Canada Post Pension Plan

Report to Members 2022

Contents

Privacy of pension records
Canada Post Corporation is subject to the *Privacy Act* and complies with the Canada Post *Employee Privacy Policy*. Personal information, including pension information, is treated in a secure and confidential manner.

Note
For the purposes of this Report, "Plan" and "Pension Plan" refer to the Canada Post Corporation Registered Pension Plan, which includes the defined benefit component and the defined contribution component, unless otherwise specified. Canada Post Corporation provides pension benefits to members through the Plan, which is registered under the federal *Pension Benefits Standards Act, 1985*.

This Report presents the financial position and results of the operations of the Plan on an accrual basis. The financial information presented is an unaudited extract of the financial statements. This Report and the complete audited financial statements, including notes, are available at **cpcpension.com** or by request.

Terms that appear in **bold grey** the first time they are used are defined in the glossary at the back of the Report.

DK21169

Message from the Chair

Suromitra Sanatani
Chair of the Board of Directors

On behalf of the Board of Directors, it's my pleasure to present you with the 2022 Canada Post Pension Plan Report to Members.

Throughout 2022, the Board continued to provide oversight of Canada Post's activities as sponsor and administrator of the Canada Post Corporation Registered Pension Plan (the Plan). In this oversight role, the Board acts in the best interest of Plan members, recognizing the important contributions employees and retirees have made in their service to Canadians.

Our employees and Plan members expect us to deliver on environmental, social and governance (ESG) factors. 2022 was another exemplary year for the Plan's ongoing work to integrate ESG into its operations and investment strategy.

The Plan continued to demonstrate its commitment to supporting the global goal of achieving net-zero emissions by 2050 or sooner. The Plan works to encourage all companies to align with this commitment and to clearly articulate climate strategies and transition plans to reach net-zero by 2050.

The Plan is embracing equity, diversity and inclusion (EDI) within its own team and leadership, as well as in its investment portfolio. One way it does it is by working to advance diversity on boards. It expects the public companies it invests in to have at least 40% representation of women on the board. It also expects Canadian and U.S. public companies to have at least 20% of their boards represented by racially or ethnically diverse directors.

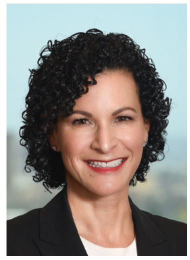
With Canada Post's commitment to being a corporate leader on the environment and advancing EDI in Canada, it's been a pleasure to see the Plan demonstrate its own leadership in these areas within the investment community.

In 2022 the Plan received temporary solvency funding relief. The Government of Canada introduced the Canada Post Corporation Pension Plan Funding Regulations, removing the Corporation's obligation for special solvency payments until December 31, 2024. The funding relief does not reduce or eliminate Canada Post's obligation to fully fund the Plan.

As we welcome Ann MacKenzie, the new chair of the Pension Committee of the Board, I'd like to thank Claude Germain, our former chair, for his valued service on the committee. I'd also like to thank all members of the Pension Committee for their continued oversight on behalf of Canada Post employees and Plan members.

Message from the Chief Financial Officer and the Chief People and Safety Officer

Jan Faryaszewski
Chief Financial Officer



Susan Margles
Chief People and Safety Officer

Canadians value what we do, and they know it's our incredible people who deliver for them every day. They expect us to treat our employees with care and respect.

That attitude also applies to the Canada Post Pension Plan in the sense that we want our people to have a financially secure retirement. That's the mission of the Plan – to prudently administer it for the benefit of members. We're pleased to present you with the Plan's 2022 results.

In 2022, the surplus in the defined benefit (DB) component of the Pension Plan grew from $4.9 billion to $6.5 billion on a going-concern basis. The funded ratio, or the Plan's financial position expressed as a ratio between assets and liabilities, was 127% at the end of the year, an improvement from 120% in 2021.

This going-concern valuation indicates the DB component of the Plan continues to have more than enough assets to meet its obligations to Plan members over the long-term. In 2022, the solvency position (market value) improved from a deficit of $2.6 billion to a surplus of $2.4 billion, improving the funded ratio from 92.6% to 108.7%.

2022 was a turbulent year for financial markets. The value of assets in the DB component of the Plan fell from $32.3 billion to $29.5 billion. At the same time, the DB component showed strong relative performance. The annual rate of return for the DB component was -6.7%, compared to our benchmark's return of -11.7%.

For the defined contribution (DC) component, assets grew from $139.7 million to $153.5 million. This partly reflects the growing number of employees who are members of the DC component of the Plan, with Canada Life as our service provider. We encourage DC members of the Plan to review their statements to see the personal rate of return on their assets, as well as, consider speaking with a financial advisor to get personalized advice about their Plan investments. These statements are mailed to employees' homes or can be viewed online by signing in at **mycanadalifeatwork.com**.

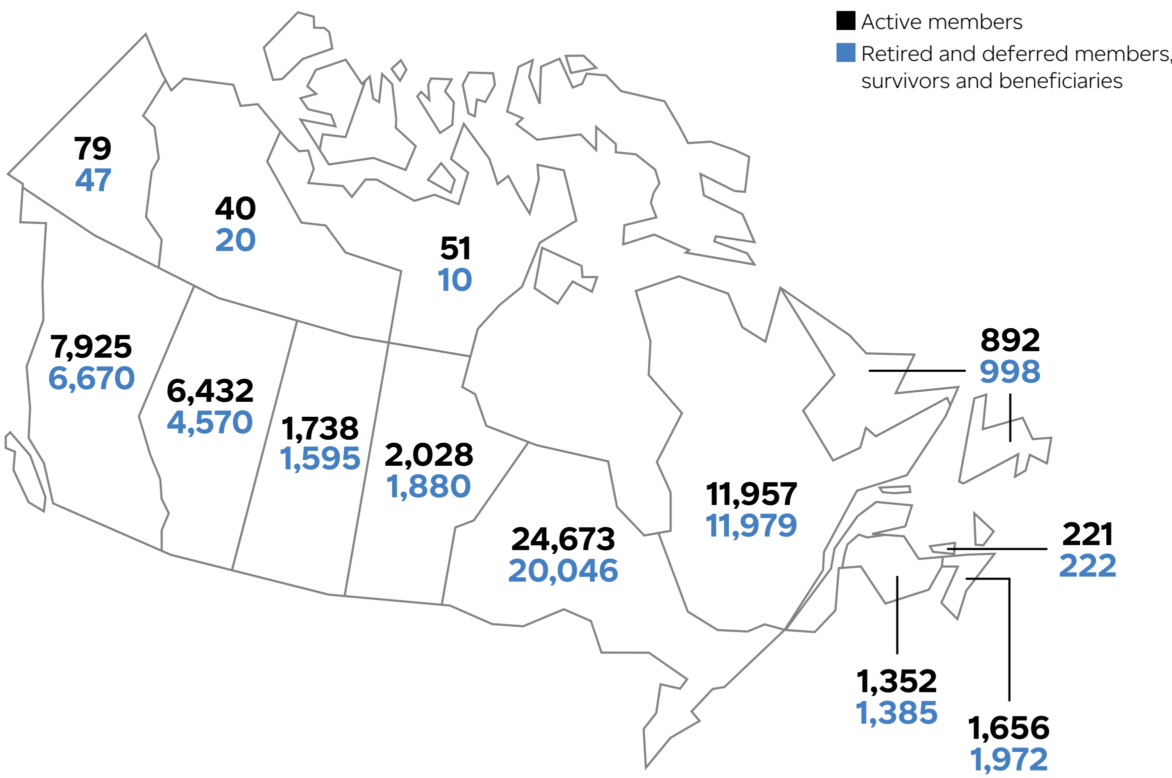
We would like to thank Irshaad Ahmad, our former chief investment officer, for his contributions. At the same time, in September we welcomed Michael Butera as Vice-President, Pension Fund and Chief Investment Officer, who has taken on the important role of administering this Plan with the great care it deserves. As always, we thank our people for their dedicated work on delivering a stronger Canada.

Membership Snapshot

	2018	2019	2020	2021	2022[1]
Active members	55,586	56,074	57,312	58,500	59,044
Percentage	56.1%	55.2%	55.2%	55.2%	53.1%
Retired members	39,395	41,157	42,711	44,496	46,327
Percentage	39.8%	40.0%	40.0%	40.5%	41.7%
Deferred members, survivors and beneficiaries	4,094	4,431	4,759	5,212	5,754
Percentage	4.1%	4.4%	4.4%	4.4%	5.2%
Total	**99,075**	**101,662**	**104,782**	**108,208**	**111,125**

1. For 2022, the information includes 104,451 members of the defined benefit (DB) component and 6,674 members of the defined contribution (DC) component of the Plan (6,060 active and 614 deferred members in the DC).

Members across Canada – December 31, 2022



Age of active and retired members – December 31, 2022

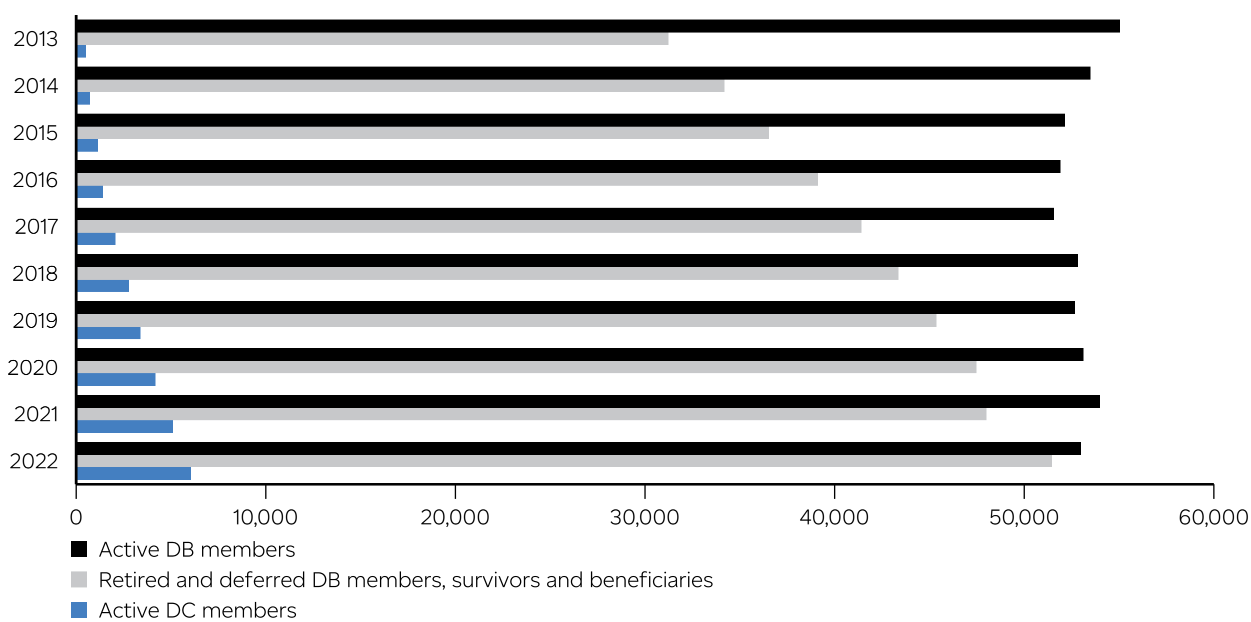
Age	Less than 30	30-39	40-49	50-59	60-69	70-79	More than 79
Active DB members	1,868	7,808	15,759	18,552	8,679	313	5
Active DC members	596	1,823	1,783	1,361	483	14	0
Retired DB members	0	14	136	2,714	22,509	18,576	2,378

Average age	2021	2022
Active DB members	49.7	49.8
Active DC members	43.0	43.0
DB members at retirement	59.2	59.4
Retired DB members	68.7	69.3

Did you know?

Over the next five years, 18,379 active DB members will reach age 60.

Changes in membership



The Plan continues to mature with retired members now representing 40% of the membership and close to 60% of the solvency obligations.

Our Services to Members

Personalized pension statements

In 2022, Pension Policy prepared almost 100,640 annual personalized pension statements for DB active members, retirees, deferred members and survivors. Canada Life issued 11,936 statements for DC members.

cpcpension.com

cpcpension.com provides information about all the Canada Post pension programs: the defined benefit and defined contribution components of the Plan as well as the Voluntary Savings Plan.

128,689	**cpcpension.com** visits
85,249	Unique visitors were recorded in 2022, compared to 97,741 in 2021

mycanadalifeatwork.com

DC members have access to **mycanadalifeatwork.com** as their Plan member website where they can view their health and pension benefits. Members can view personal and workplace account balances, transaction history, statements and personal **rates of return**. DC members can also access the onboarding site **welcome.canadalife.com/canadapost** developed to assist new DC enrollees.

1,634	**welcome.canadalife.com/canadapost** visits

Pension Centre for DB members

The Pension Centre is at the heart of member services, answering members' requests by telephone or mail and completing transactions. The team provides services related to issues such as marriage breakdown, processing of retirements, terminations and deaths as well as new retirees' pension payments, processing of elective service purchases, updating of retirees' life insurance beneficiaries and collecting of employee contributions for leaves of absence. In addition, the RBC Investor Services Trust provides to retired members services related to the payment of their DB pension benefits.

51,780	Telephone calls from members to the Pension Centre
7,215	Telephone calls to members
4,522	Telephone calls from retirees to the RBC Investor Services Trust
52,396	Transactions completed for members by the Pension Centre
202,397	Pension estimates using the online calculator
84%	Members' satisfaction score
86%	Target score

The Pension Centre is committed to prompt, proactive and compassionate service for all Plan members.

Canada Life Call Centre for DC members

Representatives at the Canada Life Call Centre provide services such as helping members determine their investment personality, assist with selecting their investment options and completing the retirement goal-setting tool. In addition, Plan members have access to Canada Life's health and wealth consultants. They are licensed health and wealth professionals dedicated to delivering personalized support to help members reach their wealth and health goals.

1,553	Telephone calls from members; top-three reasons for calls were balance inquiries, assistance with using **mycanadalifeatwork.com** and termination/retirement options
82%	Members' satisfaction score
85%	Target score
54	Calls with health and wealth consultants
97%	Members' satisfaction score with health and wealth consultants

Pre-retirement webinar for DB members

The pre-retirement webinar is offered to DB members to help them get ready to embark on the retirement journey. This webinar is by invitation only for members who are within 10 years of an unreduced pension. Topics include the features of the Canada Post Pension Plan, post-retirement benefits, government programs, financial planning, wills and estate planning, and health and wellness.

