpcpension.com.

Report to Members

From the Office of Douglas D. Greaves, Vice-President Pension Fund and Chief Investment Officer






Member Services

The Canada Post Corporation Registered Pension Plan (the Plan) which began operations in 2000 with approximately 55,000 members has grown to nearly 81,000 members in 2009. There were over 2,500 new retirees in 2009 with pensioners now representing 21 per cent of the total.

The Pension Centre

The following charts provide a sample of the many services that the Pension Centre provided to our Plan members in 2009.

Active Members	2009	2008
Telephone calls received	42,380	36,630
Pension Centre Transactions		
Buyback of Service	1,223	1,016
Pension Estimates	2,173	1,942
Retirement/Termination/Deaths	5,261	4,800

Pensioners	2009	2008
Telephone calls received	5,038	4,447
Pension Centre Transactions		
Address Change	50	53
Bank Change	458	339

Website online services: cpcpension.com

Plan members visited the Plan's website, cpcpension.com to find valuable pension information, take an on-line pre-retirement course and calculate pension estimates based on their individual data. Website visits were up to 76,617 in 2009 (74,268 in 2008)

Pre-retirement seminars

During 2009, 100 Retirement Planning Seminars were provided to 3,086 Plan members and spouses across Canada. The seminars are provided to Plan members who are entitled to an unreduced pension and are within two years of retirement. These seminars help members understand the value of their pension benefit and learn about other factors that affect their retirement decision such as financial, legal, health and lifestyle choices. Feedback from Plan members attending the pre-retirement seminars has been very positive.

For Plan members who cannot participate in the pre-retirement seminars, please visit cpcpension.com to take the online pre-retirement course "Planning your Retirement".

2008 Survey Card Feedback

Thank you to all Plan members who provided feedback through the survey cards that were inserted in the Plan's 2008 Annual Report. The sections that interested you the most were the Membership Summary and Asset Performance. The section that interested you the least was the Notes to the Financial Statements.

Plan members indicated a preference to receive a full report delivered to their homes, therefore we will continue with this practice. As part of our goal to provide a high quality service in a cost-effective way for all Plan members, we will continue to seek your feedback and may pursue other alternatives in the future.

We invite you to visit cpcpension.com and fill out our online survey to provide feedback on the Canada Post Pension Plan 2009 Annual Report or any other Plan communications you may have received.

Our Commitment to High Quality Service Standards and Cost-effectiveness

Pension Services participated in a benchmarking study with CEM Benchmarking Inc. in 2008. CEM provides independent and objective information by comparing how Pension Services administers the Plan against similar public and private sector defined benefit pension plans. The results provide insights into administration costs, service levels, and industry best practices.

The CEM study reported a 2008 service score for Pension Services of 77, which was above the peer group median score of 74. This score ranked 4 out of 10 similar plans that participated in the survey.

The following provides the 2008 costs required to provide services to Plan members:

Average Administration Cost, by Member Type

	Membership Type		
	Active	**Inactive**	**Pensioners**
Canada Post	**$129**	**$95**	**$48**
Peer Group	$165	$69	$53

Pension Services is committed to the continuous improvement of service for Plan members to provide high quality service in a cost-effective way.

Contact Pension Services

For pension or post-retirement information, questions or requests:

Contact a Pension Centre Representative:

08:00 to 18:00 (Eastern Time)

Monday to Friday

1-877-480-9220

613-734-8265 (TTY)

613-683-5908 (Outside North America)

Contact RBC Dexia

Inquiries for RBC Dexia Investor Services related to pension payments:

Benefit Payment Services

East Wing 5th Floor

1 Place Ville Marie

Montreal QC H3B 1Z3

1-800-876-4498

Financial Summary

Net Assets Available for Benefits

At December 31, 2009, the Canada Post Corporation Registered Pension Plan held net assets available for benefits of $13,576 million, compared to $11,709 million at the end of 2008. The actuarial value of net assets available for benefits of $14,934 million was $1,358 million more than the fair value of net assets of $13,576 million. This difference is due to timing in the recognition of excess gains and losses and the application of the Office of the Superintendent of Financial Institutions (OSFI) 2009 specification limiting the actuarial asset value adjustment to a maximum of 10 per cent of the net assets available for benefits. Prior to 2009, OSFI's policy did not have a formal specification or cap on actuarial asset value adjustments.

Changes in Net Assets Available for Benefits

Net assets available for benefits increased by $1,867 million during the year due to investment income ($1,882 million) and contributions ($459 million) offset by benefits payments ($444 million) and administration expenses ($30 million).

Changes in Accrued Pension Benefits

Accrued pension benefits as at December 31, 2009 were $14,367 million, an increase of $260 million since December 31, 2008.

Changes in Surplus

The current extrapolated estimate of going-concern surplus is approximately $567 million ($1,227 million going-concern deficit restated in 2008) with an approximate solvency deficit of $2,007 million[1] as at December 31, 2009.

[1]Solvency deficit when using fair value of Plan assets is approximately $3.4 billion.

Asset Performance

Overview

The Canada Post pension plan's (the Plan) rate of return was 16.2 per cent in 2009 which compared favourably against a benchmark rate of return of 15.8 per cent. The Plan's assets held by the custodian ended the year at $13,466 million, an increase of $1,848 million from the end of 2008.

Canada Post Corporation (the Corporation) provides pension benefits to members through a defined benefit pension plan. The prudent and effective management of the Plan's assets has a direct impact on achieving the Plan's goal to provide Plan members with pension benefits at a reasonable cost and to keep pension benefits secure. To fulfill this goal, the Board of Directors of the Corporation (the Board) has adopted the Statement of Investment Policies and Procedures (SIPP) which addresses how the Plan's assets will be invested. The SIPP outlines the ranges of allowable Plan investments and is reviewed annually by the Pension Committee and the Investment Advisory Committee.

Investment Objectives and Limitations

The SIPP describes the investment objectives and limitations of the Plan.

In its governance of the financial strategies underlying the Plan's operations, the Board must adhere to the following two objectives:

1. Ensure that the pension promise is met,
2. Deliver the pension promise at the lowest reasonable cost.

Over the long term, the Plan's investment performance is evaluated on the ability of the Plan to meet its obligations. Over the short term, performance is measured as a comparison against a benchmark portfolio. This benchmark portfolio is based on the performance of the market index of each of the asset categories in the Plan, held at neutral weights. Due to potential market fluctuations over the short term and the Plan's desire to tactically alter its asset mix with market conditions, the SIPP contains minimum and maximum asset category limits to allow for more flexibility to optimize our investment returns. The Plan maintains at least the minimum diversification standards as established in the federal *Pension Benefits Standards Act, 1985* (PBSA) and also maintains appropriate diversification between industry sectors, geographic/economic areas and management styles.

Risk Management Strategy

In order to reduce risks, the Plan ensures that investment decisions are made in accordance with the SIPP. The SIPP sets the allowable asset mix ranges which define how much can be invested in each asset class and is designed to provide the Plan a long-term rate of return of 4.5 per cent above inflation. Each asset class has specific risks and limits associated with it. Pension investment staff monitor and report on the Plan's risk exposures on an ongoing basis to the Investment Advisory Committee and Pension Committee which reports to the Board.

An asset-liability study will be completed in 2010 to ensure the Plan's investment strategy remains appropriate in today's challenging environment. In addition, updates were made to the Plan's SIPP by the Board in December 2009.

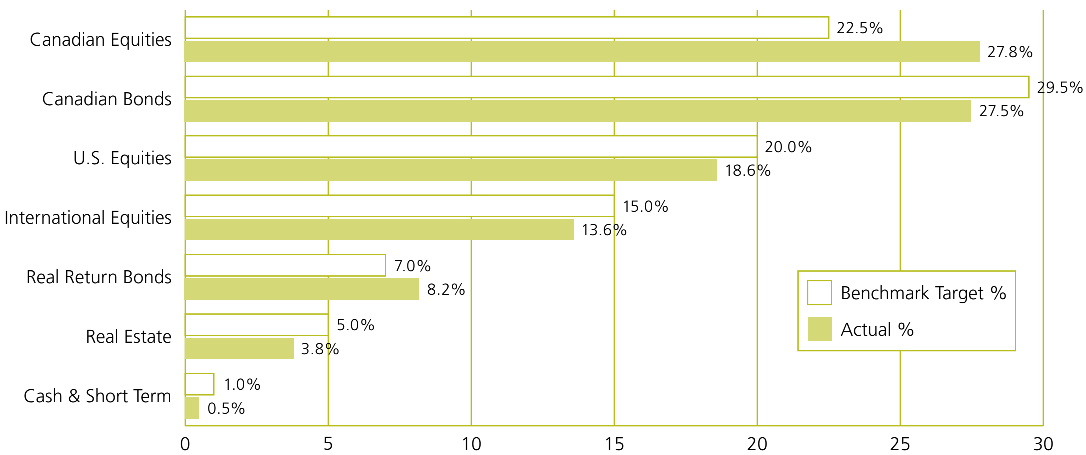
The various asset related risks faced by the Plan, are outlined in Note 6 to the Financial Statements.

Investment Mix Strategy

The Plan currently maintains a long-term asset mix target of 62.5 per cent in equities and 37.5 per cent in fixed income. The asset mix of the Plan compared to our benchmark portfolio is depicted below. Total equity exposure of 63.8 per cent of total assets was above the benchmark of 62.5 per cent as a result of an over-weight position in Canadian equities, an under-weight position in U.S. and international equities, and an under-weight position in real estate. The total fixed income weight of 36.2 per cent of total assets is below the benchmark weight of 37.5 per cent, due to an under-weight position in Canadian nominal bonds and cash and short-term investments. The real return bond exposure was above its target allocation.

