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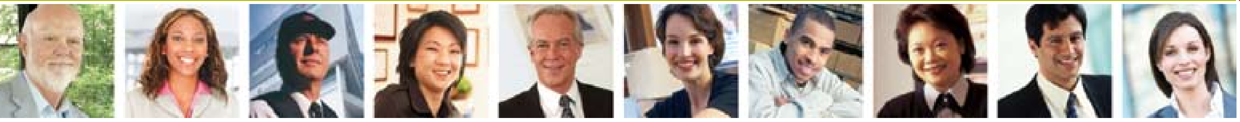

Pension Plan News

Canada Post Pension Plan 2008 Year End Results

2008 was a year of significant upheaval in financial markets around the world. The United States sub-prime mortgage collapse caused financial institutions globally to lose trust in each other and restrict lending between themselves and customers. Consumers world-wide have felt a recent decline in wealth and future economic uncertainty has caused a dramatic decrease in their spending. Canadian pension plans have not been insulated against this unprecedented economic down turn or the speed with which it happened.

In 2008, the Canada Post pension plan earned a rate of return of negative 19.3% against a benchmark return of negative 17.6%. This was only the first time since Plan inception eight years ago that the Plan's return underperformed its benchmark. A primary factor causing the under-performance was the poor performance of equity markets, specifically the performance of the fund's international stocks.

"Despite the disappointing 2008 investment returns, at December 31, 2008 the Plan is fully funded on a going-concern basis, with an estimated surplus of $675 million," said

Douglas Greaves, Vice-President Pension Fund and Chief Investment Officer. "While the short-term impact on investment returns has been negative, the Plan is designed to achieve the long-term returns required to fund pension benefits for members, retirees and beneficiaries."

In a proactive move, the Department of Finance has begun a consultative process with pension plan sponsors and other interested stakeholders designed to identify where current federal regulation needs to be revised to recognize the current economic reality and still protect the pension benefit of plan members. On January 9th, 2009, the Department of Finance, on behalf of the Minister of Finance, issued a consultation paper titled Strengthening the Legislative and Regulatory Framework for Private Pension Plans subject to the *Pension Benefits Standards Act, 1985*. Canada Post is pleased to be participating in this consultative process and provided comments on the consultation paper to the Department of Finance in March 2009.

Disclaimer:
The Canada Post Corporation Registered Pension Plan is referred to as the Plan in this publication. The official Plan text governs your actual benefits from the Plan and is the final authority in any case of dispute. For more information on terms used in this publication, please visit *www.cpcpension.com*. More information can also be found in Your Personalized Pension Statement and Your Information Booklet.

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Commuted Value Q&A

When you leave Canada Post, you may be eligible for a commuted value (CV) as part of your termination options. Commuted value questions are often asked by Plan members through the Pension Centre and *www.cpcpension.com*. To help you understand CVs, a special Q&A was created.

WHAT IS A CV?

A CV is a lump sum amount payable to you today which equals a monthly pension benefit that would have been payable at a future date. The CV is based on actuarial assumptions and current interest rates which fluctuate over time. If you receive a CV, you will not be eligible for any future monthly pension benefit payment.

Subject to the *Pension Benefits Standards Act, 1985* (PBSA), a CV must be transferred to a locked-in retirement savings plan or a life income fund, to your new employer's registered pension plan (subject to Plan rules), or to an insurance company to purchase an annuity. Any amount in excess of the *Income Tax Act* transfer limit will be paid in cash.

AM I ELIGIBLE FOR A CV IF I TERMINATE EMPLOYMENT?

To be eligible for a CV when you leave Canada Post, you must have at least two years of eligibility service or plan membership, and not be entitled to an immediate pension (reduced or unreduced).

HOW IS A CV CALCULATED?

The CV of a pension benefit is calculated in accordance with the federal PBSA. The prescribed method is described in the Canadian Institute of Actuaries (CIA) *Standards of Practice for Pension Commuted Values*.

NOTE: The CV is a complicated calculation that requires a special computer program that includes many factors and special tables; therefore, the calculation **cannot** be performed manually by you or a Pension Centre Representative. A breakdown of the calculation cannot be provided, because the factors and tables used are far too lengthy to be made generally available.