953	Webinar registrations

Webinars for DC members

DC members have access to a series of free live educational webinars offered by Canada Life. These interactive webinars are designed to provide easy-to-understand information about financial and retirement planning for members at all career stages. Visit **mycanadalifeatwork.com** to register for an upcoming session.

1	Canada Life webinar
4	Multi-employer webinars
408	Webinar registrations

Online tools for DC members

Review your investments at **mycanadalifeatwork.com**. Are you on track to reach your retirement goals? Use the retirement goal-setting tool to see if you are on track with your savings. To find out which investment options are right for you, use the investment personality questionnaire. Discover the tools and resources available to you in the Info centre of **mycanadalifeatwork.com**. You can view or update your investment instructions, find out when investments reach their maturity date or activate the automatic investment rebalancing feature.

As at December 31, 2022

10%	Completed the retirement goal-setting tool

Defined Benefit (DB) Component – Overview of 2022

DB assets

$29.5 billion

Net investment **assets** as at December 31, 2022

Rate of return in 2022

-6.7%

Benchmark

-11.7%

Funded status estimated as at December 31, 2022

Solvency surplus market value[1] (wind-up basis)	Going-concern surplus
$2.4 billion	$6.5 billion
108.7% funded	127.0% funded

Canada Post estimates that it will not have to make employer contributions in 2023 after the valuation report is filed.

Solvency deficit to be funded[1]
(three-year average)

$1.7 billion   93.8% funded

Without temporary relief, Canada Post would have been expected to make a special solvency payment for 2023.

Contributions in 2022

Members

$296 million[2]

Canada Post current service

$318 million

Canada Post special payments

$31 million

Benefits paid in 2022

$1,172 million

1. See page 30.
2. Amount includes $2 million of elective service contributions.

Calls from members to Pension Centre

51,780

Members' satisfaction score

84%

Unique visitors at cpcpension.com

85,249

Defined Contribution (DC) Component – Overview of 2022

DC assets $153.5 million

VSP[1] assets $20.8 million

Total assets $174.3 million

Net investment assets as at December 31, 2022

1. Voluntary Savings Plan.

Range of rates of return in 2022

-12.13% -9.29%* 2.04%

Benchmark: Members can refer to the investment performance section on **mycanadalifeatwork.com** to view fund reports including benchmarking information.

*The numbers shown above represent the range of the 2022 returns of all the funds available in the DC component, from the lowest to the highest, with -9.29% being the average. See page 24 for the list of the DC fund investment rates of return.

As at December 31	2021	2022
Active members	5,103	6,060
Deferred members	480	614
DC assets	$139.7M	$153.5M
Canada Post contributions	$17.1M	$22.7M
Members' contributions	$10.2M	$13.6M
Investment income	$19.9M	$14.4M
Withdrawals and expenses	($7.7M)	($8.1M)
Average contribution (% of pay)	**2021**	**2022**
Canada Post	6.3%	6.4%
Members	3.9%	3.9%
Voluntary Savings Plan (VSP)	**2021**	**2022**
Assets	$21.4M	$20.8M
VSP member average contribution (% of pay)	3.9%	4.0%
VSP members	1,045	1,101

Calls from members
to the Canada Life Call Centre

1,553

Members' satisfaction score

82%

Visitors at welcome.canadalife.com/canadapost

1,634

Want to know how your investments did in 2022?

Refer to your Canada Life personalized statement dated December 31, 2022, sent to your home, or visit **mycanadalifeatwork.com**.

Plan Governance

Canada Post's vision is for all Pension Plan members to have a financially secure retirement, and its mission is to prudently administer the Plan for the benefit of its members.

Canada Post, as Plan sponsor, is responsible for the funding of the Plan and its design as it determines the benefits offered to Plan members. Canada Post is also the Plan administrator and is responsible for managing the Plan and investing the pension funds.

The Board of Directors of Canada Post oversees these activities to ensure they are conducted responsibly and in the best interest of all Plan members. In carrying out its responsibilities, the Board follows its standards of conduct, which contain ethical rules on matters such as conflict of interest, care, diligence and skill (available at **canadapost.ca** > Our company > About us > Corporate governance).

A robust governance structure was established by the Board for the Plan (below).

The committees that report directly to the Board are made up of selected Board members with expertise in pension plans. The Investment Advisory Committee and the Pension Advisory Council (PAC) include representatives of the bargaining agents and advise the Pension Committee on investment and administrative matters. The reports of the PAC meetings can be found at **cpcpension.com** > Governance > Pension Advisory Council > PAC meetings.

For more information, visit **cpcpension.com** under Governance.

Canada Post Board of Directors
Oversees activities conducted by the Plan sponsor and Plan administrator.

Audit Committee
Reviews and recommends approval of the financial statements and reviews Plan audits.

Pension Committee
Oversees the strategic direction of the Plan, fund investments and administration activities.

Human Resources and Compensation Committee
Reviews and recommends pension benefit policies, Plan design and employee/employer contribution rates.

Investment Advisory Committee
Provides expert investment advice.

Pension Advisory Council
Reviews communication, financial, actuarial and administrative aspects of the Plan.

Membership of the Canada Post Board of Directors and committees as at December 31, 2022

Board of Directors

Suromitra Sanatani LL.B, ICD.D (Chair)[1,2,3]
Doug Ettinger
Lloyd Bryant[2]
Louise Champoux-Paillé C.M., C.Q.
Krista Collinson[2]
Ron Cuthbertson[1,3]
Claude Germain[1,2]
André Hudon[2,3]
Ann MacKenzie[1,3]
Jim Sinclair

Investment Advisory Committee

Richard L. Knowles HBA, CFA (Chair)
Michael Butera
Phillip H. Doherty BComm, MBA, FCPA, FCA
Ann MacKenzie
Barbara MacKenzie CPA, CMA
Aida Tammer CFA, ICD.D

Union representatives
Isla Carmichael Ph.D
Chris Roberts Ph.D

Pension Advisory Council

Canada Post representatives
Michael Butera (Chair)
Lou Greco MBA, CPA, CMA
Julie Philippe CHRP
Ariane Sauvé MBA, B.Com
Adam Taouabit MBA, CPA, CMA

Elected representatives
Karen Kennedy (retired members)
Jaye Poirier (management and exempt members)
David Taylor (retired members)
Raymond Tsang (all active members)
Peter Whitaker (retired members)

Union and association representatives
Jean-Charles Bédard (PSAC/UPCE)
Martin Champagne (CUPW)
Beverly Collins (CUPW)
Rona Eckert (CUPW)
Dwayne Jones (CPAA)
Sylvain Sicotte (CUPW)
Rick Williams (APOC)

1. Member of the Pension Committee
2. Member of the Audit Committee
3. Member of the Human Resources and Compensation Committee

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

Member biographies are available at **cpcpension.com**.

Delegated duties and responsibilities to qualified professionals

The Pension Committee of the Board delegates the investment and administrative activities of the Plan to the Canada Post Investment Division, Pension Finance and Pension Policy teams. These are teams of qualified professionals who have the knowledge, skills, information resources and expertise to fulfill their specialized functions. In addition to the internally managed investment mandates, the Investment Division team also selects reputable external investment managers to execute specific investment mandates in accordance with our statements of investment policies and procedures.

The Pension Committee also uses other external service providers with specialized expertise, such as actuarial and consulting firms, as required. For more information on how the Plan is administered and supported, visit **cpcpension.com** under Governance overview.

Our good governance practices

Risk management

The Board has established a risk management framework that defines the risk tolerance for the Plan in matters of administration and investment. The framework guides the development of strategies to meet overall objectives. In addition, the Pension Committee consults with the Pension Risk Management Officer who provides advice on any potential risk exposures.

The risk management strategy appears on pages 12-14.

Monitoring

This practice includes the quarterly review of investment performance and funded ratios. Investment compliance checklists, service performance, service provider contracts, investment managers (internal and external) and service level agreements are also monitored regularly.

Assessment

Effective governance and prudent investment practices are reviewed annually through the questionnaires of the Canadian Association of Pension Supervisory Authorities (CAPSA). The Pension Committee reviews results to determine how successfully the Plan follows CAPSA's guidelines. See **capsa-acor.org**.

Audit

Regular audits are conducted by independent external auditors and by our internal auditors. In addition, the Office of the Superintendent of Financial Institutions (OSFI) can carry out on-site governance reviews from time to time.

Communication

Communication with DB and DC members of the Plan occurs through a number of publications and initiatives. In 2022, we communicated with members by producing the 2021 Report to Members, personalized pension statements for active members and retired DB members, and the *Pension Plan News* and *Intouch* newsletters. DC members received additional communications from Canada Life, the DC service provider. Most of the publications noted here, as well as the Plan's audited financial statements, are available at **cpcpension.com**.

In 2022, the Communications and Consultation Group (C&C Group) met jointly with PAC members on three occasions. To stay informed and connected on the activities of the C&C Group, visit **cpcpension.com** > C&C Group. Plan members are invited to send their questions and concerns to the C&C Group at **GroupeCCGroup@canadapost.ca**.

Environmental, Social and Governance Strategy

The Canada Post Corporation Registered Pension Plan integrates environmental, social and governance (ESG) factors into its investment strategy while maintaining a focus on returns for our employees and pensioners. Our approach is based on our beliefs that long-term value creation requires effective management of environmental and social risks and opportunities, and that good governance leads to better returns.

Our ESG investment strategy has four key pillars:

1. **Integration** – We will work to incorporate ESG issues into our investment strategy, analysis and decision-making.
2. **Engagement** – We will engage with companies on ESG issues, and expect our asset managers to engage as well.
3. **Advocacy** – We will advocate for policies and practices that support a more sustainable and inclusive future.
4. **Investment** – We will seek opportunities to invest in solutions that contribute to the improved long-term sustainability outcomes.

Our ESG strategic priorities

The following are our positions and expectations:

Climate change

Climate change is a systemic and material risk to the global economy and humanity. Failure to act will have catastrophic and pervasive consequences, notably for capital markets and asset valuations. As a result, climate considerations, with respect to physical and transition risk, are considered in our investment strategy, engagement activity and voting practices.

In September 2021, the Pension Committee approved a commitment to support the global goal of achieving net-zero emissions by 2050 or sooner. We continue to execute our Climate Action Plan for the Pension Fund in support of this commitment and expect to publish progress in 2023.

Our efforts are intended to encourage all companies to align with this ambition and clearly articulate climate strategies and transition pathways that will deliver net-zero emissions by the middle of the century. Climate targets should be built around robust methodologies, such as the Science Based Targets Initiative (SBTi) framework.

Equity, diversity and inclusion (EDI)

The Canada Post Pension Plan team and leadership embrace EDI principles as do external managers, advisors and portfolio companies. We believe that promoting EDI is not only the right thing to do but it can also be financially material.

Internally, we seek to attract and support diverse candidates at all levels of the team and provide guidelines for hiring managers to support this objective. In 2022, we ran an Indigenous cultural awareness course for our pension investment staff, followed by team debriefs to promote discussion.

Externally, we expect public companies in which we invest to have a minimum of 40% of the board to be represented by women. For Canadian and U.S., public companies, we expect a minimum of 20% of the board to be represented by racially or ethnically diverse directors. We expect our external investment managers to promote EDI within their internal operations and disclose any relevant diversity policies, strategies and targets, and progress toward such targets. We are a member of the 30% Club Investor Group and the REALPAC Diversity & Inclusion Committee.

ESG implementation

We made the following progress in 2022 across the four pillars of our ESG investment strategy.

1. Integration

- Conducted ESG due diligence on every new fund allocation made in 2022, with the findings included in the investment recommendation memo.
- Undertook ESG due diligence questionnaires on 22 of our infrastructure and private equity managers, as part of our monitoring and engagement process.
- Engaged on ESG principles with all of the managers of our real estate investments based on the results of the 2021 ESG questionnaires, including dedicated discussions focused on climate change.
- Incorporated ESG provisions into our legal documents for all new infrastructure and private equity fund mandates.
- Conducted site-specific physical climate risk and resilience assessments on six real estate properties. Combined with the 2021 assessments, we have conducted assessments on a total of 15 properties in Canada. Priority actions have been identified and are being monitored.

2. Engagement

In 2022, we established a Stewardship Committee to oversee the development and implementation of the Pension Plan's stewardship strategy as it relates to the public market portfolios (public equity and corporate debt).

Corporate engagement and proxy voting are key elements of our stewardship strategy.

Collaborative investor engagements

The Pension Plan engages with portfolio companies, including Enbridge, TC Energy, Caterpillar and TransAlta Corporation, for more ambitious climate strategies through collaborative investor initiatives (such as **Climate Action 100+** and **Climate Engagement Canada**).

The Pension Plan co-filed a shareholder resolution asking Caterpillar Inc. to disclose interim and long-term greenhouse gas targets (including scope 3 emissions) aligned with the Paris Agreement's goal of maintaining global temperature rise at 1.5°C, and progress made in achieving them. The resolution received 96% support at the company's 2022 general meeting.

2022 proxy voting

- **25,944** meeting items voted.
- **14%** of votes against management recommendations.
- **66%** of shareholder resolutions supported.

On climate change

- We withheld our support for 53 directors for climate-related governance concerns (e.g. lack of disclosure or insufficient oversight).
- We supported 77% of resolutions (53 shareholder resolutions) asking companies to provide climate-related disclosures and/or set targets to reduce greenhouse gas emissions.

On EDI

- We withheld our support for 670 directors across 541 companies due to a lack of gender or racial/ethnic diversity on the board.
- We supported 92% of resolutions (67 shareholder resolutions) on topics of board diversity, EDI and human capital management.

Our Corporate Governance Principles and Proxy Voting Guidelines can be found at **cpcpension.com** in the Governance documents section. The proxy voting records can be accessed under Defined Benefit (DB) > Investments > Proxy voting.