Asset Mix

Actual Percentage Allocation at December 31, 2009 versus Benchmark Target Percentage

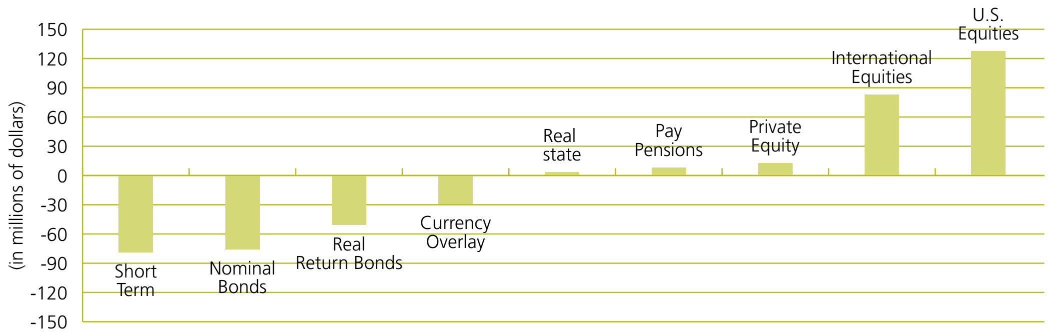


Fund Investments and Cash Flows

During 2009, the Plan increased the real estate target allocation from 3.5 per cent to 5 per cent with a corresponding decrease in the Canadian equity allocation. We decreased our real return bond exposure as the asset category became fully valued and increased our exposure to the United States (U.S.) and international equity markets. Within nominal bonds, $300 million dollars was moved from Canadian indexed bonds and placed into a corporate bond mandate with a target of 65 per cent Canadian corporate bonds and 35 per cent U.S. and international corporate bonds. The Plan continues to maintain an over-weight position in the domestic equity market. During the year, the Plan reallocated funds between asset classes. As can be seen in the following chart, we redeemed funds from the currency overlay account and short-term investments and decreased our positions in both the nominal and real return bond areas as interest rates declined. We increased our allocation to U.S. and international equities as well as our private equity and real estate mandates. While the Plan is essentially cash flow neutral in that the employer and employee contributions are approximately sufficient to fund current pensioner payments and Plan expenses, the Plan did need to use $8 million of invested fund assets to meet 2009 obligations, much less than the amount of assets used by most more mature pension plans.

Fund Investments

Asset Mix Allocations January 1, 2009 to December 31, 2009



2009 Economic Backdrop and Key Events in Review

As 2009 began, major world economies were in recession and overall growth was negative. Central banks, recognizing the severity of the problem, coordinated monetary and financial stimulus, pumping cash into the banking system. Risk tolerance returned as this stimulus and low central bank interest rates led to a rebound in equity markets. Most of 2009 was spent determining if these coordinated actions had brought about recovery.

The housing problems, which started the U.S. sub-prime housing crisis, continued in 2009 as mortgage foreclosures persisted. U.S. banks tightened credit standards and built up surplus capital. Many banks were closed. Business conditions in the U.S. continued to suffer as a result of reduced household spending, tight credit conditions and the ongoing reduction in the housing market. High levels of uncertainty caused businesses to be reluctant to spend or take risks. Individuals concerned about job losses and declining personal investments, reduced household spending, paid down debt and increased savings.

In November 2008, the U.S. Federal Reserve had initiated a program to purchase debt of housing-related government-sponsored enterprises and mortgage-backed securities backed by Fannie Mae, Freddie Mac, and Ginnie Mae. This increased the availability of credit for house purchases, giving support to the housing market and improving conditions in financial markets.

The U.S. Federal Reserve also expanded its monetary base and increased the money supply by purchasing U.S. Treasury securities from the major commercial banks. U.S. banks used these proceeds to build up their reserves to offset potential future write-downs in bad loans. With U.S. Treasury yields at historic lows and confidence returning to the financial system, investors began to move into riskier assets in search of higher returns. After hitting lows in March, the financial markets rebounded worldwide.

In 2009, the Bank of Canada together with the Government of Canada provided significant amounts of liquidity to the banking system and capital markets. The Bank of Canada stated its intention to keep the current rate at 0.25 per cent until the end of June 2010.

The U.S. economy contracted by 2.4 per cent in 2009. The first half of 2009 showed negative growth followed by two quarters of positive growth. This growth was driven by stimulus spending, companies replenishing inventories and increasing spending on equipment and software. The two quarters of growth were an unofficial indication that the worst U.S. recession since the 1930s had ended.

In Canada, the economy contracted by 2.5 per cent in 2009. Economic growth resumed in the third quarter and a strong fourth quarter growth pulled the country out of recession. Factors shaping the recovery are monetary policy support, increased investor confidence, improving financial conditions, global growth, and increased domestic consumption. At the same time, the strength of the Canadian dollar and the low level of U.S. demand for Canadian goods continued to decrease economic activity in Canada.

Canadian exports fell by 19 per cent in 2009. Despite this, Canadian exporters remained positive about future prospects. Confidence that sales will improve has "taken a dramatic swing upwards," according to Export Development Canada's semi-annual trade confidence index.

The rest of the world looked to emerging markets such as China, India and Brazil to pull the global economy out of recession. The strength in U.S. manufacturing is being accompanied by factory expansion from China to Europe. In summary, based on the data, the year ended with economic improvements in the major world economies.

Financial Market Performance

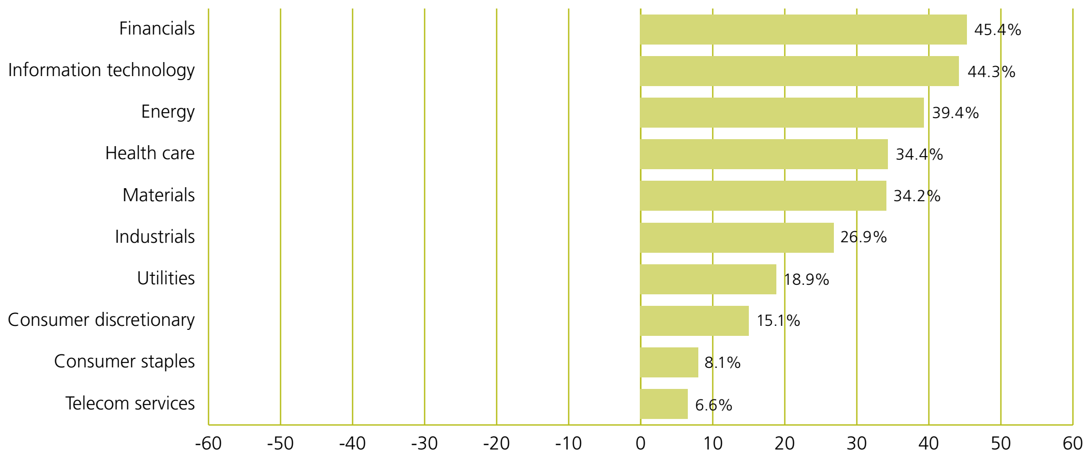
In Canada, the equity markets were heavily oversold, reaching a low in March, and subsequently rebounded to gain 35.1 per cent for 2009. This rebound was due to several factors including positive results of the U.S. bank stress tests, investors looking for greater returns moved toward riskier trades and an overall improving world economy.

Commodity demand rebounded as copper, widely considered a proxy (strong indicator) for the broader economy, gained 139 per cent to $3.33 US per pound. Oil prices had climbed from the low $40's in February to $79 U.S. at the end of December. Overall, the broad Reuters/Jefferies CRB (Commodity Research Bureau) commodity index was up 24 per cent for 2009, which indicates a belief that the recovery is real.

The S&P/TSX (Standard & Poor's/Toronto Stock Exchange) Composite Index ended the year up 35.1 per cent. As can be seen below, all industry sectors gained during the year. Financials gained as the steepening yield curve allowed banks to borrow at historically low interest rates, while investing in long term government bonds at yields of 3 per cent or more. Information technology was up sharply as Research in Motion gained 43.5 per cent. There was also strong performance from the more economically sensitive areas such as energy and materials as the world economy stabilized. Industrial commodity prices recovered and forecasts of worldwide demand increased. Gold, as a protection against inflation and as a bet on a recovery in emerging markets was higher for the ninth consecutive year.

TSX Composite Index Industry Sector Percentage Return

January 1, 2009 to December 31, 2009



In the U.S., the S&P 500 (Standard & Poor's) index gained 26.5 per cent in US dollar terms while the international market, as represented by the MSCI EAFE (Morgan Stanley Capital International Europe, Australasia, Far East) index, was up 32.4 per cent in US dollar terms. A resurgent Canadian dollar meant the gain in Canadian dollar terms was 7.4 per cent (S&P 500) and 11.9 per cent (MSCI EAFE) respectively. Internationally it was the emerging markets that gained the most with China up 70 per cent, India up 62 per cent and Brazil up 112 per cent in Canadian dollar terms.

Bond markets performed well in 2009 with the DEX bond index up 5.4 per cent, and the DEX real return bond index up 14.5 per cent. Corporate bonds performed very well as spreads tightened considerably. Central banks around the world kept interest rates low to stimulate the economy.

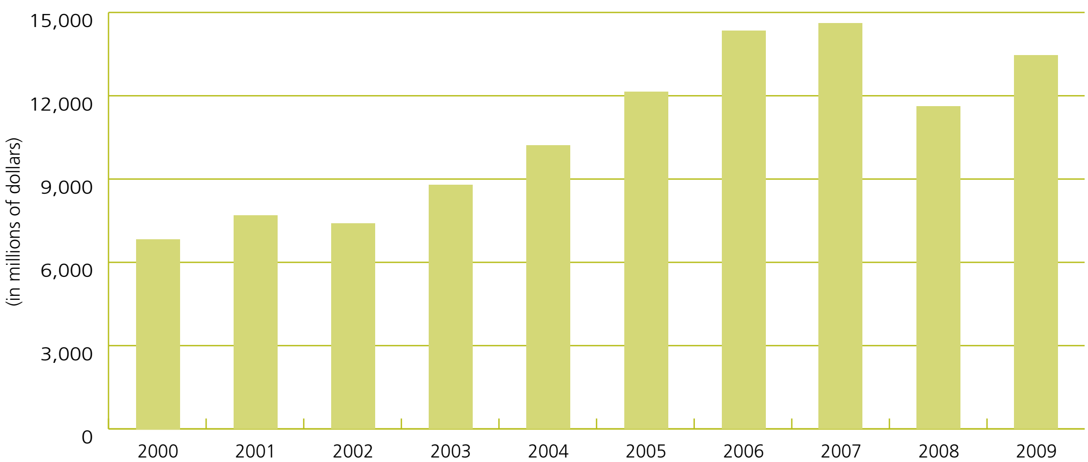
Low interest rates maintained by central banks, worldwide stimulus and asset purchase programs, a narrowing of corporate bond spreads and a rebound in equity markets have all contributed to a marked improvement in overall financial conditions.

Fund Performance

The Plan earned a rate of return of 16.2 per cent in 2009. This was above our benchmark rate of return of 15.8 per cent and was significantly higher than the median gain of 15.5 per cent experienced by the RBC Dexia universe of large Canadian pension plans. Total Plan assets are depicted in the following chart.

