

Pension Plan News **Defined Benefit**



Planning for Retirement

With today's busy schedules, there never seems to be enough time to think about planning for retirement. Yet, retirement is one of the biggest decisions in life and should be planned carefully.

DEFINE YOUR LIFESTYLE GOALS

We often hear, "You should retire *to* something, rather than *from* something."

Determining your financial needs for retirement is important, but having a clear understanding of your lifestyle goals is just as important. Do you want to travel, start a small business, spend more time on your hobbies or further your education? You need to think about that now, before you retire.

The more specific your goals are, the busier, healthier and happier you will be in retirement.

ASSESS YOUR FINANCIAL NEEDS

Make sure you will be financially prepared to retire in a way that accommodates your desired lifestyle.

You can obtain a pension estimate using Calculate my Pension at cpcpension.com and you should review all other investments you may have.

The Government of Canada also has a calculator that takes you step by step through an estimate of ongoing income you may receive, e.g. Canada/Québec Pension Plan (C/QPP), Old Age Security, employer's pension, Registered Retirement Savings Plan (RRSP) and other sources of income. You can access this calculator under Life Events on the Service Canada website (servicecanada.gc.ca).

Be sure to visit the section on Planning for Retirement at cpcpension.com. It provides a wide range of valuable information such as pension options, milestones to start planning your retirement and a retirement checklist. You can even take an online pre-retirement course.

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 be required to participate in the Defined Contribution component of the Plan. Otherwise, no material amendments were made to the Plan provisions in 2009.



2009 YEAR-END RESULTS

The 2009 year-end Plan investment results are available at cpcpension.com under Investments, and in the Canada Post Pension Plan 2009 Annual Report under Forms & Publications. The Canada Post Pension Plan 2009 Annual Report was also mailed to members of the Defined Benefit component of the Plan in May.

Disclaimer:

The Canada Post Corporation Registered Pension Plan is referred to as the Plan in the Pension Plan News section. 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 section, please visit cpcpension.com. More information can also be found in Your Personalized Pension Statement and Your Information Booklet.



New Medical Assessment Service Provider

Effective April 1, 2010, Canada Post's service provider for pension medical assessments changed from Health Canada to Manulife Financial. Manulife Financial will be providing all pension medical assessment services for disability retirement and elective service purchase applications as required by the provisions of the Plan.

For more information on disability pension benefits and elective service, visit cpcpension.com or contact a Pension Centre Representative at 1 877 480-9220 (TTY 613 734-8265).

Early Retirement Q & A

Early retirement questions are often asked by Plan members through the Pension Centre and cpcpension.com. To help you understand early retirement, this special Q & A was created.

AM I ELIGIBLE TO RETIRE EARLY?

Under the Plan, you can retire **as early as ten years before** reaching the pensionable age of:

- age 60 with two or more years of eligibility service or Plan membership, or
- age 55 with at least 30 years of eligibility service

WHAT ARE MY OPTIONS?

If you decide to retire early and are within ten years of pensionable age, you can choose to:

- start receiving an immediate reduced pension, or
- postpone (defer) receiving your pension until a later date. If you defer your pension until you reach pensionable age, you will be eligible to receive an unreduced pension.

HOW IS MY PENSION BENEFIT CALCULATED?

When you choose to receive your pension benefit prior to reaching pensionable age, it is subject to an early retirement reduction. This reduction accounts for the fact that you are retiring early and that you will receive your pension over a longer period of time. Your monthly pension may be lower, but the number of years you spend in retirement receiving a pension will be higher.

Your reduced pension is calculated as follows:

STEP 1: Your Lifetime Pension and Bridge Benefit are calculated without a reduction (unreduced pension).

STEP 2: Your early retirement reduction is determined by the following chart. **Example:** If John is age 53 with 24 years of eligibility service, his reduction is $5\% \times (60-53) = 35\%$

If, at the time you choose to start receiving your pension benefit,		
your age is	and your years of eligibility service are	then, the reduction formula is
45 to 54	30 and more	$5\% \times (55 \text{ minus age})$
50 to 59	2 to 24	$5\% \times (60 \text{ minus age})$
50 to 54	25 to 29	greater of: <ul style="list-style-type: none"> • $5\% \times (55 \text{ minus age})$, and • $5\% \times (30 \text{ minus eligibility service})$
55 to 59	25 to 29	lower of: <ul style="list-style-type: none"> • $5\% \times (60 \text{ minus age})$ and • $5\% \times (30 \text{ minus eligibility service})$

STEP 3: Your unreduced pension (calculated in **step 1**) is then adjusted for your early retirement reduction to provide you with a reduced pension. **Example:** John's reduced pension equals his unreduced pension multiplied by 65% (100% minus 35%; 35% is John's early retirement reduction calculated in **step 2**).