3. Advocacy

During 2022, we made the following submissions in support of public policy that is supportive of climate action and increased corporate disclosure:

- Response to the Canadian Securities Administrators' Proposed National Instrument 51-107 Disclosure of Climate-related Matters (February 2022).
- 2022 Global Investor Statement to Governments on the Climate Crisis (August 2022).
- Response to the U.S. Securities and Exchange Commission on the Proposed Rule for Climate-Related Disclosures (June 2022).
- Joint letter on the draft International Sustainability Standards Board Climate-related Disclosures, focused on methane (July 2022).
- Joint Canadian Investor Response to Environment and Climate Change Canada (ECCC) Consultation on the Options to Cap and Cut Oil and Gas Sector Emissions (September 2022).
- Submission to OSFI on draft Guideline B-15: Climate Risk Management (for federally regulated financial institutions (September 30, 2022).

4. Investments

At the end of 2022, the DB component of the Pension Plan reported the following results:

- We invested $1.0 billion (or 64% of our commercial real estate portfolio) in buildings that have LEED[1] or BOMA BEST[2] ratings (environmental assessment and sustainable building certification programs for real estate).
- In our infrastructure portfolio, we have $277 million invested in renewable energy and energy storage, which includes wind power, hydroelectric power, solar power, biomass, energy from waste and energy storage.
- In our public **fixed income** portfolio, we invested $317 million in green and sustainability-linked **bonds** (2.5% of the fixed income portfolio).

The Pension Plan is a signatory to the Principles for Responsible Investment (PRI) and a member of the Canadian Responsible Investment Association (RIA).

1. Leadership in Energy and Environmental Design.
2. Building Owners and Managers Association – Building Environmental Standards.

Risk Management Strategy – DB Component

There are many factors that can pose a risk to the health of a pension plan. The main ones are funding risk and investment risk.

There are three main levers available to pension plan sponsors to manage pension risks:

Funding policy
(contributions from employer and employees)

Investment policy
(return enhancement and/or risk reduction strategies and risk transfer strategies such as longevity insurance and buying annuities)

Benefits policy
(level and type of pension benefits offered)

Understanding the risk factors of a pension plan

Funding risk

Funding risk is one of the main risks faced by the Plan. It is the risk that the Plan's investment asset growth and contribution rates will not be sufficient leading to the inability to cover the Plan's **pension obligations**. Among the most significant contributors to this inability for the Canada Post Pension Plan – DB component:

- declining **discount rates**, i.e., interest rates net of **inflation** (real interest rates) resulting in increased **liabilities**;
- insufficient investment returns having the impact of reducing plan assets.

By the end of 2022, the plan's net funded position improved from a deficit to a surplus:

- The plan's liabilities decreased due to increasing real interest rates stemming from continued inflation among other factors.
- Poor investment returns, however, led to a decline in plan assets over the same period but not to the same extent as the decline in liabilities.

The unpredictable nature of financial markets can lead to abrupt changes in plan assets and liabilities resulting in changes to the Plan's net funded status. Such changes can result in a mismatch between the Plan's assets and its obligations.

Liability-driven investing (LDI): Asset-liability studies are conducted from time to time to inform the Plan's investment strategy. These studies evaluate how different investment strategies would perform in varying economic scenarios and examines how risks that we care about might evolve in different markets. The studies take into account Plan members' age, the number of retirees and other demographic factors ultimately showing how Canada Post contribution levels and benefit security measures such as solvency ratio and going-concern funded ratio evolve over time.

The primary focus of the investment strategy is to minimize the difference between the rate of growth between net investment assets and pension obligations, while at the same time maintaining a reasonable rate of return on the plan's investments. To do so, the Plan employs an approach known as liability-driven investing (LDI) – an investment strategy that manages the Plan's assets relative to its liabilities.

Funding volatility is minimized by better matching of the Plan's assets with the liabilities. The LDI strategy attempts to increase the Plan's interest rate hedge ratio. The fixed income target allocation is increased as solvency levels go up. Finally, the target allocation to **alternative assets**, i.e., private **equities**, real estate and infrastructure, is increased gradually to potentially enhance long-term returns, while diversifying risk.

The Pension Committee manages funding risk by monitoring and reviewing the funded ratio on a regular basis to ensure that funding objectives are suitable and that investment decisions are made in accordance with the Statement of Investment Policies and Procedures – DB component and in consideration of the Plan's demographics and long-term obligations.

The Investment Division team oversees compliance with the statements of investment policies and procedures approved by the Pension Committee, which establish guidelines for prudent risk levels through diversification of asset classes and types, industry sectors, geographic/economic areas, management styles, liquidity and **market capitalization**. Unintended risks, such as large exposures or concentration in a particular industry sector, are clearly identified to the appropriate investment manager, as well as to the Chief Investment Officer and the Pension Committee.

Investment risk

The Plan is subject to a variety of investment risks that could adversely affect its cash flows, financial position and income. Investment risks include equity risk through stock holdings as well as interest rate risk and credit risk within the fixed income portfolio. Investments are subject to price risk and liquidity risk. Price risk or valuation risk is when the price paid for an asset is too high. The Investment Division team and external investment managers carefully review the financial metrics prior to making an investment to prevent overpaying. Liquidity risk is the inability to buy or sell an investment in a timely manner at a fair price.

A large portion of total assets have daily liquidity and the Investment Division team monitors short-term funding needs on a weekly basis.

Investments are also made in foreign markets so there is exposure to currency risk, which is partially mitigated through **hedging** strategies. Additional measures are taken to minimize the potential adverse effect of these risks and to optimize gains over the entire portfolio in order to fulfill the promise to Plan members of providing pension benefits, at a reasonable cost.

The risk management framework guides the development of investment strategies to meet overall objectives. Each asset class has its own risks and limits, such as limits on exposures, concentrations, leverage and counterparties. Each asset class and its associated risks are closely monitored by the Investment Division team, and appropriate action is taken according to the Plan's statements of investment policies and procedures.

Every quarter, investment risks are reviewed by the Pension Committee and the Investment Advisory Committee based on reports from the Investment Division team.

Benefits policy and other risks

The Plan faces other risks that are not of a financial nature, such as demographic factors including the longevity of pensioners (how long retirees are living compared to what was expected) and the rules surrounding the funding of pension plans that are under the jurisdiction of the *Pension Benefits Standards Act, 1985*, and other applicable legislation and standards. We monitor pension industry trends and the developments in legislation to respond appropriately when changes occur.

Statement of Investment Policies and Procedures – DB

The Pension Committee has established a Statement of Investment Policies and Procedures (SIPP) to effectively monitor and manage investment risk within the Plan.

The SIPP–Defined Benefit component (SIPP-DB) is the governing document that provides guidance for investing the DB assets of the Plan. The SIPP-DB details fund governance, Plan characteristics, liabilities, investment objectives, asset-mix policy, permitted investments and constraints, as well as other requirements concerning the investment and administration of the Plan's DB assets.

The SIPP-DB is reviewed and approved once a year by the Pension Committee. The **actuary** of the Plan and the members of the Pension Advisory Council receive a copy of the updated SIPP-DB after its approval. The SIPPs of the Plan are available at **cpcpension.com** under Governance documents.

Risk Management Strategy – DC Component

DC Plan members have diverse demographics, varying levels of investment and financial experience, and different risk tolerances. The Corporation believes that the best way to address the diverse investment needs of DC Plan members is to offer a range of investment options including market-based options (investment funds) that cover the major asset classes and the risk/return spectrum appropriate for retirement funds.

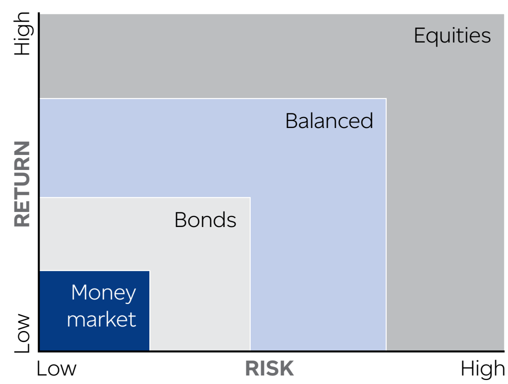
Different funds and investment approaches may be appropriate for different points in a member's career, since the options range from low risk/return to higher risk/return. Members of the DC Plan have access to Canada Life's website, **mycanadalifeatwork.com**, which has tools and information to build their investor profile and investment strategy, and revise them as life goes on. The site also offers all the information they need about the investment funds offered and historical fund returns. It is the member's responsibility to use this information and make informed choices.

If investment returns are high, for funds such as fixed income or equity funds, members reap the rewards and bear the risk. Segregated funds, in which member contributions are invested, are held separately from the assets of Canada Life and, while fund values fluctuate, the money is always used for the members' benefit.

Certain funds offered under the DC component of the Pension Plan entail more risk than others. Members need to ask themselves if they are comfortable with the level of risk that comes with their asset allocation. Tools at **mycanadalifeatwork.com** can help members with their decisions.

Canada Post reviews the performance of the funds in the DC component of the Pension Plan at least semi-annually and assesses the **fund manager**'s performance against relevant qualitative and quantitative factors, periodically, but no less frequently than annually and may propose changes to the existing fund selection or add new funds, if required.

Understanding risk against return



Statement of Investment Policies and Procedures – CAP

The Pension Committee has established a statement of investment policies and procedures to effectively monitor and manage investment risk within the Plan.

The Statement of Investment Policies and Procedures – Capital Accumulation Plans (SIPP-CAP) is the governing document for the investment structure of the **capital accumulation plans** (CAP) offered by Canada Post, including the DC component of the Plan. The SIPP-CAP covers fund governance, the investment structure and beliefs, as well as other requirements in the investment and administration of the CAP assets. The investment objectives set out in the SIPP-CAP are fulfilled as a part of the contractual obligations of the DC service provider, Canada Life.

The SIPP-CAP is reviewed and approved once a year by the Pension Committee. The actuary of the Plan and the members of the Pension Advisory Council receive a copy of the updated SIPP-CAP after its approval. The SIPPs of the Plan are available at **cpcpension.com** under Governance documents.

Outlook for 2023

Governance activities review: Canada Post will implement a communication strategy to assist members in better understanding the DC fund line-up.

Administration activities: Canada Post will continue to work on improving the member experience and ensure that members have access to best-in class products and services, including the launch of the Canada Life member app in the later half of 2023.

ESG integration: Canada Post will continue to monitor BlackRock's transition of equity components of the LifePath target date funds to ESG-optimized index exposure.

Our Investments – DB Component

Michael A. Butera
Vice-President, Pension Fund and Chief Investment Officer

2022 was characterized by tighter monetary conditions, rising inflation, geopolitical conflict, supply chain disruptions, concerns over China's zero-COVID policy and persistent recession worries, all of which contributed to financial market turbulence. The world economy continued to grow, albeit on a slowing trajectory as the pandemic transitioned to its endemic phase.

It was a year of strong relative investment performance by the Canada Post Corporation Registered Pension Plan – DB component. Absolute returns, while negative, were still ahead of most Canadian and international pension plan peers.

Net investment assets of the Plan totalled $29.5 billion as of December 31, 2022, compared to $32.3 billion and $29.6 billion at the end of 2021 and 2020, respectively. The Plan delivered a return of -6.7% for 2022, which was above its benchmark return of -11.7%. The Plan's 2022 return placed it in the second quartile relative to its peers.

Taking the past four calendar years together, the Plan had a return of 6.8%, which exceeded its benchmark of 5.2% by 1.6%. In the long term, the Plan's record of outperformance has continued. Over 10 years, the Plan's average annual return was 8.1%, meaning the Plan outperformed its benchmark of 6.3% and its return objective over time of 6.5%. The Plan's investment strategy contributed to this investment success. By actively managing our portfolio, we have added value above the benchmark return by $4.2 billion over the last 10 years.

In early 2022, a review of the investment strategy was completed and approved by the Board of Directors. The strategy is focused on the continued sustainability of the Plan through the gradual reduction of the volatility between net investment assets and pension obligations, while maintaining the return on investments. The disciplined approach to de-risking will increase the allocation to alternatives such as real estate, infrastructure and private equity. A specific allocation to private debt was created and a move to a global allocation within the public equity portfolio instead of the current regional approach was approved. The strategy will create an allocation to cash given the liquidity needs of the pension fund and increase the bond overlay to increase the pension fund's exposure to liability-matching fixed income.

Key drivers of Plan performance

- Within the public equities asset class, energy, value and defensive (staples, utilities) equities performed the best. Specifically, Canadian value, U.S. large cap value, U.S. small cap and EAFE (primarily U.K. and Japan) equities were the better performers. Rapid interest rate increases by many central banks in response to elevated inflation led to the sharp downward repricing of growth and cyclical stocks such as technology – U.S. large cap growth and emerging market stocks suffered the most.
- In fixed income, the long bond portfolio outperformed its benchmark significantly due to positive duration and yield curve management, the universe bond portfolio was slightly ahead of its benchmark and the corporate portfolio underperformed due to broad weakness in credit markets early in 2022 when the Federal Reserve acknowledged that inflation could no longer be considered transitory.
- Private equity outperformed its benchmark by a meaningful margin. The results came from strong operational performance at the underlying portfolio companies, which saw robust demand for their products and services that more than offset any impact from inflationary pressures and declining market valuations.
- Significantly higher government bond **yields** led to negative absolute returns for private debt. However, on a relative return basis, the portfolio was able to outperform due to owning fewer long-term investments as compared to its benchmark.
- The increase in the market value of the infrastructure portfolio was driven by a combination of new deployment and valuation increases, net of distributions and asset realizations.
- The real estate portfolio achieved a robust performance, while facing some headwinds from public market volatility and uncertainty associated with the increasing interest rate environment.

Here are some activities that affected the Plan's net investment assets in 2022:

As 2022 began, central banks increased their warnings that the near zero interest rates enacted to provide support through the pandemic would be gradually increased. Interest rates had remained at levels that were extremely stimulative.

Existing supply chain dislocations were exacerbated by supply shocks to food and energy from Russia's invasion of Ukraine. Renewed COVID-19 lockdowns in China decreased the demand for inbound goods. Central banks initiated aggressive interest rate increases as they sought to prevent above-target inflation (central banks' target inflation rate is in the 2% range, generally) from becoming entrenched. Inflation, which had been growing since 2021, surged to levels not seen in almost 40 years in major developed markets.

In March 2022, central banks, starting with the U.S. Federal Reserve, initiated a series of aggressive interest rate increases with the goal of preventing above-target inflation from becoming entrenched, a situation in which inflation feeds on itself and it becomes increasingly more difficult to contain. With this monetary tightening, the Bank of Canada policy rate and the U.S. Federal Funds Rate reached 4.25% and 4.50% respectively at the close of 2022, a substantial jump from 0.25% at the start of the year.