Total Pension Fund Assets

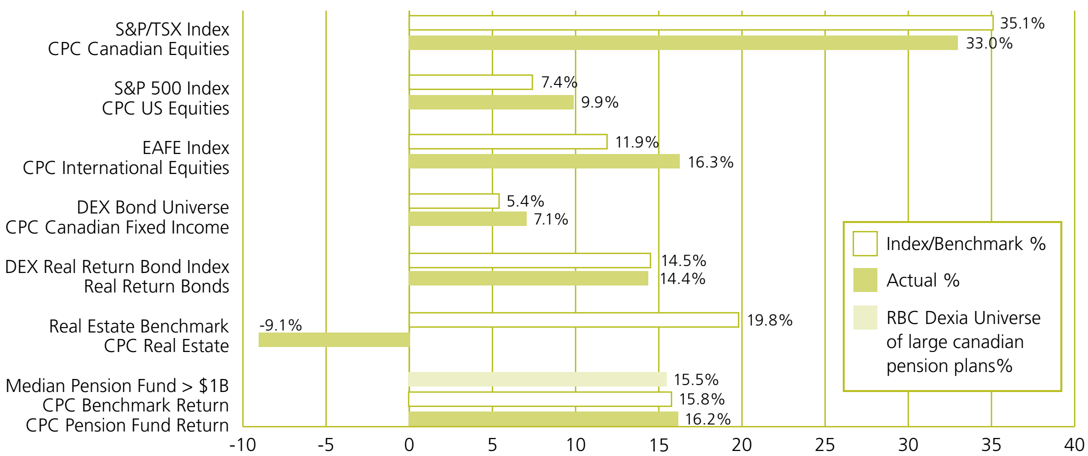
As at December 31, 2009



The individual asset class returns for 2009 are shown below against their benchmark returns. As an asset class, Canadian equities marginally underperformed against their benchmark while U.S. equities marginally outperformed against their benchmark. International equities outperformed their benchmark as a result of modest exposure to emerging market economies, which were up sharply on the year, but are not part of the benchmark index.

1 Year Returns as at December 31, 2009

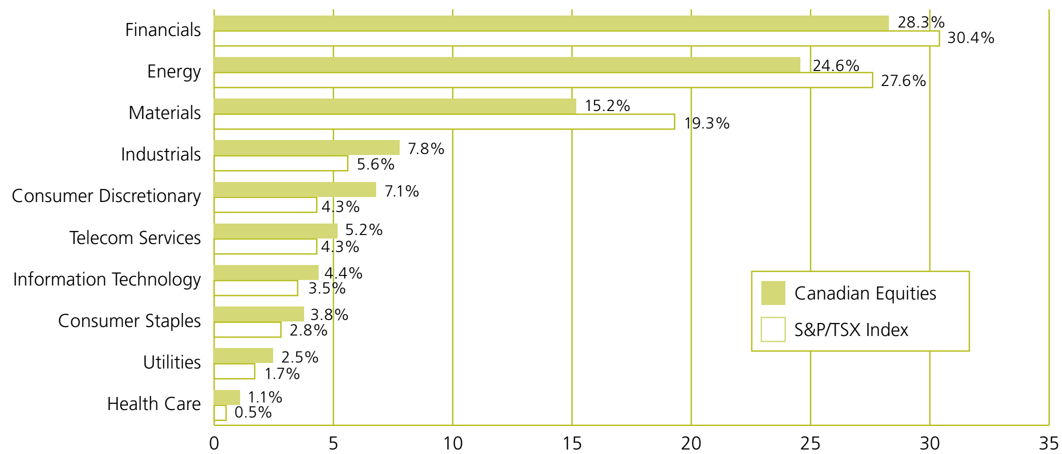
By Asset class and Total Plan



Bonds were up in the corporate sector as spreads narrowed and the long term yields stayed flat due to concerns about inflation declining. Cash and short-term investments were flat for the year in an environment of historically low interest rates. Real return bonds were very strong. Overall the Plan benefited from an overweight position in the Canadian equity market. Our year-end industry sector weights versus the indexes for North American and international equities as well as our largest equity holdings are shown in the following charts. The Plan's real estate benchmark of 50 per cent S&P/TSX Composite Index and 50 per cent DEX Universe Bond Index does not reflect the income and capital gain prospects of real estate in the short term. The Plan's real estate performance approximated that of the real estate performance of other pension plans.

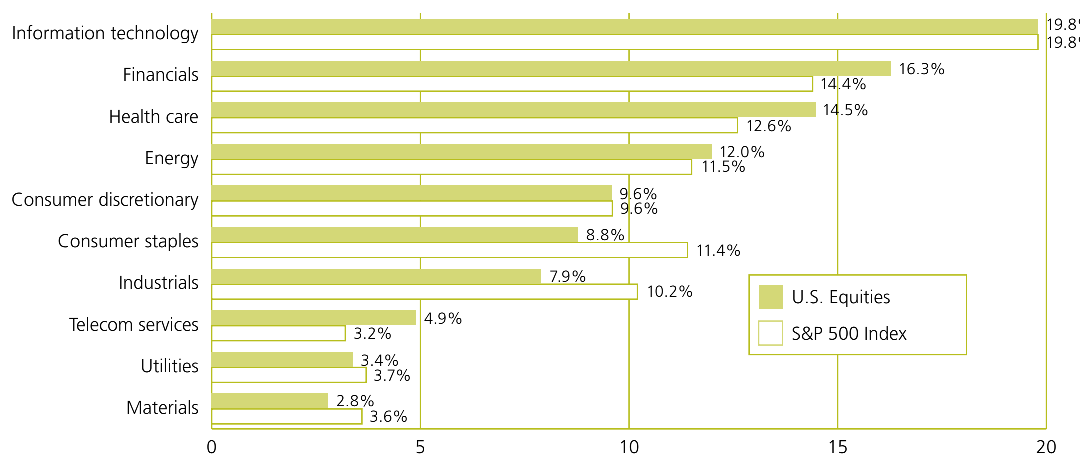
CPC Canadian Equities as at December 31, 2009

Sector Weight Relative to the S&P/TSX Composite Index



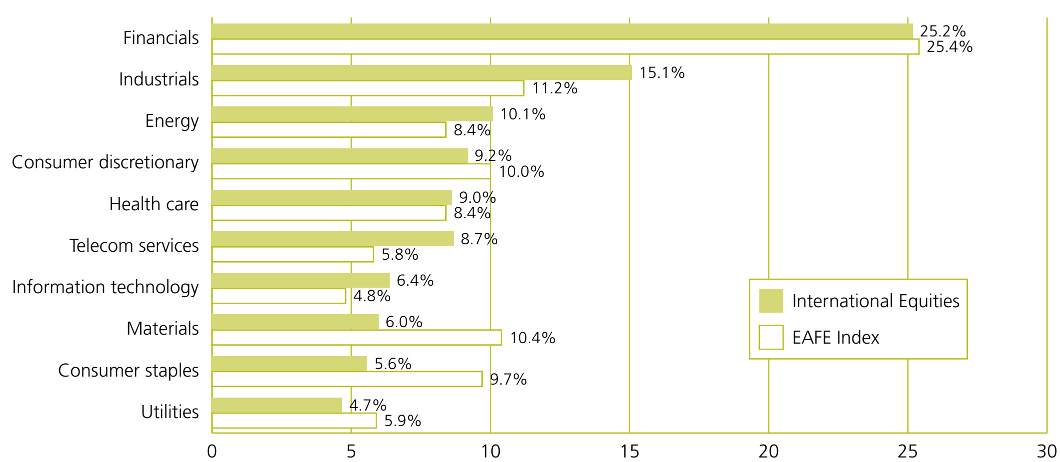
CPC U.S. Equities as at December 31, 2009

Sector Weight Relative to the S&P 500 Index



CPC International Equities as at December 31, 2009

Sector Weight Relative to the MSCI EAFE Index



Equity holdings greater than $30 million

(Per cent of the overall fund)

December 31, 2009 *(In millions)*		
Royal Bank of Canada	$ 223	1.66%
TD Bank	160	1.19%
Suncor Energy	152	1.13%
Bank of Nova Scotia	137	1.02%
Canadian Natural Resources	109	0.81%
Research in Motion	104	0.77%
Talisman Energy	92	0.68%
Potash Corporation	88	0.65%
Manulife Financial	87	0.64%
Bank of Montreal	82	0.61%
TransCanada Corporation	79	0.58%
Canadian National Railway	77	0.57%
EnCana	69	0.51%
Nexen	68	0.50%
Goldcorp	68	0.50%
BCE	67	0.50%
Barrick Gold	66	0.49%
Exxon Mobil	65	0.48%
Enbridge	62	0.46%
Thomson Reuters	62	0.46%
Rogers Communications	58	0.43%
CIBC	57	0.42%
SNC Lavalin	56	0.41%
Johnson & Johnson	55	0.41%
Procter & Gamble	53	0.40%
Cenovus Energy	50	0.37%
Apple	49	0.36%
Microsoft	48	0.36%
Sun Life Financial	40	0.29%
Shaw Communications	39	0.29%
Cisco Systems	39	0.29%
Metro Inc.	38	0.28%
Chevron	38	0.28%
Royal Dutch Shell	38	0.28%
Cameco	37	0.28%
AT&T	37	0.28%
Oracle	37	0.27%
Pepsico	37	0.27%
Canadian Tire	36	0.27%
Qualcomm	35	0.26%
BP	35	0.26%
American Tower	34	0.26%
Great West Life	33	0.24%
Schlumberger	32	0.24%
Teck Resources	32	0.24%
Sanofi Aventis	32	0.23%
Telefonica	31	0.23%
Baxter International	31	0.23%
Pfizer	30	0.23%
Wells Fargo	30	0.23%
	$ 3,114	**23.10%**

Investment Developments and Initiatives

2009 saw several noteworthy developments within the Plan as detailed below:

- The Plan added a corporate bond mandate with a 65 per cent Canadian and a 35 per cent U.S. and International corporate bond exposure. This is the Plan's first significant exposure to U.S. and International bond markets.
- Pursuant to the Plan's ongoing review of investment managers, one U.S. equity manager was replaced.
- The VP Pension Fund and Chief Investment Officer completed his activities with the asset backed commercial paper (ABCP) restructuring committee. A successful restructuring was finalized in 2009.
- Both the Pension Services and Pension Investment groups continue to provide pensions and services to its pensioners and other Plan members at well below median industry costs.

Economic Environment Going Forward

The coordinated monetary and financial stimulus by governments around the world has resulted in a shorter recession than most had imagined a year ago. Confidence and credibility in the global financial system appear to have been restored, at least temporarily. A fragile global recovery is underway. This recovery is expected to slow in the second half of 2010 with the wind down of the government stimulus programs, and the conclusion of the inventory replenishment cycle. Private sector confidence as to the sustainability of the recovery remains uncertain.

While businesses and households continue to reduce debt, governments will be left with large budget deficits and increased debt, a situation which is expected to continue for a prolonged period. It remains to be seen how long investors will continue to fund these large deficits without demanding higher interest rates. Reduced hiring and excess industrial capacity means unemployment may remain at higher than normal levels for some time.