The calculation is based on a deferred pension that would be payable at age 60 using the following factors and assumptions:

Salary and Service	The deferred pension is based on your highest consecutive average earnings and pensionable service.
Canada / Quebec Pension Plan (C/QPP) Reduction	The C/QPP reduction is applied to account for the integration of the Plan formula and C/QPP contributions and benefits.
Pension Indexing	This includes future indexing and indexing between your date of termination and date of calculation.
Demographic Assumptions	These include the probability of your being alive in each future year, as well as the probability of a spousal, dependent child, or disability benefit being paid.
Economic Assumptions	These assumptions are based on CIA recommendations for fully indexed pension plans and reflect current market conditions as well as expected long term rates. They pertain to the real rate of return that the lump sum payment could be expected to earn. The real rate of return is the difference between the gross interest rate and the inflation rate. The lump sum payment is calculated using economic assumptions to account for it being payable today, instead of monthly over your and any eligible survivor's lifetimes. The lump sum is expected to earn interest from the payment date until the date you would have received a pension benefit if the funds had remained in the Plan.

Update on Revised Standards for Calculating Commuted Values

On December 5, 2008, the Actuarial Standards Board (ASB) of the Canadian Institute of Actuaries approved a new standard for the calculation of commuted values (CV). Effective April 1, 2009, all Canadian registered defined benefit pension plans must follow this new standard.

WHY IS THE STANDARD FOR THE CV CALCULATION CHANGING?

Commuted value calculations are affected by many factors that change over time which include life expectancy, interest rates and inflation. The ASB has revised the rules that govern the CV calculation to include modest improvements in life expectancy assumptions, as well as changes to the current economic assumptions for interest rates.

WHAT DOES THE CV CALCULATION CHANGE MEAN TO YOU AS A PLAN MEMBER?

A. Your CV may be lower.

If you meet the following criteria, you may be affected:

1) You terminated employment with Canada Post prior to April 1, 2009 with a CV option provided as part of your termination kit and have not yet decided whether to transfer your pension benefit out of the Plan, or
2) You terminate employment after March 31, 2009 and are eligible to transfer a CV out of the Plan.

Note: For members who have received a CV option as part of their termination kit prior to April 1, 2009, the CV amount was calculated using the prior standard. This CV amount will be guaranteed for 120 days from the date of the letter provided in the kit.

B. If you are entitled to a reduced monthly pension benefit under the Plan, your final reduced monthly pension benefit may be lower than the pension benefit reflected in your pension estimate or retirement kit.

If you are entitled to a reduced monthly pension benefit under the Plan, a test is performed to ensure that the maximum reduction factor allowed under the Income Tax Rules is not exceeded.

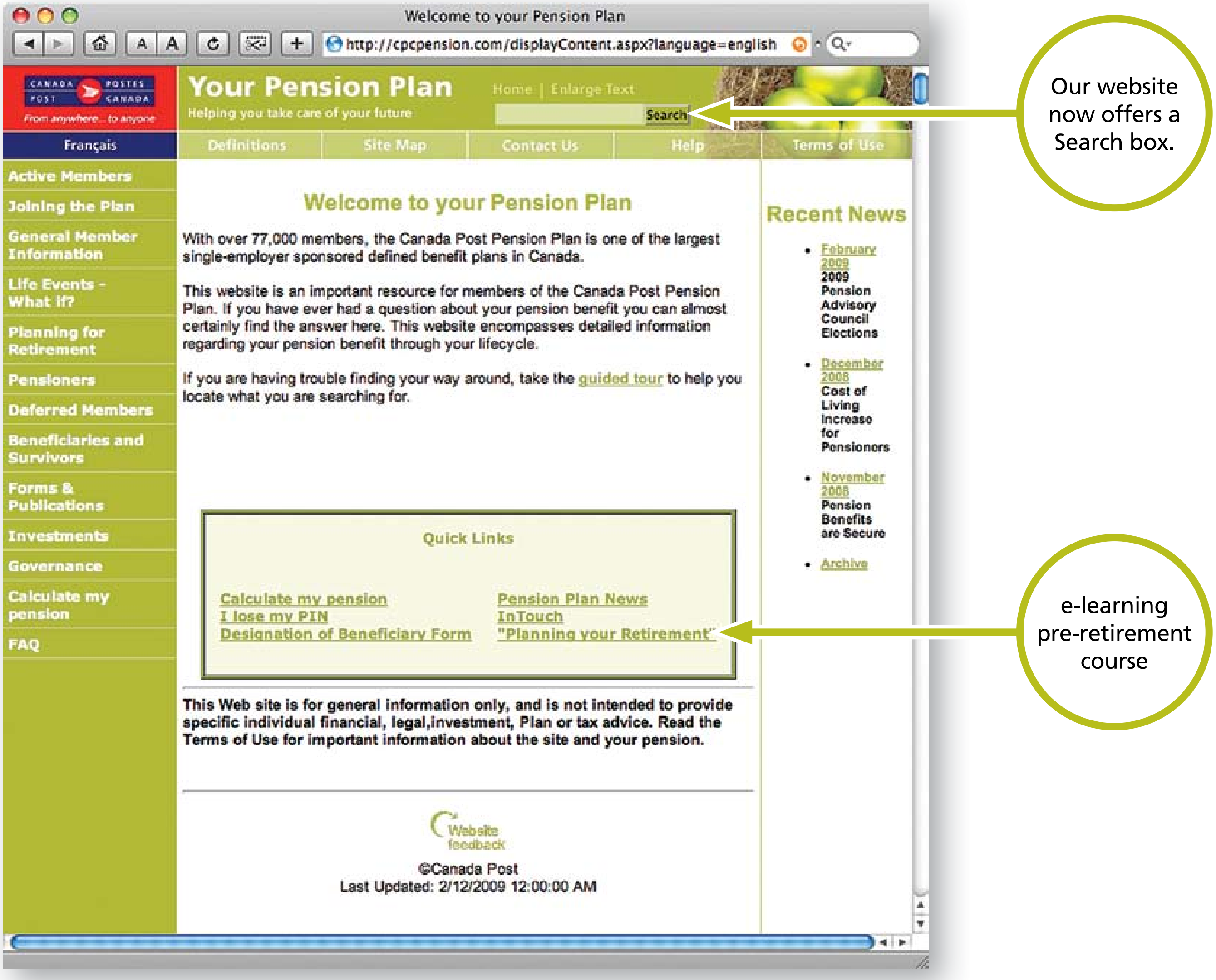
The test compares the Plan formula reduction against an actuarial equivalent reduction and then chooses the smallest reduction. As a result, you are provided with an amount which gives the highest pension benefit.