Bond yields increased ahead of every central bank interest rate hike. Equities were extremely volatile and recession fears intensified as the market forecasted slower growth while it searched for evidence that the interest rate hikes would slow or even stop.

The massive flight from risk assets drove demand for U.S. dollars as a safe haven. The U.S. dollar strengthened relative to most major currencies. It was only late in 2022 that the U.S. dollar weakened when the rate of inflation slowed, and the U.S. Federal Reserve indicated it would slow down the pace of interest-rate hikes.

The world economy continued to grow, though on a slowing trajectory, as the pandemic transitioned to its endemic phase. In-person work and domestic and international travel resumed. Consumer demand remained strong, cushioned by savings accumulated during the prior two years.

Employment and corporate earning results continued to be strong. Manufacturing and trade activity rebounded as overall demand and production capacity reached recent highs and job vacancies were at a historic high.

The Russia-Ukraine conflict, along with China's reopening late in the year, increased demand for oil and boosted Canada's energy sector.

Volatility in the public fixed income and equity markets resulted in the Plan's negative return of -6.7% – still well above its benchmark return of -11.7%. All alternative asset classes exhibited strong returns, which contributed strongly to relative performance. The Plan's liabilities decreased significantly with the increase in bond yields. The Plan implemented a bond overlay strategy to increase the interest rate hedge ratio.

With the rise in the real discount rate (interest rates) combined with our prudent investment management, the Plan's solvency ratio continued to improve in 2022. The solvency ratio was at 92.6% at the beginning of the year and has been lifted to 108.7% as of December 31, 2022.

Investment objectives

The Plan's investment objectives are to select the appropriate asset mix and risk level to achieve returns above the benchmark and meet the Plan's long-term funding needs. Sound investment decisions contribute to the sustainability and affordability of the Plan and support Canada Post as it fulfills the promise to Plan members of providing pension benefits at a reasonable cost.

The Plan's asset-liability strategy is updated every three years. The strategy provides direction on how to maximize asset returns to meet pension promises, while minimizing fluctuations in the Plan's funded status and potential solvency payment obligations from the Plan sponsor. In early 2022, the Board of Directors approved the 2021 study that updated the asset-liability strategy by increasing the allocation of private market alternative asset classes including real estate, private equity and infrastructure. In addition, a specific allocation to private debt was established. Public equities using a global approach rather than the current regional approach was researched and will be implemented in 2023. An allocation to cash will be created given the liquidity needs of the pension fund. The bond overlay will be increased from 10% to 15% to increase the pension fund's exposure to liability-matching fixed income.

The Plan's Statement of Investment Policies and Procedures – DB Component (SIPP-DB) was updated after the Board's approval of the strategy and is updated whenever the Plan moves to a new asset mix.

The asset-liability strategy ensures that the Plan's asset mix better matches its liabilities and that its interest rate risk is reduced over time. The adoption of the strategy had reduced the Plan's funded status volatility.

In the long term, the Plan's record of outperformance relative to its benchmark portfolio has continued. The Plan's benchmark portfolio represents the performance of the market index for each of the asset classes in the Plan. Over 10 years, the Plan's average annual return was 8.1%, meaning the Plan outperformed its benchmark of 6.3% and its return objective over time of 6.5%. Over the short term, the Plan relies on a benchmark portfolio to evaluate investment performance.

Asset mix

The Plan's asset mix is designed to maximize growth opportunities, minimize risks and meet the requirements of risk management. In accordance with the strategy, the Plan's asset mix targets and ranges were adjusted after the Board approved the investment strategy. As of year-end 2022, the asset mix targets are 55.9% in equities, real estate and infrastructure and 44.1% in fixed income.

The asset class mix is meant to provide the Plan with a long-term net rate of return of 4.5% above the estimated inflation rate of 2.0% for a total of 6.5%. It is estimated that this rate can support the Plan's investment objectives and the growth of its pension obligations.

At any given time, the asset mix may vary from the long-term targets. The SIPP-DB has minimum and maximum limits to allow for flexibility as market conditions change. The Plan's actual asset mix as of December 31, 2022, was 57.6% in equities, real estate and infrastructure, and 42.4% in fixed income and cash. The strong relative returns in 2022 were attributable to the fund's above-target allocation to private equity, infrastructure, and real estate. This year, the Plan terminated the dividend-yield equity portfolio as well as the Latin American (emerging markets) equity portfolio due to market expectations for these two strategies.

The performance of each asset class is measured against its own relevant benchmark. During the year, the Plan implemented a bond overlay strategy to increase the interest rate hedge ratio. This was funded by cash raises from equities that were reinvested into bonds and derivatives. The Plan achieved a 100% solvency ratio due to the rise in interest rates. The investment team uses its knowledge and expertise to manage the investment portfolio in accordance with the guidance provided by the SIPP-DB.

Market review and financial market performance

Starting in March 2022, with the upward surge in inflation to levels not seen for 40 years in major developed markets, central banks initiated a series of aggressive interest rate increased with the goal of preventing above-target inflation from becoming entrenched (where it feeds on itself). The U.S. Federal Funds Rate and Bank of Canada policy rate were at 4.50% and 4.25% respectively at the close of 2022 – a sizeable increase from the 0.25% policy rates at the start of 2022.

Global economic growth remained positive while on a slowing trajectory in 2022. Persistent inflation, higher energy prices due to supply shocks, recession fears and aggressive interest rate hikes led to one of the most volatile years in financial markets since the financial crisis of 2008.

Due to supply shocks and a rate of inflation rate well above the central bank 2% target, bond and equity returns moved in the same direction. The positive correlation between stocks and bonds was an unusual situation that had last occurred during the financial crisis of 2008.

Total returns of most market indices were negative in 2022: the S&P 500 total return was -12.2% in Canadian dollars, the S&P/TSX -5.8%, MSCI World Index -12.2%, FTSE Canada Universe Bond Total Return Index -11.7%, and MSCI Emerging Markets -14.3%.

In a volatile year, most equity markets had negative returns. Only Brazil and several Asia Pacific countries had positive returns. Of the major developed markets, the U.K., Asia Pacific and Canada were the best of the group. The U.S. and emerging markets were among the worst performers.

Energy stocks were the biggest gainers. Economically defensive stocks (staples) outperformed cyclically sensitive stocks. U.S. large cap and small cap stocks suffered the most. Information technology, discretionary and industrials had the biggest losses.

Long bonds and inflation-linked bonds underperformed government and corporate bond returns. The U.S. dollar strongly appreciated relative to most developed and emerging-market currencies.

Oil prices jumped in 2022, as the conflict in Ukraine caused a tremendous supply shock, and have since stabilized.

The ongoing monetary policy tightening is the main factor in lower expected global growth in the next year. Inflation has started to trend downward in several major economies. This is a sign the policy rates may be reaching the terminal point (an end to interest rate hikes). Global growth, while slower than during the recent recovery, is expected to be stable in the U.S., Canada and emerging markets. Only Europe's growth is at risk because of the conflict in Ukraine and its effect on energy prices.

Fund performance

The Plan posted a rate of return of -6.7% in 2022, compared to its benchmark return of -11.7%.

In the midterm, the four-year average annual return was 6.8% and in the long term, the 10-year average annual return was 8.1%. This compares favourably with the fund's portfolio benchmarks of 5.2% and 6.3% for the same periods. The Plan's evolving investment strategy contributed to this investment success.

The Plan's private equity, infrastructure and real estate provided the best returns for the year as they were somewhat insulated from inflation, higher interest rates and geopolitical risks. Private debt and all other asset classes in the public markets decreased in value over the year as they bore the brunt of the uncertain global macroeconomic environment and monetary policy tightening.

Canadian equities had negative absolute returns but maintained strong relative returns in 2022, driven by strong investments in industrials. U.S. equities also lost value over the year, but remained 2% above the asset class benchmark, driven by strong performance within the U.S. large cap value strategy with underweights to communications and IT. Security selection in industrials, energy and materials also contributed positively. International equities struggled on an absolute and relative basis. Emerging markets were the largest detractor.

Within fixed income, the long bond portfolio outperformed its benchmark significantly due to positive duration and yield curve management, while the universe portfolio also finished the year slightly ahead of the benchmark for the same reasons.

The corporate portfolio underperformed in 2022 due to the positioning in credit in the beginning of the year when the Federal Reserve acknowledged that inflation could no longer be considered transitory, which led to broad weakness in credit markets.

Private equity generated excellent performance in 2022 and outperformed its benchmark by a substantial margin. The results came from strong operational performance at the underlying portfolio companies, which saw robust demand for their products and services that more than offset any impact from inflationary pressures and declining market valuations.

The infrastructure portfolio delivered a return that meaningfully outperformed its benchmark. The market value increased due to a combination of new deployment and valuation increases, net of distributions and asset realizations.

The real estate portfolio achieved a strong performance while facing some headwinds from public market volatility and uncertainty associated with the increasing interest rate environment. Key activities included the commitment and deployment of capital in the multi-residential and logistics asset classes and continued diversification in the U.S. markets in order to take advantage of market dislocation.

During the year, significantly higher government bond yields led to negative absolute returns for private debt. However, on a relative return basis, the portfolio was able to outperform due to owning fewer long-term investments as compared to our benchmark.

Outlook for 2023

Funded status volatility, the movement of investment returns and pension obligations will continue to be monitored closely. With Board approval of the strategic asset allocation, the Plan's Investment Division team will continue to execute on its strategic priorities.

The public equity portfolio design was completed in late 2022 and an implementation roadmap was defined. In 2023, the Plan will focus on portfolio construction and conduct manager searches and selections in certain externally managed public equity sub-asset classes.

The internal equity portfolio will assess and develop derivative overlay strategies to complement its traditional investment strategies, enhance returns and mitigate risks. It will work with Operations to innovate and enhance its front, middle and back-office functions to streamline its investment process.

For 2023, the fixed income portfolio plans to add a new junior member and continue with the implementation of new systems and tools to allow for more streamlined and seamless investment decision-making and management of the portfolios.

The Plan will continue to increase its investments in alternative assets. The private equity portfolio will maintain its focus on partnering with new and existing high quality fund managers and selectively increase its co-investment exposure, should attractive opportunities present themselves. The portfolio will consider adding new geographic and growth equity exposure if market conditions are favourable.

The infrastructure portfolio will continue to ensure investments align with our strategic objectives with the addition of investments in sectors and regions where the portfolio is underweight relative to targets, focus on portfolio rationalization and emphasize investments in individual businesses rather than managed funds. Additional team members and tools will be added to enhance investment coverage, transaction execution, and portfolio management capabilities. Infrastructure is on pace to reach its target of a 10% weighting (currently 6.6%) within the Pension Plan by 2026.

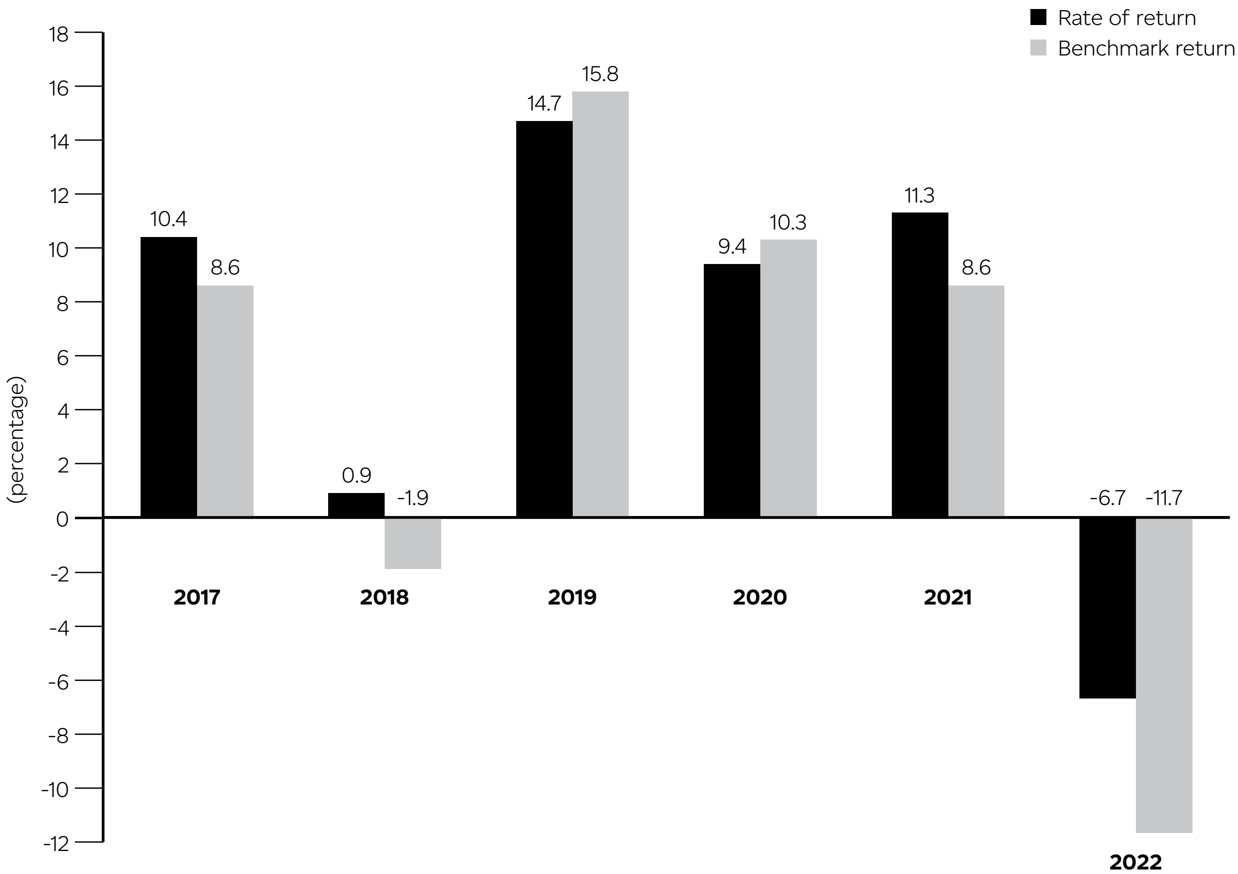
The real estate portfolio continues the strategy of building up the multi-residential asset base, increasing non-domestic investments and exiting some stabilized non-core assets to improve the quality of the overall portfolio. Also, the development of the Plan's first zero-carbon logistics assets is expected to start in Canada as well as continued advancement on asset decarbonization assessments.