Central banks will likely keep interest rates at low levels for an extended period. Bond market total returns will likely remain low. Investors can be expected to continue to seek higher returns in riskier assets like stocks and commodities and equity markets are expected to record moderately positive returns for the year. Global financial growth is expected to be uneven with little growth in developed countries and higher growth expected to come from emerging economies such as China and India.

After receiving feedback on the Department of Finance's consultative paper Strengthening the Legislative and Regulatory Framework for Private Pension Plan to the *Pension Benefits Standard Act, 1985*, the federal government in October announced measures to modernize federal pension legislation and regulatory framework to recognize the current economic reality and still protect the pension benefit of plan members. Amendments to the PBSA and the *Income Tax Act* (ITA) will be necessary to implement the reform. The ITA change is likely effective for 2010. The PBSA changes are subject to the process of tabling and publishing regulations.

Funding Valuation

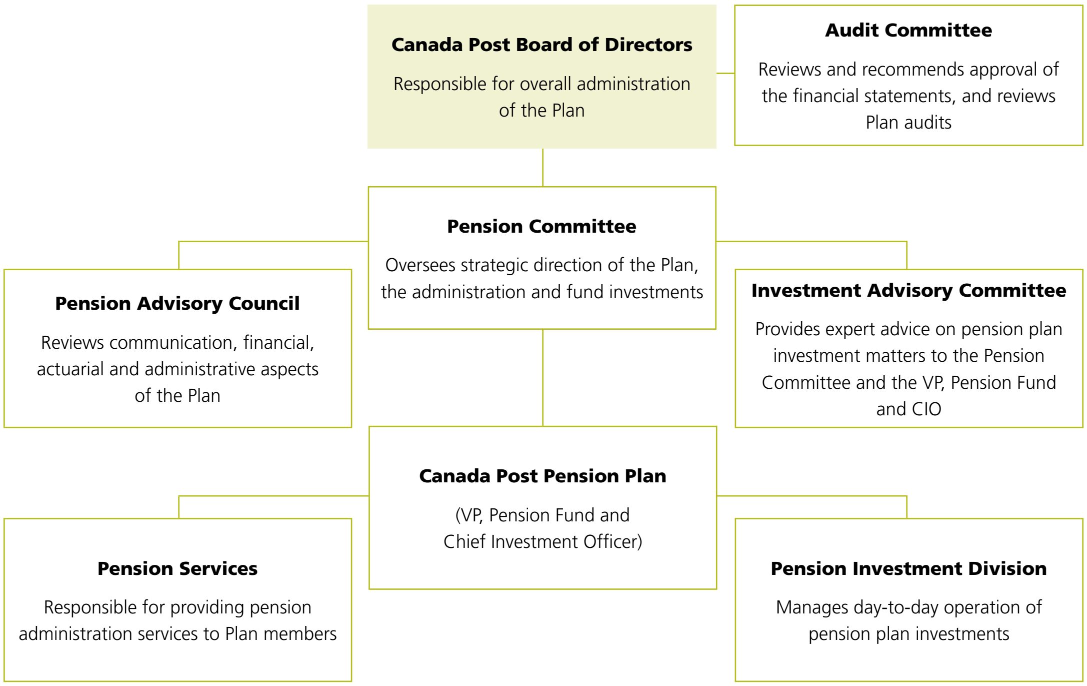
The Plan is required to file periodic actuarial valuations with the pension regulator, the Office of the Superintendent of Financial Institutions (OSFI). These actuarial valuations are required to set out the funded status of the Plan on a going-concern and solvency basis. The Corporation has confirmed that a December 31, 2009 actuarial valuation will be filed for the Plan with OSFI and CRA by June 30, 2010.

As small changes in discount rates can have a significant impact on the results of actuarial valuations prepared on a solvency basis, the Corporation, as the Plan sponsor, will continue to carefully monitor the impact of changes in discount rates, the return on Plan assets, and changes in legislations on the financial position of the Plan on both a solvency and going-concern basis. The current extrapolated estimate of the financial position of the Plan as at December 31, 2009, based on existing rules and regulations, is a going-concern surplus of approximately $567 million and a solvency deficit of approximately $2,007 million[1]. While the Plan's rate of return was 16.2 per cent, this was not sufficient to offset the increase in the pension obligations resulting from lower solvency discount rates.

[1]Solvency deficit when using fair value of Plan assets is approximately $3.4 billion.

Pension Plan Governance

The purpose of governance is to ensure the Plan is administered responsibly and in the best interest of all Plan members. As such, approved processes and strict controls are in place to ensure effective Board, Committee and management decisions. The Governance Structure below describes the accountabilities of those tasked with pension fiduciary responsibilities to ensure delivery of the pension promise.



A review of the pension plan governance guidelines, issued by the Canadian Association of Pension Supervisory Authorities (CAPSA), of which the Office of Superintendent of Financial Institutions (OFSI) is a member, is conducted annually and helps those with the primary pension plan fiduciary responsibility assess how successfully the Plan follows effective governance principles. Documentation relating to pension plan governance will be included on the website once the website construction is completed.

The Plan also fulfills its communications fiduciary responsibility as outlined in pension legislation. Examples of this in 2009 were the Canada Post Pension Plan 2008 Annual Report, Your Personalized Pension Statement, Pension Plan News, and InTouch issued to their respective audiences. All publications and more may be found on the pension plan website at www.cpcpension.com.

Board, Committee and Council Memberships

The following outlines the Board, Committee and Council memberships involved in the governance of the Plan as at December 31, 2009.

	Board of Directors	Audit Committee	Pension Committee	Investment Advisory Committee	Pension Advisory Council
Marc A. Courtois	Chairman of the Board	•	•		
Moya Greene	•				
Denyse Chicoyne, C.F.A., MBA	•	•	Chairperson	•	
Thomas W. Cryer, F.C.A.	•	Chairperson	•		
A. Michel Lavigne, F.C.A.	•	•	•		
Siân M. Matthews	•				
Hon. Stewart McInnes	•				
Iris G. Petten	•				
Robert B. Pletch, Q.C.	•	•			
William H. Sheffield	•		•		
Donald Woodley	•				
Lorne Braithwaite, BComm, MBA				Chairperson	
Isla Carmichael, PH.D, M.Ed, AM				•	
Phillip H. Doherty, BComm, MBA, CA				•	
Hugh Mackenzie, MA				•	
Kenneth W. McArthur, BComm, CA				•	
Douglas D. Greaves, BA (Hons), C.F.A.				•	Chairperson
Nabil Allaf (Canada Post)					•
Daryl Bean (PSAC/UPCE)					•
Gayle Bossenberry (CUPW)					•
Madeleine Cléroux (CUPW)					•
Terry Cotton (APOC)					•
George Kuehnbaum (CUPW)					•
Donald Lafleur (CUPW)					•
John MacKinnon (Canada Post)					•
Daniel Maheux (CPAA)					•
Micki McCune (elected by all active members of the Plan)					•
Tim McGurrin (Canada Post)					•
Mike Moeller (UPCE/APOC/CPAA)					•
John Polak (elected by active members not represented by a bargaining agent)					•
William Price (elected by all retirees of the Plan)					•
Brad Smith (Canada Post)					•

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

Financial Reporting

Management's Responsibility for Financial Reporting

The financial statements of the Canada Post Corporation Registered Pension Plan (the Plan) have been prepared by management, which is responsible for the integrity and fairness of the data presented therein. The accounting policies followed in the preparation of these financial statements conform to Canadian generally accepted accounting principles. Where appropriate, the financial statements include amounts based on management's best estimates and judgments.

In support of its responsibilities, management maintains systems of internal control and supporting procedures to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training, the establishment of an organizational structure that provides a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines. Internal Audit plans audits and reviews of pension activities on a cyclical basis, unless otherwise warranted through annual risk assessments.

Ultimate responsibility for the financial statements rests with the Canada Post Corporation Board of Directors. The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control principally through the Audit Committee and the Pension Committee. The Audit Committee oversees the internal audit activities of the Plan, reviews the annual financial statements and the external auditors' report, and recommends them to the Board of Directors for approval. The Pension Committee, which is composed of the Chairman of the Board of Directors of Canada Post Corporation and four directors who are not employees of the Corporation, meets regularly with management to satisfy itself that the responsibilities delegated are properly discharged.

The Plan's actuary, Mercer (Canada) Limited, completed an actuarial assessment of the assets and going-concern liabilities of the Plan as of December 31, 2009, for inclusion in the Plan's financial statements. The results of the actuaries' assessment are set out in the actuaries' opinion. This assessment was performed in accordance with accepted actuarial practice. The actuarial assumptions used in these financial statements are management's best estimate of future economic events.

The Plan's external auditors, PricewaterhouseCoopers LLP, conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards and performed such tests and other procedures as they considered necessary to express an opinion. The external auditors have access to the Audit and Pension Committees to discuss their audit and related findings as to the fairness of the Plan's financial reporting and the internal control recommendations observed during the audit.

President and
Chief Executive Officer
March 23, 2010

Chief Financial Officer
March 23, 2010

Actuaries' Opinion

Ottawa
March 16, 2010

Mercer (Canada) Limited was retained by Canada Post Corporation to perform an actuarial assessment of the assets and going-concern liabilities of the Registered Pension Plan as of December 31, 2009, for inclusion in the Plan's financial statements.

The objective of the financial statements is to fairly present the financial position of the Plan as of December 31, 2009, as a going concern. While the actuarial assumptions used to estimate liabilities for the Plan's financial statements represent management's best estimate of future events, and while in our opinion these assumptions are reasonable, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan at that time, as well as the contributions required to fund it.

As part of our assessment, we examined the Plan's recent experience relative to the economic and non-economic assumptions and presented our findings to management. In addition, we provided management with statistical, survey and other information used to develop its long-term assumptions.

Our assessment of the Plan's actuarial assets and liabilities was based on:

- an extrapolation to December 31, 2009 of the results of our December 31, 2008 actuarial valuation of the Plan's going-concern liabilities,
- pension fund data provided by Canada Post as of December 31, 2009,
- methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements, and
- assumptions about future events that have been developed by management and Mercer (Canada) Limited and are considered management's best estimate of these events.

We have tested the membership and pension fund data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. We also believe that the assumptions and methods employed in the valuation and extrapolation are, on the whole, appropriate. Our opinions have been given and our valuation performed in accordance with accepted actuarial practice.