To help you easily estimate your reduced pension, the following quick reference chart shows the percentage by which your unreduced pension would be multiplied. **Example:** John, who is age 53 with 24 years of eligibility service, would receive 65% of his unreduced pension (as circled below).

		If, at the time you choose to start receiving your pension, your age is															
		45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
and your years of eligibility service are	then, the pension benefit you are entitled to is multiplied by																
	2 to 24	Not eligible for early retirement						50%	55%	60%	65%	70%	75%	80%	85%	90%	95%
25						75%	75%	75%	75%	75%	75%	80%	85%	90%	95%	100%	
26						75%	80%	80%	80%	80%	80%	80%	85%	90%	95%	100%	
27						75%	80%	85%	85%	85%	85%	85%	85%	90%	95%	100%	
28						75%	80%	85%	90%	90%	90%	90%	90%	90%	95%	100%	
29						75%	80%	85%	90%	95%	95%	95%	95%	95%	95%	100%	
30 and more		50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%	100%	100%	100%	100%	

The following examples show the pension benefit payable when choosing to receive an immediate reduced pension compared to deferring it to a later date.

	Example 1									Example 2				
	Immediate Reduced Pension	Pension Deferred Until Age								Immediate Reduced Pension	Pension Deferred Until Age			
Age	53	54	55	56	57	58	59	60	56	57	58	59	60	
Eligibility service	25	25	25	25	25	25	25	25	28	28	28	28	28	
Pensionable service ¹	25	25	25	25	25	25	25	25	28	28	28	28	28	
Highest average earnings (HAE)	\$49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	\$49,000	49,000	49,000	49,000	49,000	
Average maximum pensionable earnings (AMPE)	\$44,840	44,840	44,840	44,840	44,840	44,840	44,840	44,840	\$44,840	44,840	44,840	44,840	44,840	
(a) Lifetime pension 1.3% x AMPE x pensionable service + 2% x (HAE – AMPE) x pensionable service	\$14,573.00 \$2,080.00	14,573.00 2,080.00	14,573.00 2,080.00	14,573.00 2,080.00	14,573.00 2,080.00	14,573.00 2,080.00	14,573.00 2,080.00	14,573.00 2,080.00	\$16,321.76 \$2,329.60	16,321.76 2,329.60	16,321.76 2,329.60	16,321.76 2,329.60	16,321.76 2,329.60	
Total lifetime pension	\$16,653.00	16,653.00	16,653.00	16,653.00	16,653.00	16,653.00	16,653.00	16,653.00	\$18,651.36	18,651.36	18,651.36	18,651.36	18,651.36	
(b) Bridge benefit ² 0.7% x AMPE x pensionable service	\$7,847.00	7,847.00	7,847.00	7,847.00	7,847.00	7,847.00	7,847.00	7,847.00	\$8,788.64	8,788.64	8,788.64	8,788.64	8,788.64	
(c) Total annual unreduced pension (a + b)	\$24,500.00	24,500.00	24,500.00	24,500.00	24,500.00	24,500.00	24,500.00	24,500.00	\$27,440.00	27,440.00	27,440.00	27,440.00	27,440.00	
(d) Early retirement adjustment percentage (per chart)	75%	75%	75%	80%	85%	90%	95%	100%	90%	90%	90%	95%	100%	
(e) Annual reduced pension up to age 65 (lifetime & bridge) (c x d) ³	\$18,375.00	18,375.00	18,375.00	19,600.00	20,825.00	22,050.00	23,275.00	24,500.00	\$24,696.00	24,696.00	24,696.00	26,068.00	27,440.00	
(f) Annual reduced pension after age 65 (lifetime only) (e – b) ³	\$10,528.00	10,528.00	10,528.00	11,753.00	12,978.00	14,203.00	15,428.00	16,653.00	\$15,907.36	15,907.36	15,907.36	17,279.36	18,651.36	

¹ Pensionable service is the same as eligibility service except for part-time service.

² The bridge benefit is payable from the date you retire until you reach age 65, die, or begin receiving Canada/Québec Pension Plan disability benefits, whichever occurs first.