The private debt portfolio will continue to establish new manager relationships and fund investments pursuant to its revised investment strategy. In the year ahead, it will seek out diversification by way of investment security and strategy as well as by geography.

For 2023, the Plan will complete our top ESG priority, our Climate Action Plan. This plan will continue to embed climate considerations into our portfolio construction and manager selection; set interim climate-related targets in line with achieving net-zero emissions by 2050; identify our engagement and advocacy priorities; and build climate-related capabilities within the investment team.

We will maintain our commitment to meeting the Plan's long-term funding objectives. Through appropriate asset allocation and risk mitigation regarding our liabilities, we aim to earn returns above the benchmark portfolio, while considering economic and demographic changes. We will continue to implement strategies designed to increase sustainable returns without taking undue risks.

Rate of return against benchmark

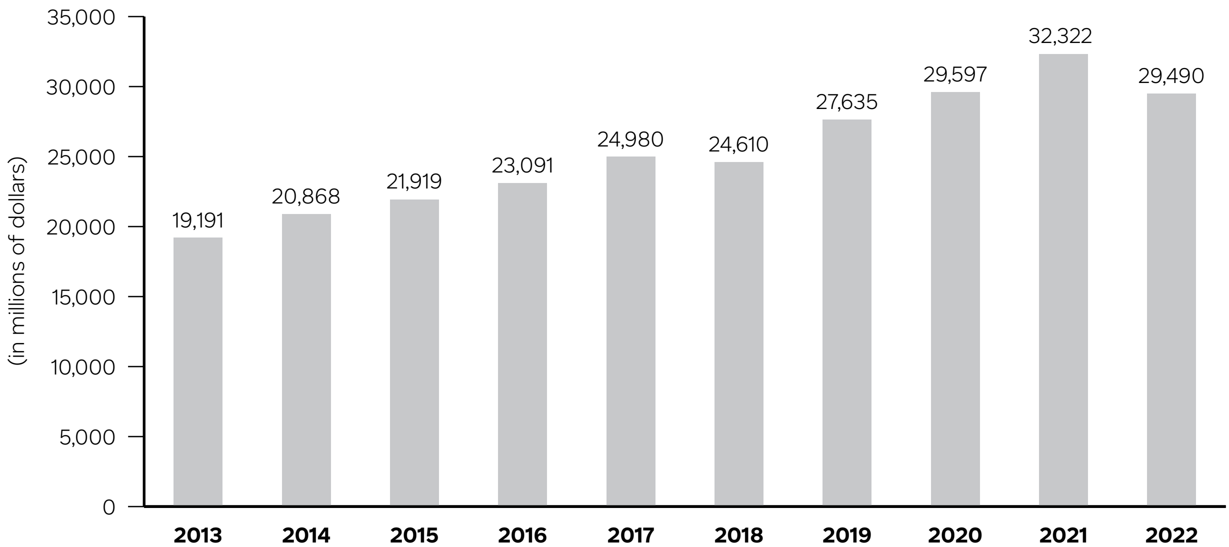


Rate of return

	Since Plan inception	Over the last 10 years	Over the last 5 years	2021	2022
Our Plan	6.6%	8.1%	5.6%	11.3%	**-6.7%**
Our benchmark	5.0%	6.3%	3.7%	8.6%	**-11.7%**
Peer group return[1]		7.8%	4.7%	9.6%	**-8.4%**
Rate of return objective over time			6.5%		

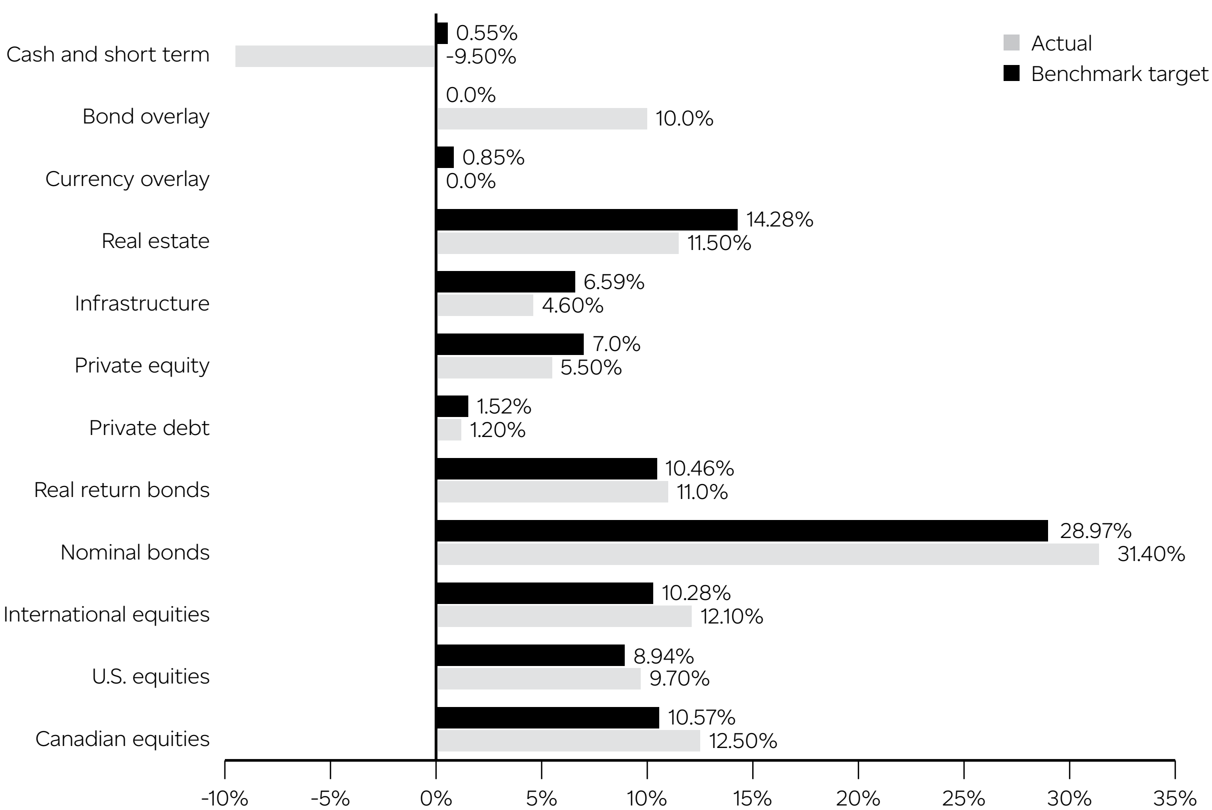
1. RBC Investor Services based on the median performance of large Canadian pension plans (more than $1 billion). Gross returns. (Previously called "Peer group benchmark." This is actually median peer plan return, NOT median peer benchmark return).

Net investment assets



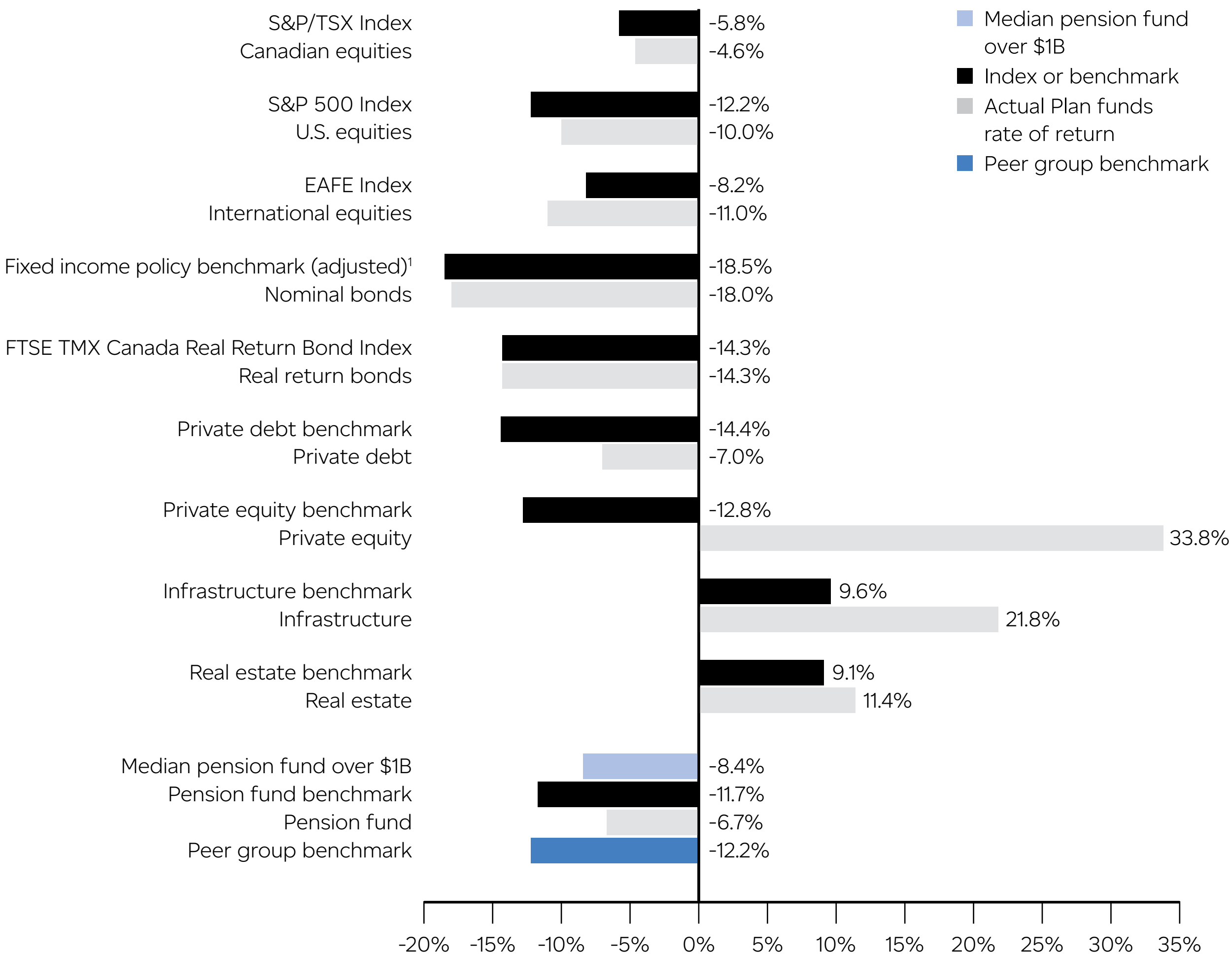
Net investment assets are defined as investments plus investment-related receivables, minus investment-related liabilities.

Asset mix



International equities include emerging markets. Nominal bonds include long bonds. Numbers may not add up due to rounding.

Rates of return by asset class and total Plan



1. The fixed income policy benchmark is adjusted to exclude real return bond and private debt benchmarks.

Investment management costs

CEM Benchmarking Survey

Per $100 of average assets	2018	2019	2020	2021
Plan	$0.41	$0.42	$0.41	$0.40
Peer group	$0.48	$0.47	$0.47	$0.45
Benchmark	$0.48	$0.46	$0.43	$0.43
The Plan's investment costs were $4.9 million below benchmark costs.				

Equity holdings greater than 0.25% of Plan assets

As at December 31, 2022 (in millions of dollars)

	Market value	Percentage of overall fund
Canadian National Railway	116.5	0.40
Royal Bank of Canada	116.5	0.40
Apple Inc.	109.7	0.37
Microsoft Corp.	106.9	0.36
Toronto Dominion Bank	106.9	0.36
Bank of Nova Scotia	100.6	0.34
	$657.1	**2.23%**