Jacques Demers
Fellow of the Canadian Institute of Actuaries
Fellow of the Society of Actuaries

Cory Skinner
Fellow of the Canadian Institute of Actuaries
Fellow of the Society of Actuaries

Mercer (Canada) Limited

Auditors' Report

March 25, 2010

To the Board of Directors of the Canada Post Corporation Registered Pension Plan

We have audited the statement of net assets available for benefits and accrued pension benefits and surplus / (deficit) of the **Canada Post Corporation Registered Pension Plan** (the "Plan") as at December 31, 2009 and the statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in surplus / (deficit) for the year then ended. These financial statements are the responsibility of the Plan's administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the pension plan's management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus / (deficit) of the Plan as at December 31, 2009 and the changes in net assets available for benefits, accrued pension benefits and surplus / (deficit) for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Ottawa, Ontario

Financial Statements

Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus / (Deficit)

As at December 31 *(In millions of dollars)*	**2009**	(restated note 4.a) 2008
NET ASSETS AVAILABLE FOR BENEFITS		
ASSETS		
Investments (note 5)	**$ 13,399**	$ 11,676
Investment related receivables (note 5)	**144**	82
Contribution / other receivables (note 7)	**130**	109
	13,673	11,867
LIABILITIES		
Investment related liabilities (note 5)	**77**	140
Accounts payable and accrued liabilities (notes 8 and 18)	**20**	18
	97	158
NET ASSETS AVAILABLE FOR BENEFITS	**13,576**	11,709
Actuarial asset value adjustment (note 14)	**1,358**	1,171
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS	**$ 14,934**	$ 12,880
ACCRUED PENSION BENEFITS AND SURPLUS / (DEFICIT)		
Accrued pension benefits (note 15)	**$ 14,367**	$ 14,107
Surplus / (deficit)	**567**	(1,227)
ACCRUED PENSION BENEFITS AND SURPLUS / (DEFICIT)	**$ 14,934**	$ 12,880

See accompanying notes to the financial statements

Approved on behalf of the Board

Marc A. Courtois
Chairman of the Board of Directors

Thomas Cryer
Chairperson of the Audit Committee

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31 *(in millions of dollars)*	**2009**	2008
INCREASES IN ASSETS		
Net investment income (note 10)	**$ 1,882**	$ –
Contributions (note 11)	**459**	248
	2,341	248
DECREASES IN ASSETS		
Net investment loss (note 10)	**–**	2,778
Benefits (note 12)	**444**	374
Administration expenses (notes 13 and 18)	**30**	53
	474	3,205
Increase (decrease) in net assets available for benefits	**1,867**	(2,957)
Net assets available for benefits, beginning of year	**11,709**	14,666
Net assets available for benefits, end of year	**$ 13,576**	$ 11,709

See accompanying notes to the financial statements

Statement of Changes in Accrued Pension Benefits

For the year ended December 31 *(in millions of dollars)*	**2009**	2008
Accrued pension benefits, beginning of year	**$ 14,107**	$ 13,071
Increase in accrued pension benefits:		
Interest on accrued pension benefits	**850**	792
Benefits accrued	**560**	527
Changes in actuarial assumptions (note 15.b)	**–**	70
Experience losses (note 15.c)	**–**	21
	1,410	1,410
Decrease in accrued pension benefits:		
Benefits (note 12)	**444**	374
Experience gains (note 15.c)	**110**	–
Changes in actuarial assumptions (note 15.b)	**596**	–
	1,150	374
Net increase in accrued pension benefits	**260**	1,036
Accrued pension benefits, end of year	**$ 14,367**	$ 14,107

Statement of Changes in Surplus / (Deficit)

For the year ended December 31 *(in millions of dollars)*	**2009**	(restated note 4.a) 2008
(Deficit) / surplus, beginning of year	**$ (1,227)**	$ 1,329
Increase (decrease) in net assets available for benefits	**1,867**	(2,957)
Change in actuarial asset value adjustment (note 14)	**187**	3,339
Increase in actuarial value of net assets available for benefits	**2,054**	382
Net increase in accrued pension benefits	**(260)**	(1,036)
Surplus, end of year – as previously reported	**567**	675
Change in actuarial asset value adjustment – change in accounting policy (note 4.a)	**–**	(1,902)
Surplus / (deficit), end of year – as restated	**$ 567**	$ (1,227)

See accompanying notes to the financial statements

Notes to the Financial Statements

1. Plan description

The following description of the Canada Post Corporation Registered Pension Plan (the Plan) is a summary only. An exact and complete description of the Plan provisions can be found in the official Plan document. If there is any conflict between this summary and the official Plan document, the official Plan document will govern.

a) General

The Plan is a defined benefit plan. The Plan was established by Canada Post Corporation (the Corporation) effective October 1, 2000. The Plan is registered with the Canada Revenue Agency (CRA) under registration number 1063874, and is subject to the requirements of the Income Tax Act (Canada) (ITA) and the regulations thereunder. The Plan is also registered with the Office of the Superintendent of Financial Institutions Canada (OSFI) under registration number 57136, and is subject to the Pension Benefits Standards Act (PBSA), 1985 and the regulations thereunder. The Corporation administers the Plan.

b) Benefits

Retirement pensions
A retirement pension is based on pensionable service, the highest average pensionable earnings for five consecutive years of employment, and the age of the member at retirement. Members are eligible for an early retirement pension from age 50. An unreduced retirement pension is available at age 60 with at least two years of pensionable service or at age 55 with 30 years of pensionable service.

Termination of employment benefits
Termination of employment benefits depend on a member's years of pensionable service and age and may include a return of contributions with interest, a lump sum amount equivalent to the commuted value of the pension, or a deferred pension.

Bridge benefits
A bridge benefit is a temporary benefit in addition to a retirement pension. It is payable from retirement until the member reaches age 65, unless death or disability occurs first.

Disability pensions
A disability pension is an immediate pension payable on an unreduced basis. It is available to qualified members prior to age 60.

Death benefits
Death benefits include on-going financial support to survivors and dependent children, lump-sum payments, and refunds of contributions with interest. The Plan provides a minimum payment guarantee on the death of the member.

Indexing of benefits
Pension and survivor benefits are automatically indexed for inflation, in January of each year, by a percentage that reflects the average increase in the consumer price index.

c) Funding

Contributions are required from both the Corporation and the employee in order to fund benefits. These contributions, along with investment earnings, are designed to ensure the financial security of member benefits. The Plan's funding policy is reviewed annually, and continually aims to achieve long-term stability in contribution rates for both the Corporation and Plan members. Contribution rates are established through actuarial funding valuations which are conducted regularly to determine the funded position of the Plan. Employees who are members of the Plan are required to contribute a percentage of their pensionable earnings to the Plan fund. For 2009, employee contributions were 5.7% of earnings up to the Year's Maximum Pensionable Earnings (defined by the Canada Pension Plan and Quebec Pension Plan as $46,300 in 2009) and 9.2% of earnings in excess of this maximum.

d) Plan amendments

In 2009, an amendment was made to the provisions of the Plan document to add a Defined Contribution component to the Plan. Effective on or after January 1, 2010, all newly hired Management and Exempt employees, along with those newly hired unionized employees who later transfer to a Management and Exempt position, will only be eligible to participate in the Defined Contribution component of the Plan. Otherwise, no material amendments were made to the Plan provisions in 2009 and 2008.

2. Summary of significant accounting policies

a) Presentation

These financial statements present the financial position and results of operations of the Plan in accordance with Canadian generally accepted accounting principles.

b) Investments

Investments are stated at fair value. Fair value is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

- Valuation of investments

  Fair value of investments is determined as follows:

  1. Short-term securities are valued at cost or amortized cost that, together with accrued interest or discounts earned, approximate fair value.
  2. Fixed income securities are valued on the basis of quoted market prices using the average of the bid and ask prices. Where quoted year-end prices are not available, estimated values are calculated using discounted cash flows based on current market yields, comparable securities, and financial analysis, as appropriate.
  3. Equities are valued at year-end quoted market prices. Where a public market price is not available for an investment asset or liability, a suitable method of valuation is used by management to determine fair value using appropriate valuation techniques. In making such valuations, consideration is given to the use of bid and ask prices, previous transaction prices, discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other valuation techniques that are judged relevant to the specific situation.

4. Pooled funds are valued at year-end net asset values, as provided by the pooled fund manager, using the year-end quoted market prices of underlying securities held in the pooled fund.

5. Derivative contracts, including foreign exchange forward contracts, interest rate futures and interest rate swaps are valued at quoted market prices. Foreign exchange forward contracts are valued based on the year-end foreign currency exchange rates. Interest rate futures are valued based on prices from the applicable exchange. Interest rate swaps are valued by third party swap pricing vendors.

6. Real estate investments are annually valued by professionally qualified independent appraisers, certified by the Appraisal Institute of Canada. The appraisals are in accordance with generally accepted appraisal practices and procedures, based mainly on the discounted cash flows of income approach. Direct and segregated pooled fund investments are typically carried at cost in the year of acquisition, net of transaction costs, as an approximation of fair value, unless specific and conclusive reasons exist to change the value.

7. Private equity investments are valued at fair value by the external private investment fund managers and are audited annually. Where a public market is not available for an investment, the external private equity manager will determine the fair value using appropriate valuation techniques. In determining such valuations, consideration is given to previous transaction prices, discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other valuation techniques that are judged relevant to the specific situation.

- Investment transactions and income

Investment transactions are recognized on a trade-date basis. Real estate investment transactions are recognized on the date of closing for direct investments. Real estate and private equity pooled fund investment transactions are recognized on the cash call date. Investment income, including interest income, is recorded on an accrual basis. Dividend income is recognized on the ex-dividend date. Real estate and private equity income, net of expenses, is recognized as dividends or distributions are declared. Realized capital gains and losses on the sale of investments and the close of derivative contracts are included as gains and losses on disposition. Unrealized gains and losses on investments represent the change in the difference between the cost and fair value of investments at the beginning and end of each year.