³ Excludes indexation

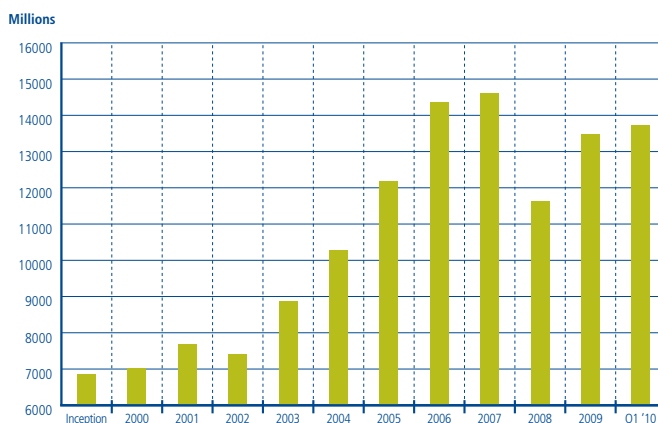
Market Conditions

Equity markets were mostly higher in the first quarter of 2010 as the credit situation and the economic outlook continued to improve, although the strong performance of the Canadian dollar during the quarter offset some of the U.S. and international equity market gains. The Canadian S&P/TSX Composite index was up 3.1%, while in Canadian dollar terms the U.S. S&P 500 index was up 2.0%, and the international EAFE index was down 2.4%. The DEX Bond Universe was up 1.3% as the Bank of Canada held interest rates steady at 0.25% to stimulate the economy. The following table depicts the fund's performance (% return).

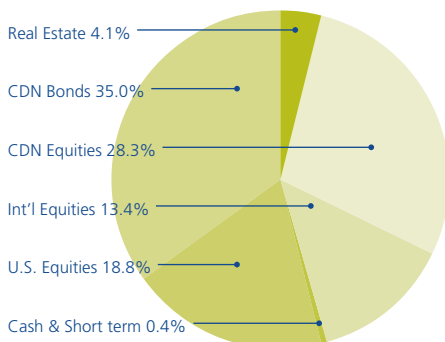
ASSET CLASS	MARKET VALUE (IN MILLIONS)	2010 JAN-MAR	2009 ANNUAL	2008 ANNUAL	2007 ANNUAL	2006 ANNUAL	2005 ANNUAL	2004 ANNUAL
Fixed Income								
Cash & Short Term	\$ 54.7	0.1%	1.7%	3.0%	3.2%	4.1%	2.7%	2.4%
Canadian Bonds	4,799.8	1.5%	8.7%	3.7%	3.5%	2.4%	8.6%	9.6%
Equities								
Canadian Equities	3,880.0	3.7%	33.0%	-32.0%	9.0%	18.9%	25.2%	15.6%
U.S. Equities	2,589.5	1.7%	9.9%	-21.6%	-10.7%	16.9%	3.4%	4.9%
International Equities	1,844.2	-1.4%	16.3%	-37.4%	-5.1%	28.4%	13.2%	13.3%
Real Estate	559.2	1.3%	-9.1%	-1.5%	16.8%	24.8%	17.2%	—
Total Registered Pension Plan	\$ 13,727.4	2.07%	16.19%	-19.27%	2.09%	14.25%	13.73%	11.13%
Benchmark		1.87%	15.79%	-17.58%	0.91%	12.98%	11.17%	9.23%

Investment Highlights

- The fund's first quarter return was 2.07% versus our benchmark of 1.87%. Year to date the fund's return is 2.07% against our benchmark return of 1.87%.
- As at March 31, 2010, the fund held assets of \$13,727.4 million, an increase of 261 million from December 31, 2009.
- Fund activity continued. We reduced nominal bonds by \$25.0 million and real return bonds by \$52.0 million and redeemed \$27.5 million from our currency overlay account and \$16.6 million from cash and short-term investments. We allocated \$45.9 million to U.S. equity, \$15.0 million to international equity, \$44.6 million to real estate and \$2.7 million to private equity.



ASSET MIX



Asset Mix Highlights

- As at March 31, 2010, 64.6% of assets were invested in equities and real estate, slightly above the asset mix target of 62.5% consisting of 28.3% Canadian equities, 18.8% U.S. equities, 13.4% international equities and 4.1% real estate.
- 35.4% of assets were invested in bonds and short-term investments, compared to an asset mix target of 37.5%. This included 7.7% in real return bonds, 27.3% in Canadian bonds and 0.4% in cash and short-term investments.