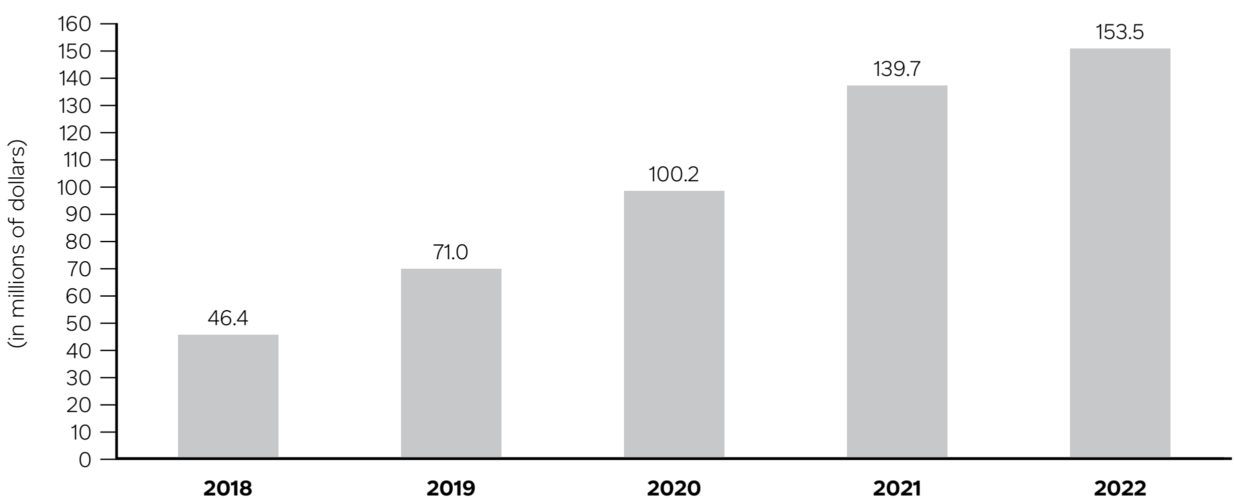
Our Investments – DC Component

Rates of return

As at December 31, 2022

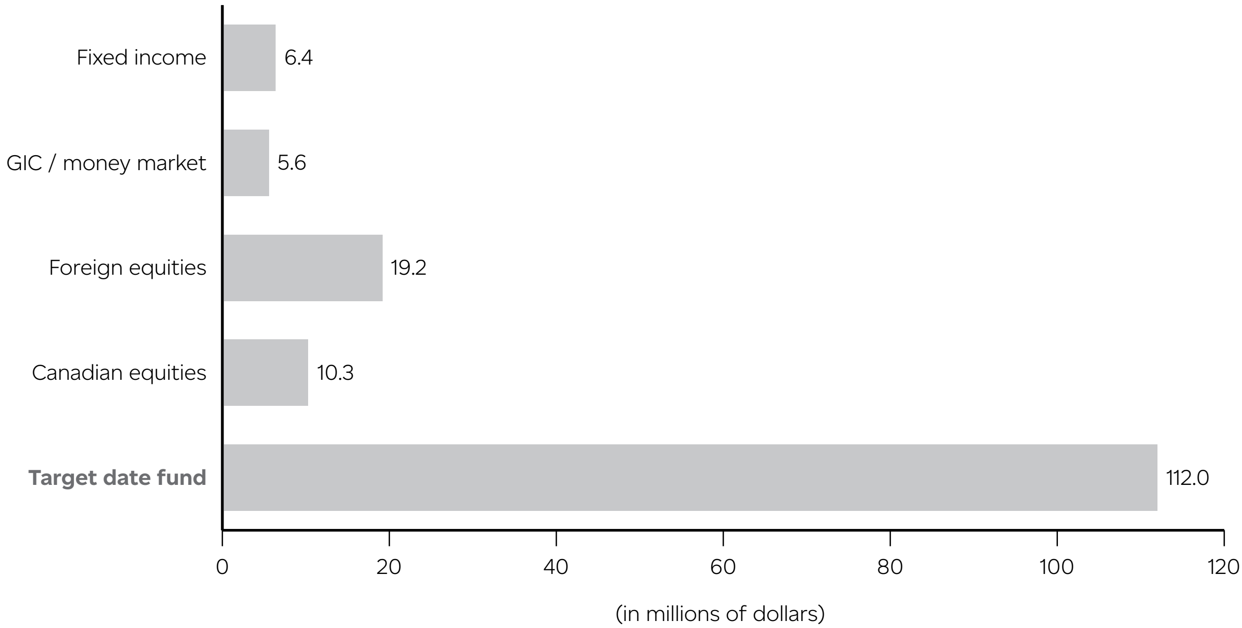
Fund	1 year	5 years	10 years
BlackRock LifePath® Index 2020	-10.84%	2.91%	5.36%
BlackRock LifePath® Index 2025	-10.77%	3.60%	6.28%
BlackRock LifePath® Index 2030	-10.60%	4.37%	7.10%
BlackRock LifePath® Index 2035	-10.52%	5.10%	7.90%
BlackRock LifePath® Index 2040	-10.48%	5.79%	8.67%
BlackRock LifePath® Index 2045	-10.50%	6.36%	9.34%
BlackRock LifePath® Index 2050	-10.53%	6.72%	9.70%
BlackRock LifePath® Index 2055	-10.54%	6.80%	N/A
BlackRock LifePath® Index 2060	-10.51%	N/A	N/A
BlackRock LifePath® Index 2065	N/A	N/A	N/A
BlackRock LifePath® Index Retirement	-10.84%	2.91%	N/A
BlackRock U.S. Equity Index	-12.13%	11.08%	16.04%
CC&L Group Canadian Equity	-4.95%	8.44%	9.68%
MFS Global Equity	-11.20%	8.71%	12.65%
MFS International Equity	-7.99%	6.74%	10.00%
Mackenzie Money Market	2.04%	1.27%	1.08%
TDAM Canadian Bond Index	-11.73%	0.13%	1.50%
TDAM Canadian Equity Index	-5.86%	6.87%	7.73%

Investment assets

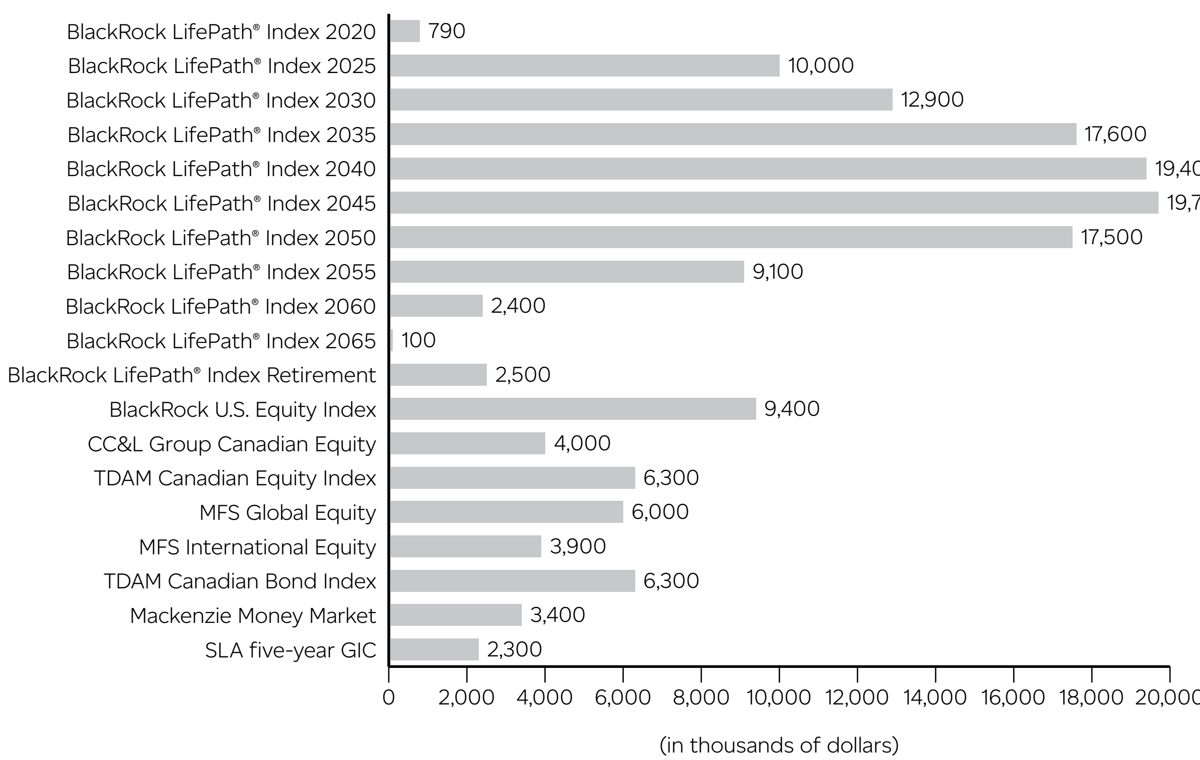


Asset mix

As at December 31, 2022



Detailed asset mix



Fund management fees

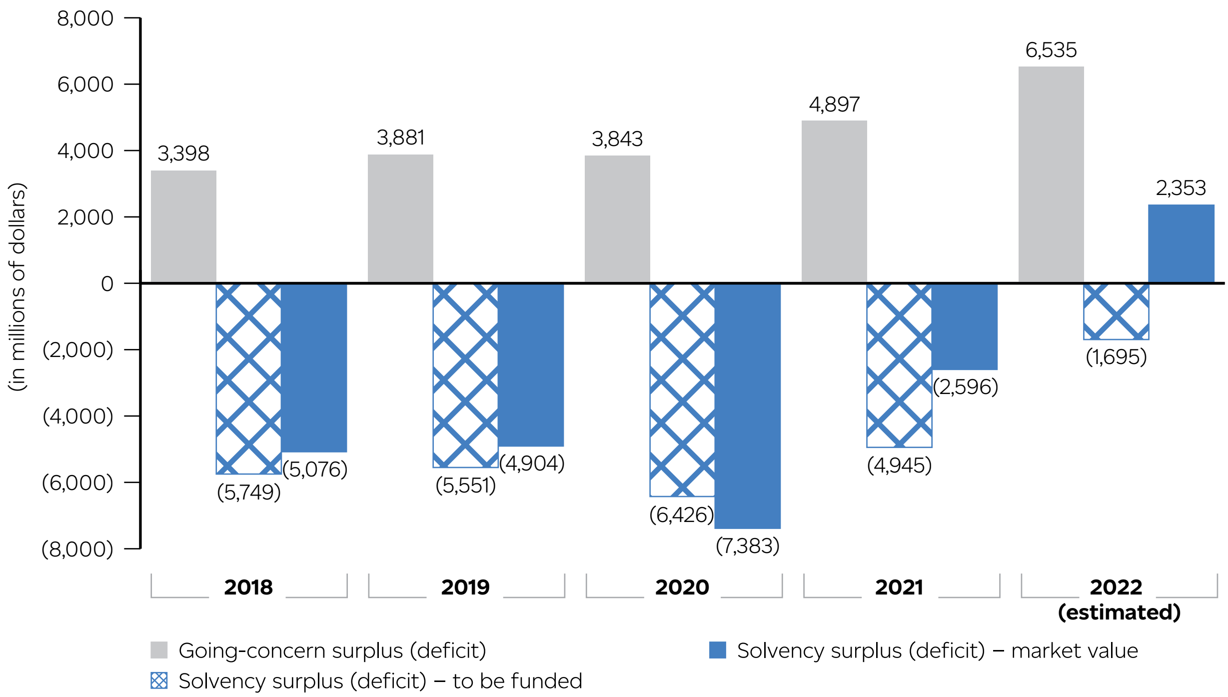
As at December 31, 2022

Fund	Annualized percentage
BlackRock LifePath® Index 2020	0.23%
BlackRock LifePath® Index 2025	0.23%
BlackRock LifePath® Index 2030	0.24%
BlackRock LifePath® Index 2035	0.25%
BlackRock LifePath® Index 2040	0.26%
BlackRock LifePath® Index 2045	0.26%
BlackRock LifePath® Index 2050	0.26%
BlackRock LifePath® Index 2055	0.26%
BlackRock LifePath® Index 2060	0.27%
BlackRock LifePath® Index 2065	0.27%
BlackRock LifePath® Index Retirement	0.23%
BlackRock U.S. Equity Index	0.18%
CC&L Group Canadian Equity	0.35%
MFS Global Equity	0.57%
MFS International Equity	0.58%
Mackenzie Money Market	0.09%
TDAM Canadian Bond Index	0.12%
TDAM Canadian Equity Index	0.12%

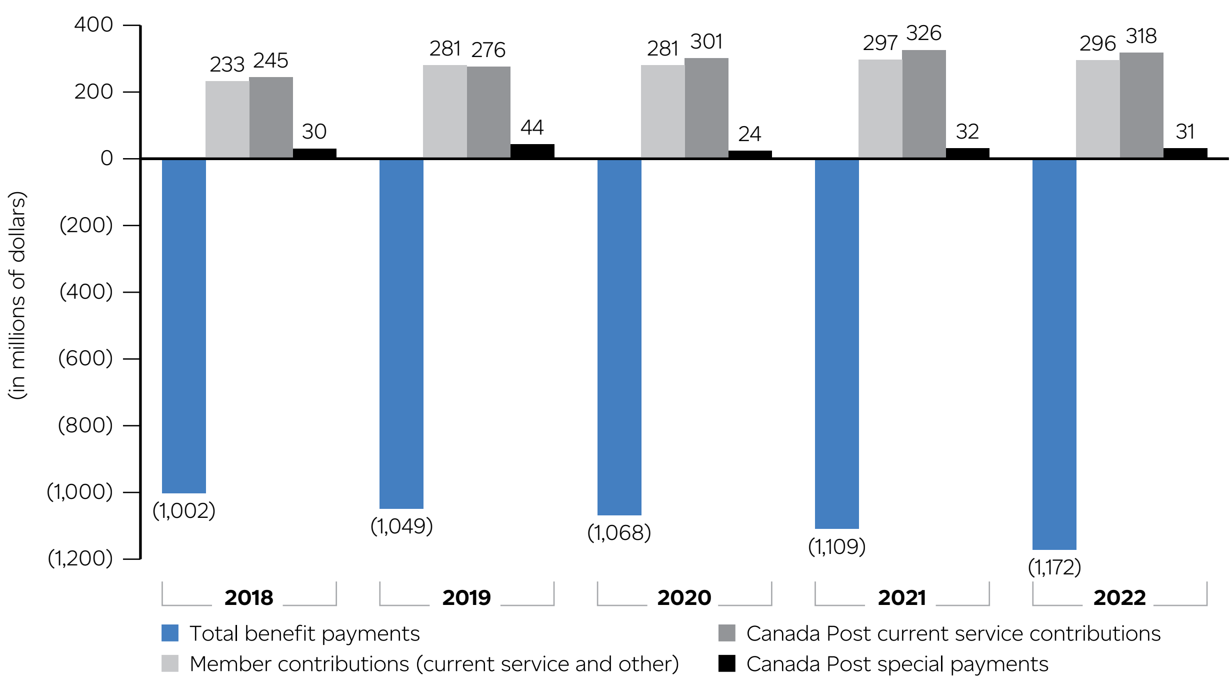
The **fund management fees** listed here cover the costs of operations and investment expertise for active Plan members. They are also subject to applicable sales tax, which is not included in the amounts listed above. All the investment management fees and fund operations expenses you pay are available online. Sign into **mycanadalifeatwork.com** for more information.

Financial Position Highlights – DB Component

Plan's funded status



Contributions and benefit payments



Canada Post contributions represent amounts paid after taking into account deficit funding relief. In 2022, member contributions of $296 million included $2 million of elective service contributions.

Summary of Financial Statements

Net assets available for benefits

The Canada Post Corporation Registered Pension Plan posted a -6.7% return in 2022. The Plan ended the year with net assets available for benefits of $29,714 million (including $154 million in the DC component), a decrease of $2,823 million from $32,537 million (including $140 million in the DC component) at the end of 2021.

Changes in net assets available for benefits

The $2,823 million decrease in net assets available for benefits represented contributions of $682 million, offset by investment loss of $2,176 million, pension benefit payments of $1,180 million and expenses of $149 million.

Investment loss – comprising interest, dividend and income from alternative assets offset by realized and unrealized losses – was $2,176 million for 2022, compared to investment income of $3,356 million for 2021.

Plan contributions in 2022 were $682 million compared to $685 million in 2021, a decrease of $3 million.

Pension benefit payments for 2022 were $1,180 million compared to $1,116 million in 2021, an increase of $64 million. This was mostly the result of a 3.95% increase in the number of retirees in 2022.

Changes in pension obligations

Pension obligations were $24,365 million (including $154 million in the DC component) compared to $25,083 million (including $140 million in the DC component) in 2021, a decrease of $718 million.