- Investment transaction costs

Transaction costs are incremental costs incurred in the purchase and sale of investments. Transaction costs are expensed and included in administration expenses in the statement of changes in net assets available for benefits.

c) Non-investment assets and liabilities

The fair value of non-investment assets and liabilities approximates the carrying value due to their short-term nature.

d) Accrued pension benefits

Accrued pension benefits are based on the most recent actuarial valuation extrapolated to the year-end reporting date (note 15).

e) Contributions

Contributions for current service are recorded in the year in which the related payroll costs are incurred. Elective service contributions are recorded in the year in which the member commits to buy back elective service. Contributions for approved leave of absence without pay are recorded in the year in which the leave without pay occurred. Solvency contributions are recorded in the year recommended by the Plan's actuary in the statutory actuarial valuation.

f) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at year-end. Income and expenses are translated at the rate of exchange prevailing at the time of the transaction. Derivative contracts are reported at fair value at the reporting date. The realized and unrealized gains and losses arising from these translations are included in investment income.

g) Actuarial asset value adjustment

The actuarial value of net assets available for benefits is determined using a formula that smoothes out the effects of the volatility in market values over a five-year period. It recognizes excess gains and losses occurring in a particular year evenly over the current and the following four years. Excess gains and losses are determined by reference to a long-term rate of return assumption of 7% per year prior to December 31, 2007 and 7.25% per year after December 31, 2007 (note 14). The actuarial asset value adjustment reflects the portion of such excess gains or losses not yet recognized for purposes of determining the net assets available for benefits. Actuarial asset value adjustments are limited to a maximum of 10% of the net assets available for benefits (note 4.a).

h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Significant estimates are used primarily in the determination of the actuarial asset value adjustment, accrued pension benefits, accrued contributions on team incentive payments and the valuation of investments. Management monitors estimates and assumptions used in the preparation of the financial statements, as actual results may differ from these estimates, and the differences could be material.

i) Benefits

Benefits include payments made during the year and accruals for unpaid but earned benefits at December 31.

3. Adoption of new accounting standards

In June 2009, the Canadian Institute of Chartered Accountants Handbook Section 3862, Financial Instruments – Disclosures was amended to improve disclosures about fair value measurements and the liquidity risk of financial instruments. All financial instruments recognized at fair value in the statement of net assets available for benefits and accrued pension benefits and surplus (deficit) must be classified in three fair value hierarchy levels, based on the transparency of the inputs used to measure the fair value as follows:

Level 1: Fair value is based on quoted market prices in active markets for identical assets or liabilities.

Level 2: Fair value is based on observable inputs other than level 1 prices, such as quoted market prices for similar assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Notes 5 and 6 to the financial statements provide these additional disclosures on financial instruments.

4. Changes in accounting policy

a) Actuarial asset value adjustment

In March 2009, the Office of the Superintendent of Financial Institutions (OSFI) issued a specification on asset values used in pension plan going-concern and solvency valuations for funding purposes. The specification provides that smoothing of assets up to 110% of the market value of net assets available for benefits is permitted in actuarial reports.

In 2009, the Plan applied the OSFI specification, limiting the actuarial asset value adjustment to a maximum of 10% of the net assets available for benefits, for the purpose of the plan financial statements. Prior to 2009, OSFI's policy did not have a formal specification or cap on actuarial asset value adjustments. The 2009 actuarial asset value adjustment as at December 31, 2009 was thereby decreased by $295 million from $1,653 million to $1,358 million (note 14). The retrospective restatement impacts the actuarial value of assets as at December 31, 2008 as follows:

- decrease of $1,902 million from $3,073 million to $1,171 million to the actuarial asset value adjustment.
- actuarial value of net assets available for benefits decreased from $14,782 million to $12,880 million and the previously reported surplus of $675 million changed to a deficit of $1,227 million.

b) Reporting standards

In July 2009, the Canadian Accounting Standards Board (AcSB) issued an exposure draft proposing to issue new standards for financial statements of pension plans as a separate part of Part IV of the CICA Handbook. The proposed standards are expected to be effective for annual financial statements for fiscal years beginning on or after January 1, 2011.

5. Investments

Summary of investments

(in millions of dollars)	2009 Fair Value	2009 Cost	2008 Fair Value	2008 Cost
Cash and short-term securities	$ 168	$ 168	$ 321	$ 319
Fixed income				
Canadian *	3,480	3,437	3,361	3,366
United States	83	86	19	22
International	101	96	107	103
Real return bonds	1,102	929	992	929
	4,766	4,548	4,479	4,420
Equities				
Canadian	3,598	2,824	2,662	2,915
United States	2,373	2,633	2,039	2,592
International	1,973	2,074	1,615	2,243
	7,944	7,531	6,316	7,750
Real Estate (note 9.a)	508	553	557	516
Private Equity (note 9.c)				
United States	11	14	3	3
International	2	3	–	–
	13	17	3	3
Investments	**13,399**	**12,817**	11,676	13,008
Accrued investment income	39	39	41	41
Investment trades to settle	81	81	39	39
Withholding taxes recoverable	2	2	2	2
Derivatives	22	–	–	–
Investment related receivables	**144**	**122**	82	82
Investment trades to settle	(77)	(77)	(49)	(49)
Derivatives	–	–	(91)	–
Investment related liabilities	**(77)**	**(77)**	(140)	(49)
Transaction costs	–	**(11)**	–	(11)
Net investments	**$ 13,466**	**$ 12,851**	$ 11,618	$ 13,030

* Canadian fixed income includes MAV II restructured notes (ABCP) with a fair value of $8 million ($13 million in 2008).

a) Fair value measurements

i. *Fair value hierarchy*

The fair value of net investments, classified using the fair value hierarchy described in note 3, is as follows:

(in millions of dollars)	2009 Level 1	2009 Level 2	2009 Level 3	2009 Total	2008 Total
Cash and short-term securities	$ 71	$ 97	$ –	$ 168	$ 321
Equities	7,931	24	2	7,957	6,336
Fixed income	14	4,774	10	4,798	4,492
Private equity	–	–	13	13	3
Real Estate	–	–	508	508	557
Derivatives	1	22	(1)	22	(91)
	$ 8,017	**$ 4,917**	**$ 532**	**$ 13,466**	$ 11,618

ii. ***Significant transfers between level 1 and level 2***

Changing market conditions during the year may result in transfers between the various fair value hierarchy levels if there is a change in the availability of quoted market prices or observable market inputs. There were no significant transfers between level 1 and level 2 during the year.

iii. ***Changes in level 3 fair value measurements***

Level 3 investments include MAV II restructured notes (ABCP), derivative contracts, private equity and real estate investments (note 2.b). Non-observable market inputs used to determine the fair value of level 3 investments include broker quotes, pricing services, fund managers, financial models as well as the use of market rental rates, occupancy rates, growth rates and discount rates for its real estate investments. Total net losses reported as net investment income in the statement of changes in net assets available for benefits relating to investments valued using non-observable inputs and held at December 31, 2009 were $60 million. The reason for the transfers from level 2 to level 3 is that inputs to the valuation models ceased to be observable. Prior to transfer, the fair value of the instruments was determined using observable market transactions for the same or similar instruments. Changes in the fair value of level 3 investments during the year are as follows:

(in millions of dollars)	Balance December 31, 2008	Net Purchases (Sales)	Gains / losses Realized	Gains / losses Unrealized	Net Transfers In / (Out) – Level 3	Balance December 31, 2009
Equities	$ –	$ 2	$ –	$ –	$ –	$ 2
Fixed income	13	–	–	(4)	1	10
Private equity	3	14	–	(4)	–	13
Real Estate	557	23	14	(86)	–	508
Derivatives	–	–	–	(1)	–	(1)
	$ 573	**$ 39**	**$ 14**	**$ (95)**	**$ 1**	**$ 532**

b) Derivative financial instruments

Derivative financial instruments are financial contracts, the value of which is derived from the value of the underlying assets, indices, interest rates or currency rates. The Plan uses derivatives to manage financial risk and to enhance returns. Derivative contracts are transacted either in the over-the-counter (OTC) market or on regulated exchanges. Derivative financial instruments held by the Plan include interest rate swaps, interest rate futures and foreign exchange forward contracts.

Interest rate swaps are negotiated agreements that are transacted between counter-parties in the OTC market in which the counter-parties agree to exchange periodic cash flows based on agreed upon reference rates applied to a specified notional amount. No exchange of principal takes place.

Interest rate futures are standard contracts traded on regulated futures exchanges. Interest rate futures are contractual obligations to buy or sell an interest-rate sensitive financial instrument on a predetermined future date at a specified price.

Foreign exchange forward contracts are negotiated agreements that are transacted between counter-parties in the OTC market. Foreign exchange forward contracts are contractual obligations to exchange one currency for another currency at a specified price at a predetermined future date.

Notional values of derivative contracts represent the contracted amount to which a rate or price is applied for computing the cash flows to be exchanged. Notional amounts are the basis upon which the returns from, and the fair value of, the contract is determined. They are not recorded as assets or liabilities in these financial statements and they do not necessarily indicate the amount of future cash flow or the current fair value of the derivative contracts. Accordingly, notional amounts do not indicate the Plan's exposure to credit or market risks.

Derivative contracts represent unrealized gains or losses and are recorded in the statement of net assets available for benefits and accrued pension benefits. Derivative contracts become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. Fair values of derivative contracts can fluctuate significantly.

The notional value and fair value of derivative contracts, as at December 31, 2009 is as follows:

	Notional Value		**Fair Value**	
(in millions of dollars)	**Long**	**Short**	**Assets**	**Liabilities**
Foreign exchange forward contracts	$ 1,106	$ (1,084)	$ 22	$ –
Interest rate futures	79	(79)	–	–
Interest rate swaps	114	(114)	1	(1)
	$ 1,299	**$ (1,277)**	**$ 23**	**$ (1)**

The net fair value of derivative contracts as at December 31, 2009 is $22 million. As at December 31, 2009, note 6.a provides the collateral or margin fair value of securities deposited with and received from various financial institutions.

The notional value and fair value of derivative contracts, as at December 31, 2008 is as follows:

	Notional Value		**Fair Value**	
(in millions of dollars)	**Long**	**Short**	**Assets**	**Liabilities**
Foreign exchange forward contracts	**$ 811**	**$ (902)**	**$ 8**	**$ (99)**

The net fair value of derivative contracts as at December 31, 2008 is $(91) million. As at December 31, 2008, there was no collateral deposited or received against these derivative contracts.

The fair value of derivative contracts by term to maturity, as at December 31, is as follows:

	Terms to maturity			**2009**	2008
Derivative investments *(in millions of dollars)*	Within 1 Year	> 5 to 10 Years	Over 10 Years	**Total**	Total
Foreign exchange forward contracts	$ 22	$ –	$ –	$ 22	$ (91)
Interest rate swaps	–	1	(1)	–	–
	$ 22	**$ 1**	**$ (1)**	**$ 22**	$ (91)

c) MAV II restructured notes (ABCP)

At December 31, 2009, the Plan held MAV II restructured asset-backed commercial paper notes (ABCP) with a maturity value of $23 million and a fair value of $8 million ($13 million in 2008). At the dates the Plan acquired these investments they were rated R1(High) by Dominion Bond Rating Service (DBRS), the highest credit rating issued for commercial paper, and backed by R1(High) rated assets and liquidity agreements. The investments matured during the third quarter of 2007 but, as a result of liquidity issues in the Canadian ABCP market, did not settle on maturity.