Plan formula reduction = pension reduction calculated using the Plan reduction formula (5% reduction based on age and/or eligibility service)

Actuarial equivalent reduction = pension reduction calculated using the new standard

The actuarial equivalent reduction will be recalculated once the interest rates have been determined for the month in which you terminate/retire; therefore, if you received a pension estimate or retirement kit prior to April 1, 2009, your final reduced pension benefit may be lower than the reduced pension benefit reflected in your pension estimate or retirement kit.

New Features on the Pension Website



Our website now offers a search box so that you can find the information you want quickly. To use the search box, enter your search term and press the 'Search' button.

The e-learning pre-retirement course entitled "Planning your Retirement" is now available online at *www.cpcpension.com* under 'Planning for Retirement / Plan Ahead' and 'Quick Links'.

The course contains important information relating to lifestyle changes, financial planning and gives an overview of the Plan.

Please note that the e-learning course is only compatible with Internet Explorer and will not work with other web browsers.

2009 Pension Advisory Council Elections

In 2009, two Pension Advisory Council (PAC) elections will be held; the first to elect the representative of the Management and Exempt members of the pension plan and the second to elect the representative of All Active members of the pension plan. The election process for the representative of the Management and Exempt election process is currently underway, while the one for the representative of All Active members will begin in June 2009.

2009 Elections – Timelines

	NOMINATION PERIOD		VOTING PERIOD	
	MAILING DATE	CLOSING DATE	MAILING DATE	CLOSING DATE
Management and Exempt Representative	February 12	March 12	March 26	April 23
All Active Members' Representative	June 4	July 2	July 16	August 13

If you do not receive a nomination kit or voting kit, please contact the Election Coordinator Line at 1-866-999-6231 (TTY – 613-734-8265) or send an email to *pension.services@canadapost.ca*.

Please refer to *www.cpcpension.com* under "Recent News" for further information regarding the PAC elections.

Planning Your Future Now

If you've recently started your career, chances are you're not thinking about retirement. After all, you may be considering a big purchase such as a house or a car. With the current economic state, it's hard to put money away and retirement may seem too far off to start planning.

Here's a tip that most financial and retirement planners support. Start saving now.

Saving over a longer period of time can help decrease the financial pressure closer to your retirement. If you start now by putting a small amount away each month or each pay, it can go a long way towards your retirement plan.

There are many ways that you can save. Contributing to a Registered Retirement Savings Plan (RRSP) may be beneficial as the money you contribute is tax deductible. You can also save using Tax Free Savings Accounts (TFSA) where your money is not taxed when you withdraw it. Check with your financial institution to choose an option that best fits your savings plans and retirement goals. Financial and retirement planners may also help you plan ahead.

For more information, visit *www.cpcpension.com* under 'Planning for Retirement.'