The decrease was mainly due to benefits paid and changes in **actuarial assumptions** partially offset by interest accrued on the pension obligations, new benefits accrued, changes in plan provisions and experience losses.

(in millions of dollars)	2022			2021		
Accounting basis	DB	DC	Total	DB	DC	Total
Net assets	29,560	154	29,714	32,397	140	32,537
Pension obligations	24,211	154	24,365	24,943	140	25,083

Surplus (deficit)

The difference between assets available for benefit and pension obligations as at December 31, 2022, resulted in a surplus of $5,349 million, as disclosed in the financial statements based on standards of the Chartered Professional Accountants of Canada (CPA Canada).

The going-concern surplus as of the same date was estimated at $6,535 million. The difference between the accounting surplus of $5,349 million and the estimated going-concern surplus of $6,535 million was an **actuarial asset value adjustment** (or **smoothing**) of -$1,186 million. The smoothed-asset valuation method recognizes gains or losses on investments over a five-year period to minimize fluctuations due to market volatility. This actuarial adjustment is not permitted as a valuation methodology for accounting purposes under CPA Canada Section 4600 since 2011.

The full audited financial statements, including notes, are available at **cpcpension.com** or by request.

Five-year financial review

Financial position (in millions of dollars)	2022	2021	2020	2019	2018
Assets					
Investments	$29,584	$32,397	$29,592	$27,594	$24,662
Investment-related receivables	247	216	129	246	149
Contribution / other receivables	118	114	105	99	103
Total assets	**$29,949**	**$32,727**	**$29,826**	**$27,939**	**$24,914**
Liabilities					
Investment-related liabilities	187	149	23	134	152
Accounts payable and accrued liabilities	48	41	46	49	47
Total liabilities	**235**	**190**	**$69**	**$183**	**$199**
Net assets available for benefits	**$29,714**	**$32,537**	**$29,757**	**$27,756**	**$24,715**
Pension obligations and surplus (deficit)					
Pension obligations	24,365	25,083	$24,149	$22,504	$21,574
Surplus (deficit)	5,349	7,454	5,608	5,252	3,141
Total pension obligations and surplus (deficit)	**$29,714**	**$32,537**	**$29,757**	**$27,756**	**$24,715**

Changes in net assets available for benefits (in millions of dollars)	2022	2021	2020	2019	2018
Investment income (loss)	**($2,176)**	**$3,356**	**$2,583**	**$3,608**	**$243**
Contributions – Sponsor					
Current service	341	345	317	288	254
Special payments	31	32	25	45	30
Contributions – Members					
Current service	308	305	288	284	234
Past service and other	2	3	3	4	5
Total contributions	**$682**	**$685**	**$633**	**$621**	**$523**
Less					
Benefits					
Retirement and survivor pensions	1,079	1,029	1,005	968	928
Commuted value transfers and other	101	87	67	85	79
Total benefits	**$1,180**	**$1,116**	**$1,072**	**$1,053**	**$1,007**
Administration expenses					
Plan administration	30	27	27	25	25
Investment fees	119	118	116	110	101
Total administration expenses	**$149**	**$145**	**$143**	**$135**	**$126**
Increase (decrease) in net assets	**($2,823)**	**$2,780**	**$2,001**	**$3,041**	**$(367)**

Changes in pension obligations (in millions of dollars)	2022	2021	2020	2019	2018
Interest on pension obligations	$1,180	$1,141	$1,149	$1,166	$1,128
Benefits accrued	647	685	586	577	502
Changes in plan provisions	776	–	–	–	–
Changes in actuarial assumptions	(2,482)	9	1,180	322	129
Net experience losses (gains)	341	215	(198)	(82)	(5)
Benefits paid	(1,180)	(1,116)	(1,072)	(1,053)	(1,007)
Net increase (decrease) in pension obligations	**($718)**	**$934**	**$1,645**	**$930**	**$747**

Funding Valuation Summary – DB Component

Canada Post is required to file annual actuarial valuations of the Plan on a going-concern and solvency basis with the federal pension regulator, the Office of the Superintendent of Financial Institutions (OSFI). An actuarial valuation is a report on the health of the Plan. It presents the funded status of the Plan on a going-concern and solvency basis at a specific date. The latest actuarial valuation was filed in June 2022 and provided results as at December 31, 2021.

Actuarial valuation results – Going concern

Going-concern funded status of the Plan as at December 31				
	2022 estimated		2021 actual	
	In millions of dollars	Funded ratio	In millions of dollars	Funded ratio
Going-concern assets (smoothed value)	30,746		29,769	
Going-concern obligations	24,211		24,872	
Going-concern surplus	6,535	127.0%	4,897	120.0%

Actuarial valuation results – Solvency

Solvency funded status of the Plan as at December 31				
	2022 estimated		2021 actual	
	In millions of dollars	Funded ratio	In millions of dollars	Funded ratio
Solvency assets (market value)	29,520		32,357	
Solvency obligations	27,167		34,953	
Solvency **surplus (deficit)** (based on market value of Plan assets)	**2,353**	108.7%	**(2,596)**	92.6%
Solvency **deficit** to be funded (using three-year **average solvency ratio** method)	**(1,695)**	93.8%	**(4,945)**	85.9%

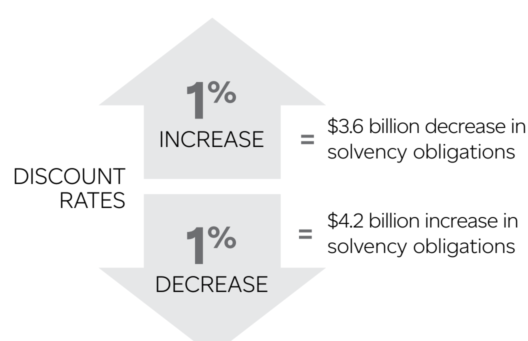
The solvency position using the market value of Plan assets improved from $2,596 million deficit at the end of 2021 to an estimated $2,353 million surplus at the end of 2022. The improvement was mainly due to the significant increase in the discount rate and in the commuted value rates, partially offset by losses on asset returns and on actual and projected indexation rates.

The average solvency ratio over the three-year period used for the valuation increased in 2022, going from 85.9% to 93.8%. This resulted in the solvency deficit to be funded, decreasing from $4,945 million at the end of 2021 to an estimated $1,695 million at the end of 2022.

If the Plan had been terminated and wound up on December 31, 2022, there would have been enough assets to pay 100% of the pension benefits.

When interest rates are low, more money needs to be put aside. For example, you would need to have about $1.1 million on average if you retire at age 60 to get a $50,000 annual pension similar to the one offered by our Plan at a 4% interest rate. This amount increases by over 15% to $1.3 million, when interest rates drop to 3%.

Multiply this amount by the number of members in our Plan, and you can see that a small change in discount rates has a significant impact on the overall pension obligations. A discount rate decrease would result in an increase in pension obligations on a solvency basis. Similarly, an increase in discount rates would result in a decrease in pension obligations.



Contributions

Contributions (in millions of dollars)	2022	2023[1]
Members	296	244
Canada Post regular contributions	318	281
Canada Post special payments[2]	31	2
Total contributions	**645**	**527**
Current service cost sharing[3] (regular contributions)	**2022**	**2023[1]**
Members	48%	47%
Canada Post	52%	53%

1. Canada Post estimates that it will not have to make employer contributions in 2023 after the valuation report is filed.
2. After applying deficit funding relief.
3. Excluding contributions for elective service.

The solvency (using market value of plan assets) and going-concern (using the smoothed value of plan assets) positions of the Plan improved in 2022 such that the funded ratios are estimated to exceed 105% and 125%, respectively, for the Canada Post Registered Pension Plan as at December 31, 2022. As a result, Canada Post may be required to make mandatory use of the surplus and not be permitted to make regular contributions once the actuarial valuation is filed in 2023. Final actuarial valuation results may differ significantly from these estimates.

The special payments made by Canada Post in 2022 and estimated to be made in 2023 are top-up payments (transfer deficiency). The top-up payments are required to pay the full commuted value when someone leaves the Plan because the solvency ratio is below 100%, and they include additional top-up payments required by the Office of Superintendent of Financial Institutions (OSFI) since 2014 given the deficit funding relief.

In October 2022, OSFI withdrew the requirement for these additional top-up payments. This change allows funding requirements for these payments to be consistent with the rules applied to other federally regulated plans. The top-up payments will no longer be required once the 2022 solvency valuation report is filed with OSFI in 2023 as the solvency ratio is estimated to exceed 100% at December 31, 2022.

Deficit funding relief

Over the past few years, low solvency discount rates increased the Plan's solvency obligations and deficits significantly. From 2011 to 2013, Canada Post used solvency relief measures, as permitted by pension legislation for all federally regulated pension plans. Under these measures, the maximum amount of relief could not exceed 15% of the market value of the Plan's assets at the end of the preceding year.

In 2014, the Government of Canada introduced the *Canada Post Corporation Pension Plan Funding Regulations*. They provided temporary relief to Canada Post from the need to make special payments into the Plan for four years (2014 to 2017). For Canada Post, these regulations replaced the solvency relief measures available under the *Pension Benefits Standards Act, 1985*. In 2017, the *Pension Benefits Standards Regulations, 1985*, were amended to change the solvency reduction limit applicable to the pension plans of Crown corporations from 15% of a plan's assets to 15% of a plan's solvency liabilities. Under these regulations, Canada Post would have had to make $368 million of solvency special payments for 2020 beyond the relief limit.

However, due to COVID-19 effects on the economy, the *Solvency Special Payment Relief Regulations* came into force in 2020, establishing a moratorium on solvency special payments for the remainder of the year for federally regulated, defined benefit pension plans. Under the *Pension Benefits Standards Act, 1985*, Canada Post was not required to make special payments for 2021. In April 2022, the Government of Canada approved the *Canada Post Corporation Pension Plan Funding Regulations* to provide Canada Post with temporary relief from its solvency funding obligations until December 31, 2024. Without this relief, Canada Post expected to make estimated special payments of $794 million for 2022 and an estimated $339 million for 2023, as the solvency relief of 15% available under the *Pension Benefits Standards Act, 1985*, was fully utilized during the year.

Relief (in millions of dollars)	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Solvency relief under the *Pension Benefits Standards Act, 1985*	–	–	–	–	1,289	1,150	278	1,285	165
Relief under the *Canada Post Corporation Pension Plan Funding Regulations*	1,269	1,360	1,254	1,352	–	–	–	–	824
Solvency Special Payments Relief Regulations, 2020	–	–	–	–	–	–	833	–	–

With deficit funding relief comes additional potential risk for the Plan and its members. There is a lower value of Plan assets than would be the case if Canada Post had the cash necessary to make the special payments. Therefore, there is a risk of some deterioration of the solvency and going-concern valuations over the relief period. The effect will depend on factors such as investment returns and interest rates. While the Plan is currently able to pay all benefits to members as they become due, and it is projected to continue to be able to do so over the relief period, Canada Post needs to find long-term solutions to ensure that the Plan is sustainable and affordable for Plan members and the Corporation.

Regular pension contributions (current service) from Canada Post and from Plan members continue to be made during this deficit funding relief. The relief applies only to special payments to fund the deficit. Canada Post, as Plan sponsor, is responsible for addressing any deficit in the Plan and ensuring the Plan is sustainable.

During the temporary relief, Canada Post, as Plan administrator, continues to file annual valuations with regulators to monitor the Plan's status. This status is communicated to all Plan members on at least an annual basis.

Without any funding relief, Canada Post's special payments required to fund the deficit would have been $1,020 million in 2022 (including $31 million in top-up payments). This would have brought total contributions from Canada Post to $1,338 million in 2022, or 45% of the pensionable payroll.

Funding valuation history

OSFI requires that a funding valuation be done on a going-concern and solvency basis. Prior to 2010, a mandatory funding valuation had to be filed every three years, unless the plan was in a solvency deficit position. However, plan sponsors could voluntarily file earlier, if desired. Since 2010, it is required to file a funding valuation every year, unless the solvency funded status is greater than 120%. Canada Post's 2022 funding valuation will be filed by June 2023.

	Estimated	**Filed funding valuations**								
As at December 31 (in millions of dollars)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Going concern – assuming the Plan continued in operation										
Market value of assets	$ 29,560	$ 32,397	$ 29,656	$ 27,685	$ 24,669	$ 25,045	$ 23,166	$ 21,987	$ 20,932	$ 19,262
Asset smoothing adjustment	1,186	(2,628)	(1,790)	(1,443)	176	(1,322)	(1,124)	(1,541)	(1,832)	(1,527)
Smoothed value of assets	30,746	29,769	27,866	26,242	24,845	23,723	22,042	20,446	19,100	17,735
Funding target	24,211	24,943	24,023	22,361	21,447	20,762	20,253	19,200	18,600	18,031
Funding surplus (deficit)	6,535	4,826	$ 3,843	$ 3,881	$ 3,398	$ 2,961	$ 1,789	$ 1,246	$ 500	$ (296)
Funded ratio	127.0%	120.0%	116.0%	117.4%	115.8%	114.3%	108.8%	106.5%	102.7%	98.4%
Assumptions used for going-concern valuations										
Discount rate	5.60%	4.80%	4.80%	5.20%	5.50%	5.50%	5.50%	5.80%	5.80%	5.80%
Inflation rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.25%	2.25%	2.25%
Real return rate (net of inflation)	3.60%	2.80%	2.80%	3.20%	3.50%	3.50%	3.50%	3.55%	3.55%	3.55%
Solvency – assuming the Plan was terminated on the date of valuation										
Market value of assets (net of termination fees)	$ 29,520	$ 32,357	$ 29,616	$ 27,644	$ 24,629	$ 25,005	$ 23,146	$ 21,967	$ 20,912	$ 19,250
Solvency obligations	27,167	34,953	36,999	32,548	29,705	30,874	29,663	28,038	27,790	24,266
Solvency – market value										
Surplus (deficit)	$ 2,353	$ (2,596)	$ (7,383)	$ (4,904)	$ (5,076)	$ (5,869)	$ (6,517)	$ (6,071)	$ (6,878)	$ (5,016)
Solvency ratio	108.7%	92.6%	80.0%	84.9%	82.9%	81.0%	78.0%	78.3%	75.3%	79.3%
Solvency – to be funded										
Surplus (deficit)	$ (1,695)	$ (4,945)	$ (6,426)	$ (5,551)	$ (5,749)	$ (6,446)	$ (6,760)	$ (6,269)	$ (6,801)	$ (6,345)
Solvency ratio	93.8%	85.9%	82.6%	83.0%	80.6%	79.1%	77.2%	77.6%	75.5%	73.9%
Assumptions used for solvency valuations										
Discount rate (real return rates, net of inflation)										
For commuted values										
Rate for first 10 years[1]	2.20%	0.80%	0.70%	1.20%	1.70%	1.40%	1.10%	1.30%	1.30%	1.70%
Rate after 10 years[1]	2.60%	1.20%	0.90%	1.20%	1.80%	1.60%	1.30%	1.80%	1.60%	2.30%
For annuities	2.60%	0.50%	-0.10%	0.60%	1.30%	0.90%	1.10%	1.20%	1.10%	1.80%

1. 15 years before 2005.