On January 21, 2009, the original notes were replaced with new restructured ABCP notes. As an active market has not been established for these notes, the Plan has estimated the fair value using a discounted cash flow (DCF) model, based on the best available information as at December 31, 2009. Weighted average coupon rates of 0.44%, weighted average discount rates of 12.8% and credit losses of up to 50% represent significant assumptions used in the DCF valuation model at year end. Based on these assumptions, the fair value of ABCP was reduced by $4 million as at December 31, 2009 ($4 million in 2008).

The expected payment date, rating assigned by Dominion Bond Rating Service (DBRS), and maturity value of notes held by the Plan is as follows:

(in millions of dollars)

Class	Expected payment date	DBRS rating	Maturity value
A-1	2017	A	$ 5
A-2	2017	BBB (Low)	9
B	2017	Unrated	1
C	2017	Unrated	1
Ineligble Tracking Notes	2013-2029	Unrated	7
			$ 23

Continuing uncertainties regarding the development of an active market for ABCP, the amount and timing of interest and principal payments, the value of the assets that underlie the notes, and the credit and liquidity risks associated with ABCP could give rise to further changes in the fair value of the Plan's investment in ABCP. This would not result in a significant impact on the Plan's future earnings.

6. Financial risk management

The Plan's investment portfolio is subject to a variety of financial instrument risks that could adversely affect its cash flows, financial position, and income. The Plan uses different methods to minimize the potential adverse effect of these risks on the Plan's performance. These methods include the use of portfolio advisors, a third party risk measurement firm to monitor and measure investment risk, daily monitoring of the Plan's positions, monitoring the fair value of publicly traded debt, foreign exchange rates and interest rates, credit reviews, cash flow projections, monitoring of investment performance results by third-party performance measurement services, asset-liability studies, and diversifying the investment portfolio within the constraints of the Plan's Statement of Investment Policies and Procedures (SIPP). The SIPP, approved by both the Pension Committee and Board of Directors, prescribes a long-term debt-equity asset mix policy, requires portfolio investment diversification, sets guidelines on investment categories, and limits exposure to individual investments and major asset classes.

Risk management is primarily the responsibility of the Plan's Investment Division. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Plan's approved policies established for that purpose. In addition, as required these risks are reviewed with the Investment Advisory Committee, Pension Committee and Board of Directors of the Corporation.

a) Credit risk

Credit risk is the risk of loss should the counter-party to a transaction default or otherwise fail to perform under the terms of the contract. The Plan is exposed to credit risk through its short-term securities, fixed income securities, derivative contracts, and real estate investments. Credit risk on short-term securities is mitigated by only transacting with highly-rated counter-parties and establishing limits on the amount and term of short-term investments. Credit risk on fixed income investments is mitigated by establishing limits on exposure to individual counter-parties, monitoring credit ratings, and adhering to the investment criteria set out in the Plan's SIPP.

The Plan's fixed income investment credit risk exposure, as at December 31, is as follows:

Credit rating *(in millions of dollars)*	**2009**		2008	
AAA/AA	$ 3,567	75%	$ 3,181	71%
A	997	21%	1,143	25%
BBB	201	4%	136	3%
<BBB	1	–	19	1%
	$ 4,766	**100%**	$ 4,479	100%

Credit risk on OTC derivative foreign exchange forward contracts and interest rate swap contracts is mitigated through the use of master netting agreements with counter-parties. In addition, for derivative interest rate swaps there is an exchange of collateral between the parties in the event the fair value of outstanding transactions between the parties exceeds an agreed threshold. Credit risk on exchange traded interest rate futures derivatives is limited as these transactions are standardized contracts executed on established exchanges, each of which is associated with a well-established clearing house that assumes the obligations of both counter-parties and guarantees performance. Counter-parties also require a minimum credit rating of "A". Counter-party exposure is determined daily and collateral, consisting of cash and other acceptable securities, is either requested or delivered based on contracted terms.

Cash and securities with a fair value of $1 million (nil for 2008) have been deposited with various financial institutions as collateral or margin. The Plan is not allowed to pledge the same securities with other financial institutions or sell them to another entity unless the Plan is able to substitute such securities with other securities that the counter-parties accept.

Cash with a fair value of $2 million (nil for 2008) have been received from various financial institutions as collateral. The Plan holds the collateral received as long as the counter-party is not a defaulting party or an affected party in connection with a specified condition listed on the contractual agreements and there is no early termination of the contractual agreement. The Plan is permitted to sell or re-pledge the collateral in the event of default by the owner of the collateral. There have been no counter-party defaults as of December 31, 2009.

Credit risk on the Plan's real estate investments arises from the possibility that tenants may be unable to fulfill their lease commitments. The Plan mitigates this risk by diversifying investments by property type and geographic location and ensuring investments are managed by professional property managers.

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, currency risk, and other price risk.

i. *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flow of the Plan's investments will fluctuate due to changes in market interest rates. It arises primarily on interest-bearing financial instruments held in the Plan's short-term securities, fixed income portfolio and derivative interest rate contracts. Interest rate risk indirectly affects equities as earnings multiples change with changes in interest rates and the relative attractiveness of equities also changes with changes in interest rates. Excess cash and short-term securities are invested at short-term market interest rates.

To properly manage the Plan's interest rate risk, appropriate guidelines on the weighting, term to maturity and duration for the short-term securities and fixed income securities are set and monitored. In addition to further mitigate interest rate risk the Plan may enter into interest rate futures and interest rate swap contracts.

The terms to contractual maturity of the Plan's fixed income securities, as at December 31, are as follows:

	Terms to maturity				2009		2008	
Interest-bearing financial instruments *(in millions of dollars)*	Within 1 Year	1 to 5 Years	> 5 to 10 Years	Over 10 Years	**Total**	**Yield to Maturity**	Total	Yield to Maturity
Fixed income – bonds								
Government of Canada	$ 189	$ 863	$ 75	$ 184	$ 1,311	2.1%	$ 1,319	2.0%
Canadian corporate	21	420	258	690	1,389	3.6%	1,227	6.3%
Government of United States	–	1	–	20	21	4.2%	–	–
United States corporate	–	12	45	6	63	5.1%	19	6.9%
International corporate	–	44	43	14	101	4.2%	107	3.4%
Provincial and municipal	54	150	253	322	779	3.8%	815	3.9%
Real return – Canada	–	–	–	920	920	1.5%	808	2.2%
Real return – Provincial	–	8	27	147	182	1.8%	184	3.0%
	$ 264	**$ 1,498**	**$ 701**	**$ 2,303**	**$ 4,766**	**2.8%**	$ 4,479	3.2%

As at December 31, 2009, if the prevailing interest rates raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, net assets would have decreased or increased by approximately $376 million. The Plan's interest rate sensitivity was determined based on the weighted duration of the Plan's portfolio. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

ii. *Currency risk*

Currency risk is the risk that the value of the Plan's investments will fluctuate due to changes in foreign exchange rates. It arises from Plan investments that are denominated in a currency other than the Canadian dollar, which is the Plan's reporting currency. The Plan is exposed to the risk that the value of these securities denominated in other currencies will fluctuate due to changes in foreign currency exchange rates.

The Plan does not speculate in currencies or hold net short positions, but to mitigate its overall currency exposure, the Plan enters into derivative contracts for the purchase or sale of foreign currency, to adjust the exposure to a particular currency. To mitigate counter-party risk, all transactions settle on a net basis. The Plan hedges between 15% and 45% of its total foreign currency exposure. No single foreign currency exposure can exceed 20% of Plan assets. All current contracts expire within 4 months. The Plan only deals with highly-rated counter-parties, typically major financial institutions, with a minimum credit rating of "A" as reported by a recognized credit rating agency.

The Plan's net exposure, net of derivatives, by geographical location of the issuer and by currency, as at December 31, is as follows:

(in millions of dollars)	**Geographical location**		**Currency**	
Currency – Canadian $ equivalent net of foreign exchange forward contracts	**2009**	2008	**2009**	2008
Canadian dollar	$ 8,859	$ 7,824	$ 10,040	$ 8,774
United States dollar	2,582	2,143	1,973	1,640
Euro	797	661	563	414
Other European	492	368	391	298
Japanese yen	310	332	219	345
Other Pacific	187	100	188	81
Emerging markets	239	190	92	66
	$ 13,466	$ 11,618	**$ 13,466**	$ 11,618

As at December 31, 2009, if the Canadian dollar strengthened or weakened by 10% in relation to all foreign currencies, with all other factors remaining constant, net assets would have decreased or increased by approximately $343 million. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

The Plan's derivative foreign currency forward contracts by currency, as at December 31, are as follows:

(in millions of dollars)	**2009**				2008			
Currency	**Receivable**	**Payable**	**Net**	**Average rate**	Receivable	Payable	Net	Average rate
United States dollar	$ 699	$ (689)	$ 10	$ 1.06	$ 552	$ (622)	$ (70)	$ 1.10
Euro	228	(220)	8	1.56	189	(218)	(29)	1.49
Japanese yen	96	(92)	4	0.01	–	–	–	–
British pound	73	(73)	–	1.69	70	(62)	8	2.00
Hong Kong dollar	10	(10)	–	0.14	–	–	–	–
	$ 1,106	**$(1,084)**	**$ 22**		$ 811	$ (902)	$ (91)	

iii. *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. Changes in market prices may be caused by factors specific to an individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Plan moderates other price risk by its policy of diversifying its investments across asset classes based on criteria established in the SIPP. Fund managers and Investment staff regularly monitor the portfolio by sector, country, market capitalization and trading liquidity.

The Plan's exposure to other price risk, as at December 31, is as follows:

	2009		2008	
(in millions of dollars)	**Effective other price risk exposure**	**% of total other price risk exposure**	Effective other price risk exposure	% of total other price risk exposure
Equities				
Canadian	$ 3,598	45.3%	$ 2,662	42.1%
United States	2,373	29.9%	2,039	32.3%
International	1,973	24.8%	1,615	25.6%
	$ 7,944	**100%**	$ 6,316	100%

As at December 31, 2009, 59% of the Plan's net investments were traded on stock exchanges. If equity prices on the stock exchanges increased or decreased by 10% as at year-end, with all other factors remaining constant, net assets would have increased or decreased by approximately $794 million. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

c) Liquidity risk

Liquidity risk is the risk that the Plan will not be able to meet its financial obligations as they fall due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The financial liabilities of the Plan include investment related liabilities, all of which will become due within the next year. The Plan is also exposed to the settlement of derivatives, margin calls on derivatives and pension related payments. Note 5.b provides the terms to contractual maturity of the Plan's derivative contracts.