Myths & Facts

The following information will guide you through some widely held myths about the Canada Post pension plan and shine a light on the facts.

Myth

My Pension Adjustment (PA) in box 52 of my 2008 T4 is the sum of the pension contributions I made throughout the year.

Fact

Your PA reported to the Canada Revenue Agency in box 52 of your 2008 T4 is the estimated value of the service you accrued under the Plan for 2008. A PA is calculated using a formula from the *Income Tax Act* and is subtracted from your retirement savings limit to determine your 2009 RRSP contribution room.

Pension Plan Contributions

As a member of the Plan, you make pension contributions for current service based on pensionable earnings and the yearly pension contribution rates. Pensionable earnings include your basic pay, as well as certain lump sum payments and allowances designated as pensionable. Your pension contributions are deducted bi-weekly from your regular pay before income tax is calculated.

In 2009 you contribute:

- 5.7% of pensionable earnings up to the YMPE plus
- 9.2% of pensionable earnings over the YMPE

The YMPE (Year's Maximum Pensionable Earnings) for 2009 is $46,300. The YMPE is set annually by the federal government and is based on the average industrial wage in Canada. Visit the Canada Revenue Agency online at *www.cra-arc.gc.ca* for more information regarding the YMPE.

Once you have completed 35 years of eligibility service, your contribution reduces to 1% of your pensionable earnings.

While Plan members pay 40% of the current service cost, Canada Post contributes the balance of the amount needed to ensure that the Plan can pay all members and beneficiaries the pension benefits earned under the Plan.

Both employee and employer contribution rates to the Plan are calculated by the Plan's actuary. Contributions are also regulated by federal legislation.

LEAVE WITHOUT PAY CONTRIBUTIONS

If you are on authorized leave without pay (LWOP), the way you contribute to the Plan changes, because you stop receiving a regular bi-weekly pay.

Your contribution amount depends on the type of leave you are on. You must pay for the first three months of authorized leave which will be added to your eligibility service. You can choose not to count your leave period as eligibility service beyond the first three months of leave.

The Pension Centre will send you payment options for LWOP once you return to work or terminate your employment. Visit *www.cpcpension.com* for more information on pension contributions under 'Joining the Plan'. 'Forms & Bulletins' has a bulletin that provides more information on LWOP including an explanation of terms used in this article.

Canada Post Corporation Registered Pension Plan

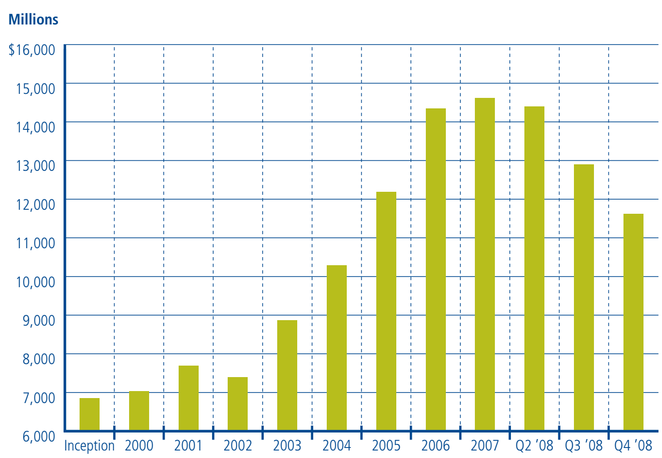
Investment Performance Results for July 1 to December 31, 2008

Market Conditions

Equity markets fell sharply in the second half of 2008 as the credit crisis deepened with the Canadian S&P/TSX Composite Index down 36.8%, while in Canadian dollar terms the US S&P 500 was down 13.0%, and the international EAFE index was down 22.6%. The DEX Bond Universe was up 4.1% as the Bank of Canada cut the overnight interest rate from 3.0% to 1.5% in an effort to stimulate the economy. The following table depicts the Plan's performance (% return).

ASSET CLASS	MARKET VALUE (IN MILLIONS)	2008 JUL–DEC	2008 ANNUAL	2007 ANNUAL	2006 ANNUAL	2005 ANNUAL	2004 ANNUAL	2003 ANNUAL
Fixed Income								
Cash & Short Term	$ 138.7	1.2%	3.0%	3.2%	4.1%	2.7%	2.4%	2.9%
Canadian Bonds	4,558.7	–0.3%	3.7%	3.5%	2.4%	8.6%	9.6%	8.4%
Equities								
Canadian Equities	2,819.3	–33.8%	–32.0%	9.0%	18.9%	25.2%	15.6%	25.5%
U.S. Equities	2,059.9	–15.1%	–21.6%	–10.7%	16.9%	3.4%	4.9%	7.5%
International Equities	1,484.3	–31.8%	–37.4%	–5.1%	28.4%	13.2%	13.3%	7.3%
Real Estate	556.7	–5.1%	–1.5%	16.8%	24.8%	17.2%	—	—
Total Registered Pension Plan–	**$ 11,617.6**	**–18.68%**	**–19.27%**	**2.09%**	**14.25%**	**13.73%**	**11.13%**	**13.87%**
Benchmark–		**–16.49%**	**–17.58%**	**0.91%**	**12.98%**	**11.17%**	**9.23%**	**13.48%**