Questions and answers about actuarial valuations – DB component

What is an actuarial valuation and what does it determine?

An actuarial valuation is like a report card for the long-term financial health of a pension plan as of a specific date. An independent actuary is hired by the Canada Post Board of Directors to conduct an actuarial valuation. The valuation compares the plan assets to pension obligations to see whether there is a surplus or a deficit of funds to cover the value of accumulated pension benefits.

Pension obligations represent the cost of future pension benefits, based on plan members' pensionable earnings and pensionable service earned to the date of the calculation. To calculate pension obligations, the actuary makes assumptions about the future, such as expected inflation, rates of return on invested assets, salary increases, retirement age, life expectancy and several other factors.

OSFI requires that actuarial valuations be done on a going-concern and solvency basis. These valuations use hypothetical situations to assess a pension plan and protect the interests of its members.

What happens if there are deficits?

If an actuarial valuation reports a solvency deficit – a shortfall of solvency plan assets to solvency obligations – the plan sponsor is required to make special payments into the plan, based on the solvency deficit to be funded, over five years or less to eliminate the deficit. The plan sponsor may also request to use solvency relief measures, if they are available.

If an actuarial valuation reports a going-concern deficit – a shortfall of going-concern plan assets to going-concern obligations – the plan sponsor is required to make special payments into the plan over 15 years or less to eliminate the deficit.

In a given year, plan sponsors must pay the amount necessary to cover the ongoing **current service cost** in excess of employee contributions. If there are deficits, the sponsor must also make special payments to reduce the deficits, as described above, unless solvency relief measures are used.

What is deficit funding relief?

Since 2011, solvency relief measures have been available to all defined benefit pension plans subject to the *Pension Benefits Standards Act, 1985*, including those of Crown corporations like Canada Post based on approval from the Minister of Finance and the Minister of Public Services and Procurement. The measures help pension plan sponsors meet their funding obligations with less sensitivity to short-term economic conditions.

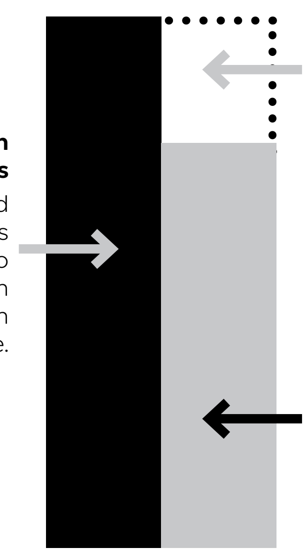
Funding relief does not reduce or eliminate Canada Post's obligation to fully fund the Plan and it remains responsible for funding any deficits.

What is a going-concern valuation?

The going-concern valuation assumes that a pension plan continues in operation and is longer term in focus. It determines if there are enough assets in the plan for pension benefit to be paid in the future for accumulated service to date. It also assesses the required contributions to be made by plan members and the plan sponsor to cover the current service cost.

What is a solvency valuation?

The solvency valuation assumes a pension plan is terminated on the date of valuation. This test allows pension regulators to verify that, in such an unlikely situation, plan members would be paid the benefit fully owed to them to that point. It has a short-term view and the results are strongly affected by the market interest rate on that date. The solvency valuation is done on a market-value basis, which measures the worth of the plan's assets on the date of valuation and is used in the case of a wind-up of the plan. It is also done on a to-be-funded basis, which uses a three-year average solvency ratio method. This method lessens the effects of short-term market volatility and is used for funding purposes.



Glossary

Actuarial asset value adjustment (or **smoothing**): Represents the difference between the actual return and the actuarial assumption for return on the plan's assets, which is then amortized over five years. Smoothing is an evaluation method commonly used by pension plans for going-concern valuations. It evens out highs (gains) and lows (losses) in investment returns. It helps stabilize results and avoid significant contribution changes up and down from one year to another, for employees and the employer. It is similar to budgeted payments for utility bills.

Actuarial assumptions: Factors used by an actuary in forecasting uncertain future events affecting pension cost. They involve such things as estimating interest and investment earnings, inflation, mortality rates and retirement patterns.

Actuary: A professional who is responsible for calculating the liabilities of pension plans and the costs of providing pension plan benefits. Under the *Pension Benefits Standards Act, 1985*, all actuarial reports must be prepared by a person who is a Fellow of the Canadian Institute of Actuaries.

Alternative assets: Holdings that are considered non-traditional assets, for example, private equity, infrastructure and real estate. Alternative assets are less liquid than traditional investments and are better suited to longer investment horizons. They also offer inflation protection for indexed pension plans.

Asset: Item with monetary value, such as cash, stocks, bonds and real estate.

Average solvency ratio: A method of measuring solvency using the average of three years' results. This method lessens the effects of short-term market volatility and is used for funding purposes.

Benchmark: A point of reference used as a basis for evaluation or comparison. An index can be used as a benchmark against which the performance of a group of similar assets can be measured or compared.

Bond: Debt issued by a corporation or government, which provides a promise to the holder that the principal and a specified amount of interest will be repaid within a specific period of time. Investing in a bond is like lending money to a government or organization.

Capital accumulation plan (CAP): Tax-assisted investment or savings plan that permits the members of the CAP to make investment decisions among options offered within the plan.

Commuted value: An estimated value of future pension benefits expressed in today's dollars. It is a calculation based on actuarial assumptions and market rates, which may fluctuate over time.

Current service cost: The additional pension obligation to be created over the coming year, as another year of credited service is added for current employees contributing to the plan.

Discount rates: Long-term interest rates used to calculate pension obligations.

Equities: Common and preferred stocks that represent a share in the ownership rights of a company and the right to collect dividends from profits. Private equities are equities that are not publicly traded.

Fixed income: An asset class that provides returns in the form of regular interest payments and are generally considered less volatile than equities.

Fund management fee: A fee charged for managing an investment portfolio and for general administrative expenses.

Fund manager: A professional who is responsible for making investment decisions and carrying out investment activities in order to meet specified goals for the benefit of investors.

Hedging: Reducing the risk of an investment by making an offsetting investment.

Inflation: Occurs when purchasing power declines due to an increase in the prices of goods and services.

Market capitalization: The total market value of a company's outstanding shares.

Pension obligations or **liabilities:** The actuarial present value of pension benefits for service completed up to a particular date, calculated using actuarial assumptions.

Rate of return: The amount gained or lost on an investment over a period of time, normally as a percentage of initial investment. Real return is a return adjusted for inflation. Net return is a return adjusted for expenses.

Smoothing: See actuarial asset value adjustment (or smoothing).

Target date fund: A fund that has an asset mix chosen with a specific timeframe in mind, such as a retirement date. A target date fund automatically shifts toward a more conservative asset mix as the target maturity date of the fund approaches.

Yields: Interest (adjusted for amortization of discount or premium) or dividend income as related to the cost of an investment in bonds or shares.

This report, the audited financial statements and more information about the Plan are available at cpcpension.com.

Do you have suggestions for this report or other pension publications? Send us an email at pension.services@canadapost.ca.

Information

DB members

Canada Post Pension Centre

Questions about the Plan

1-877-480-9220
1-866-370-2725 (TTY)
613-683-5908 (OUTSIDE NORTH AMERICA)

Monday to Friday
8 am to 6 pm (ET)

cpcpension.com

PENSION CENTRE
PO BOX 2073
MISSISSAUGA ON L5B 3C6

RBC Investor Services Trust

Questions about pension payments

1-800-876-4498

Monday to Friday
8 am to 8 pm (ET)

BENEFIT PAYMENT SERVICES
1 PLACE VILLE MARIE
5TH FLOOR EAST WING
MONTRÉAL QC H3B 1Z3

DC members

Canada Post AccessHR

Questions on eligibility, contributions, etc.

1-877-807-9090

Monday to Friday
8 am to 6 pm (ET)

cpcpension.com

Canada Life Call Centre

Questions about your investments and returns

1-866-716-1313

Monday to Friday
8 am to 8 pm (ET)

mycanadalifeatwork.com

Members across Canada – December 31, 2022, data

Province	Active members	Retired and deferred members, survivors and beneficiaries
Yukon	79	47
Northwest Territories	40	20
Nunavut	51	10
British Columbia	7,925	6,670
Alberta	6,432	4,570
Saskatchewan	1,738	1,595
Manitoba	2,028	1,880
Ontario	24,673	20,046
Quebec	11,957	11,979
Newfoundland and Labrador	892	998
Prince Edward Island	221	222
New Brunswick	1,352	1,385
Nova Scotia	1,656	1,972

Back to "Members across Canada – December 31, 2022" graph, page 2

Changes in membership data

Member type	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Active DB members	55,058	53,482	52,141	51,903	51,578	52,839	52,685	53,132	54,000	52,984
Retired and deferred DB members, survivors and beneficiaries	31,228	34,189	36,548	39,112	41,413	43,364	45,365	47,470	48,000	51,467
Active DC members	513	721	1,149	1,402	2,063	2,773	3,389	4,180	5,103	6,060

Back to "Changes in membership" graph, page 3

Rate of return against benchmark data

Return type	2017	2018	2019	2020	2021	2022
Rate of return	10.4%	0.9%	14.7%	9.4%	11.3%	-6.7%
Benchmark return	8.6%	-1.9%	15.8%	10.3%	8.6%	-11.7%

Back to “Rate of return against benchmark” graph, page 20

Net investment assets data

Asset	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net investment assets (in millions of dollars)	19,191	20,868	21,919	23,091	24,980	24,610	27,635	29,597	32,322	29,490

Back to “Net investment assets” graph, page 21

Asset mix data (DB component)

Asset	Benchmark target	Actual
Cash and short term	0.55%	-9.50%
Bond overlay	0.0%	10.0%
Currency overlay	0.85%	0.0%
Real estate	14.28%	11.50%
Infrastructure	6.59%	4.60%
Private equity	7.0%	5.50%
Private debt	1.52%	1.20%
Real return bonds	10.46%	11.0%
Nominal bonds	28.97%	31.40%
International equities	10.28%	12.10%
U.S. equities	8.94%	9.70%
Canadian equities	10.57%	12.50%

Back to “Asset mix” graph (DB component), page 21

Rates of return by asset class and total Plan data

Asset	Index or benchmark	Actual Plan funds rate of return	Median pension fund over $1B	Peer group benchmark
S&P/TSX Index	-5.8%	–	–	–
Canadian equities	–	-4.6%	–	–
S&P 500 Index	-12.2%	–	–	–
U.S. equities	–	-10.0%	–	–
EAFE Index	-8.2%	–	–	–
International equities	–	-11.0%	–	–
FTSE TMX Canada Universe Bond Index	-18.5%	–	–	–
Nominal bonds	–	-18.0%	–	–
FTSE TMX Canada Real Return Bond Index	-14.3%	–	–	–
Real return bonds	–	-14.3%	–	–
Private debt benchmark	-14.4%	–	–	–
Private debt	–	-7.0%	–	–
MSCI World Index	-12.8%	–	–	–
Private equity	–	33.8%	–	–
Infrastructure benchmark	9.6%	–	–	–
Infrastructure	–	21.8%	–	–
Real estate benchmark	9.1%	–	–	–
Real estate	–	11.4%	–	–
Median pension fund over $1B	–	–	-8.4%	–
Pension fund benchmark	-11.7%	–	–	–
Pension fund	–	-6.7%	–	–
Peer group benchmark	–	–	–	-12.2%

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Investment assets data

Asset	2018	2019	2020	2021	2022
Investment assets (in millions of dollars)	46.4	71.0	100.2	139.7	153.5

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Asset mix data (DC component)

Asset	Value (in millions of dollars)
Fixed income	6.4
GIC / money market	5.6
Foreign equities	19.2
Canadian equities	10.3
Target date fund	112.0

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Detailed asset mix data

Asset	Total (in thousands of dollars)
BlackRock LifePath® Index 2020	790
BlackRock LifePath® Index 2025	10,000
BlackRock LifePath® Index 2030	12,900
BlackRock LifePath® Index 2035	17,600
BlackRock LifePath® Index 2040	19,400
BlackRock LifePath® Index 2045	19,700
BlackRock LifePath® Index 2050	17,500
BlackRock LifePath® Index 2055	9,100
BlackRock LifePath® Index 2060	2,400
BlackRock LifePath® Index 2065	100
BlackRock LifePath® Index Retirement	2,500
BlackRock U.S. Equity Index	9,400
CC&L Group Canadian Equity	4,000
TDAM Canadian Equity Index	6,300
MFS Global Equity	6,000
MFS International Equity	3,900
TDAM Canadian Bond Index	6,300
Sun Life Financial Money Market	3,400
SLA five-year GIC	2,300

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Plan’s funded status data

Status	2018	2019	2020	2021	2022 (estimated)
Going-concern surplus (in millions of dollars)	3,398	3,881	3,843	4,897	6,535
Solvency deficit to be funded (in millions of dollars)	-5,749	-5,551	-6,426	-4,945	-1,695
Solvency deficit – market value (in millions of dollars)	-5,076	-4,904	-7,383	-2,596	2,353

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Contributions and benefit payments data

Status	2018	2019	2020	2021	2022
Total benefit payments (in millions of dollars)	-1,002	-1,049	-1,068	-1,109	-1,172
Member contributions (current service and other) (in millions of dollars)	233	281	281	297	296
Canada Post current service contributions (in millions of dollars)	245	276	301	326	318
Canada Post special payments (in millions of dollars)	30	44	24	32	31

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