The Plan forecasts its cash requirements over the short and long term to determine whether sufficient funds will be available. The Plan's primary sources of liquidity are funds generated from the Plan's investments and employer and employee contributions. The Plan primarily invests in securities that are traded in active markets and can be readily sold. Real estate and private equity investments are also subject to liquidity risk which is mitigated by managing the overall amount invested in those asset classes and by limiting the amount invested in any one property or pooled fund. The Plan retains sufficient cash and short-term security positions to maintain a reasonable level of liquidity.

7. Contribution / other receivables

(in millions of dollars)		**2009**	2008
Current service contributions	– Sponsor	$ 36	$ 30
	– Members	24	19
Other contributions *	– Leave of absence	31	29
	– Elective service	30	31
Other **		9	–
		$ 130	$ 109

* Leave of absence contribution receivables for approved leave of absence without pay are generally payable over a period equal to twice the period of leave of absence. Elective service contribution receivables for eligible service are payable over a maximum payment period of 20 years for members 45 years or older at the date of election, or to age 65 for members less than age 45 at the date of election.

** Refund for Goods and Services Tax (GST) input tax credits paid by the Plan on its imported investment management and related trust expenses since 2001.

8. Accounts payable and accrued liabilities

(in millions of dollars)	**2009**	2008
Accounts payable and accrued liabilities	$ 7	$ 8
Accrued benefits payable	13	10
	$ 20	$ 18

9. Investment in real estate and private equity

(a) Investment in real estate

The Plan's investment in real estate as at December 31, is as follows:

	2009		2008	
(in millions of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Direct investments	$ 191	$ 209	$ 180	$ 183
Pooled funds	317	344	377	333
	$ 508	**$ 553**	$ 557	$ 516

(b) Real estate net investment loss

Real estate income (loss) for the year ended December 31, is as follows:

(in millions of dollars)	**2009**	2008
Investment income	$ 20	$ 13
Realized capital gains on disposal	14	1
Unrealized net capital losses	(86)	(23)
	$ (52)	$ (9)

(c) Investment in private equity

The Plan's investment in private equity as at December 31, is as follows:

	2009		2008	
(in millions of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Pooled funds	**$ 13**	**$ 17**	$ 3	$ 3

(d) Private equity net investment loss

Private equity income (loss) for the year ended December 31, is as follows:

(in millions of dollars)	**2009**	2008
Realized net capital losses	$ –	$ (2)
Unrealized net currency losses	(1)	–
Unrealized net capital losses	(3)	–
	$ (4)	$ (2)

10. Net investment (loss) income

Net investment (loss) income by primary financial instrument type for the year ended December 31, is as follows:

(in millions of dollars)	**2009**	2008
Interest income		
Cash and short-term securities	$ 3	$ 17
Fixed income	158	168
Fixed income – real return bonds	30	30
Derivatives	1	–
	192	215
Dividend income		
Canadian equities	90	114
United States equities	52	69
International equities	59	78
	201	261
Real estate (note 9.b)	20	13
Securities lending income	–	1
Realized capital (losses) gains on disposal		
Canadian fixed income	38	45
International fixed income	(5)	–
United States fixed income	1	3
Canadian equities	(171)	(97)
United States equities	(188)	(185)
International equities	(349)	(333)
Real estate (note 9.b)	14	1
Private equity (note 9.d)	–	(2)
	(660)	(568)
Realized currency gains (losses) on disposal		
United States fixed income	1	–
Canadian equities	3	(2)
United States equities	50	(65)
International equities	48	15
	102	(52)
Net realized investment (loss) income	**(145)**	(130)
Unrealized net capital gains (losses) *	2,686	(3,547)
Unrealized net currency (losses) gains	(659)	899
Net change in unrealized gains (losses) on investments	**2,027**	(2,648)
	$ 1,882	$ (2,778)

* Unrealized net capital losses include $4 million in 2009 ($4 million in 2008) relating to the change in fair value of ABCP.

11. Contributions

(in millions of dollars)		**2009**	2008
Sponsor	– Current service	$ 269	$ 61
Members	– Current service	184	181
	– Past service	5	5
	– Transfers from other plans	1	1
		$ 459	$ 248

As the Plan's December 31, 2007 actuarial valuation disclosed a solvency surplus of $449 million, the Corporation ceased making current service contributions to the Plan recovering $373 million ($212 million recovered in 2008) worth of special payments previously made to the Plan. Due to the economic decline in late 2008, the Corporation resumed making current service contributions to the Plan.

12. Benefits

(in millions of dollars)	**2009**	2008
Retirement and survivor pensions	$ 392	$ 325
Commuted value transfers, lump sum death benefits and refunds	49	48
Transfers to other plans	3	1
	$ 444	$ 374

13. Administration expenses

(in millions of dollars)	**2009**	2008
Plan administration	$ 10	$ 10
Investment fees*	26	40
Professional fees	1	1
Custodial fees	2	2
Other**	(9)	–
	$ 30	$ 53

* Investment fees include transaction costs of $10 million ($17 million in 2008).
** Refund of Goods and Services Tax (GST) input tax credits paid by the Plan on its imported investment management and related trust expenses since 2001 and reversal of related interest and penalty provision.

14. Actuarial asset value adjustment

The market value of assets is actuarially adjusted to smooth out gains and losses through amortization over a five-year period (note 2.g). The actuarial asset value adjustment increased by $187 million ($1,437 million increase in 2008) during the year. As described in note 4.a, the Plan applied the March 2009 OSFI policy specification on asset values used in pension plan going-concern and solvency valuations for funding purposes. The specification limits or caps for funding valuations the smoothing adjustment on the actuarial value of net assets available for benefits to 110% of the net assets available for benefits. As this represents a change in accounting policy (note 4.a), the effect of the 110% cap has been retrospectively applied to 2008. The composition of the actuarial asset value adjustment, as at December 31, 2009 is summarized below:

(in millions of dollars)	**Unamortized (gains)/losses 2009**	Unamortized (gains)/losses to be recognized in 2010	2011	2012	2013	Unamortized (gains)/losses 2008
2005	**$ –**	$ –	$ –	$ –	$ –	$ (132)
2006	**(176)**	(176)	–	–	–	(352)
2007	**298**	149	149	–	–	447
2008	**2,332**	777	777	778	–	3,110
2009	**(801)**	(200)	(200)	(200)	(201)	–
Adjustment	**1,653**	$ 550	$ 726	$ 578	$ (201)	3,073
Effect of 110% cap	**(295)**					(1,902)
Net adjustment	**$ 1,358**					$ 1,171

15. Accrued pension benefits

a) Actuarial methodology

The actuarial methods used to prepare these financial statements are consistent with those used to prepare the actuarial valuation on a going-concern basis. The most recent actuarial valuation, prepared by Mercer (Canada) Limited as at December 31, 2008, was extrapolated to determine the accrued pension benefit as at December 31, 2009. The valuation used the projected benefit method prorated on service with respect to benefits, and assumes that the Plan will continue on a going-concern basis.

b) Actuarial assumptions

The actuarial assumptions used in determining accrued pension benefits of $14,367 million ($14,107 million in 2008) are management's best estimate of future events and include demographic and economic assumptions. During 2009, a review of these assumptions was conducted to ensure their adequacy and appropriateness. For the actuarial present value of accrued pension benefits determined as at December 31, the following long-term economic assumptions were selected:

	2009	2008
Discount rate	**6.2%**	6.0%
Salary escalation rate		
– Union groups	per the most recent collective agreement	
– Following expiry of collective agreements and other-average of	**3.0%**	3.5%
Consumer price index (CPI)	**2.5%**	2.5%

The accrued pension benefit is sensitive to changes in the above economic assumptions. Various assumptions were also made for salary promotional scale, mortality, retirement and turnover. Changing the discount rate and salary promotional scale to reflect a reduction in the margins used for adverse deviation resulted in a decrease of $563 million and the impact of the changes in actuarial assumptions, due to new collective agreements, resulted in a decrease of $33 million (increase of $70 million in 2008).

c) Experience (gains) losses

The composition of experience (gains) losses, as at December 31, is summarized below:

(in millions of dollars)	**2009**	2008
Past service buyback	$ 10	$ 13
Economic	(105)	12
Demographic	(15)	(4)
	$ (110)	$ 21

16. Supplementary Retirement Arrangement (SRA)

The SRA provides Plan members and their survivors with benefits that, because of limitations imposed by the ITA, cannot be provided under a registered pension plan. The SRA, together with the Plan, provides overall pension benefits to eligible members.

The SRA is registered with CRA as a Retirement Compensation Arrangement under registration number RC4102229 and is administered in accordance with the applicable requirements of the ITA. Because the assets of the SRA are held in a separate fund, the net assets available for benefits and the accrued pension benefits of the SRA are not included in these financial statements.

17. Funding valuation

In accordance with the PBSA and the ITA, an actuarial valuation is required to be filed at least every three years, on a going-concern and solvency basis, to determine the Plan's financial position and funding requirements. Annual actuarial valuations are required to be filed when the solvency ratio in the latest filed valuation is less than 100%. The most recent actuarial valuation filed with OSFI and CRA, as at December 31, 2007, disclosed a going-concern surplus of $1,257 million and a solvency surplus of $449 million at that date.

The current extrapolated estimate of the financial position of the Plan as at December 31, 2009, based on existing rules and regulations, is a going-concern surplus of approximately $567 million and a solvency deficit of approximately $2,007 million. The going-concern and solvency extrapolations take into consideration adjustments to smooth out investment gains and losses (note 2.g). The Corporation has confirmed that a December 31, 2009 actuarial valuation will be filed for the Plan with OSFI and CRA by June 30, 2010. The actuary has determined the estimated minimum solvency shortfall payments for 2010 to be approximately $454 million. However, as the federal pension legislation and regulations are currently under review, future funding rates may differ from those currently in effect which could affect the estimated minimum solvency shortfall payments for 2010.

The funding valuation methodology and the assumptions used to determine the Plan's actuarial liabilities and contribution requirements on a going-concern basis are consistent with those used to produce the results shown in the statement of changes in accrued pension benefits.

18. Related party transactions

Transactions with the Corporation were conducted in the normal course of activities and measured at the exchange amount. Included in administration expenses is $5.2 million ($5.6 million in 2008) for administration services provided by the Corporation to the Plan. Included in accounts payable and accrued liabilities is $0.8 million ($1 million in 2008) due to the Corporation for administration services provided to the Plan.

19. Commitments

In addition to derivative contracts, the Plan has committed to enter into real estate and private equity investments which may be funded over the next several years in accordance with agreed to terms and conditions. As at December 31, 2009, potential commitments of $273 million ($240 million in 2008) consisted of $133 million for private equity investments and $140 million for real estate investments.