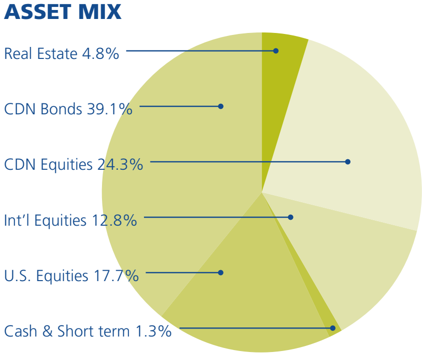
Investment Highlights



- The fund's second half return was –18.68% versus our benchmark of –16.49%.
- For 2008 the fund had a return of –19.27% against our benchmark return of –17.58%.
- As at December 31, 2008, the fund held assets of $11,617.6 million.
- The fund had net outflows of $81.5 million in the second half. We reduced cash and short-term by $155.0 million, Canadian equity by $50.0 million and Canadian bonds by $70.0 million. We allocated $33.1 million to real estate, $125.0 million to U.S. equity, $32.6 million to the currency overlay account and $5.3 million to private equity.

Asset Mix Highlights

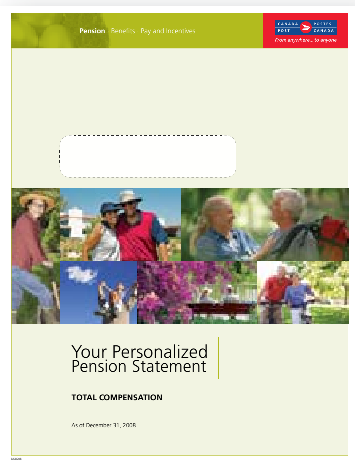
ASSET MIX



- As at December 31, 2008, 59.6% of assets were invested in equities and real estate, below the asset mix target of 62.5%. Of the total, Canadian equities represented 24.3%, U.S. equities 17.7%, international equities 12.8% and real estate 4.8%.
- 40.4% of assets were invested in bonds and short-term investments, compared to an asset mix target of 37.5%. This included 8.7% in real return bonds, 30.4% in Canadian bonds and 1.3% in cash and short-term investments.

Some Interesting Member Services Statistics from 2008

Calls received: 36,630
Pension estimates: 1,826
PIN changes: 2,836
Designation of Beneficiary forms received: 9,246
Terminations & retirements processed: 4,570
Visits to *www.cpcpension.com* : 74,268



Your Personalized Pension Statement

Your Personalized Pension Statement will be mailed to you during the month of April.

Your statement includes valuable information about the benefits that you have accumulated under the Plan as of December 31, 2008. It also outlines an estimate of your projected retirement income at the earliest date you may retire with an unreduced pension as well as other important Plan information. If you have not received your statement by May 16th, please contact the Pension Centre at 1-877-480-9220 (TTY 613-734-8265).

The Canada Post Pension Plan 2008 Annual Report

The Canada Post Pension Plan 2008 Annual Report will be mailed to you in May. The report includes important messages from the Chairperson of the Board of Directors and the President and CEO of Canada Post. It also provides key information on Plan membership statistics, investment results and audited financial statements.

You Asked?

This space is reserved for Q&As. We will answer one or two questions we hope will interest the majority. Please send your questions to **pension.services@canadapost.ca**

Q. How do I change my pension beneficiary?

A. You can change your pension beneficiary by completing a new *Designation of Beneficiary form*. The form is available online at *www.cpcpension.com* under ‘Forms and Publications / Forms’ or by requesting one from the Pension Centre at 1-877-480-9220 (TTY – 613-734-8265).

Did you Know?

Deemed earnings are used to calculate the contribution amount required to include your authorized leave without pay (LWOP) period as eligibility service. These are earnings that you would have received if you had not been on LWOP. They can also include pensionable allowances and pensionable lump sum payments.

We appreciate your feedback. If you have a comment or a suggested topic, please contact:

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