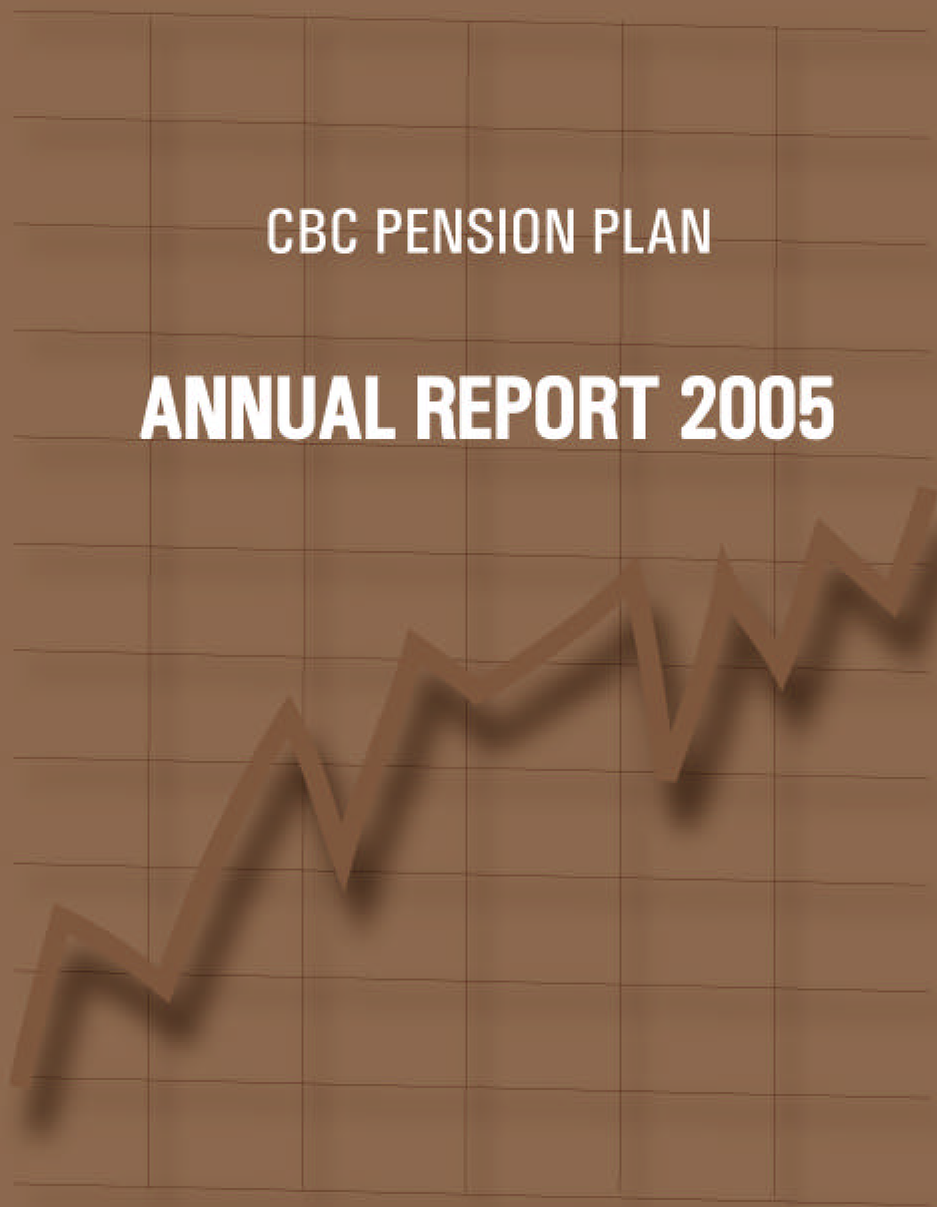
CBC PENSION PLAN

ANNUAL REPORT 2005



CBC Radio-Canada

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PROFILE

The Canadian Broadcasting Corporation Pension Plan (the Plan) was established by the Canadian Broadcasting Corporation (CBC) effective September 1, 1961, pursuant to the Broadcasting Act. The Plan is primarily a contributory defined benefit pension plan covering substantially all employees of the CBC. The Plan also incorporates an additional contributory component at no cost to the Plan which provides employees the flexibility to improve the provisions determining the calculation of their benefit through tax-deductible contributions. The Plan is federally regulated and is governed by the provisions of the Pension Benefits Standards Act (the "Act"), and the Regulations thereof.

The assets of the Plan are administered by the CBC Pension Board of Trustees by virtue of the Trust Deed between the CBC and the Trustees.

The primary purpose of the Plan is to provide defined benefits for its members in accordance with the Trust Deed and other documents from time to time describing the Plan.

The CBC Pension Board of Trustees, directly or through agents retained by it, is responsible for investing the Fund and in doing so, identifies and pursues investment opportunities in accordance with the Act, the regulations and the Fund's Statement of Investment Policy and Procedures.

During 2005, the CBC Pension Board of Trustees reviewed the investment management strategy of the Fund. The Trustees approved an updated Statement of Investment Policy and Procedures and a revised asset mix for the Fund. The updated strategy is designed to more closely match the Fund's assets to its pension obligation liabilities.

Up to the end of September 2005, the investment objective of the Fund over the long term (e.g. 10 year period) was to consistently achieve time weighted average annual rates of return which exceeded the increases in the consumer price index by a minimum of 3.75%. Following the review of the investment strategy, effective October 2005, the long-term objective of the Fund is expressed as a function of its liabilities, i.e. to exceed by a minimum of 1.1% a benchmark made up of a mix of real-return bond and long-term bond returns. At the total plan level over the long term, this revised objective is designed to generate the same expected return as the former objective while further mitigating the risk of plan deficit.

The Fund Manager's objective is to generate returns after deductions for management fees and administrative costs related to the investment activity that equal the annual average increase in a benchmark portfolio plus 0.5% (0.35% during the transition to the new asset mix), on a four-year moving average basis. The benchmark return is calculated by combining the return of the asset class benchmark indices in the proportions in which they are represented in the Fund's asset mix.

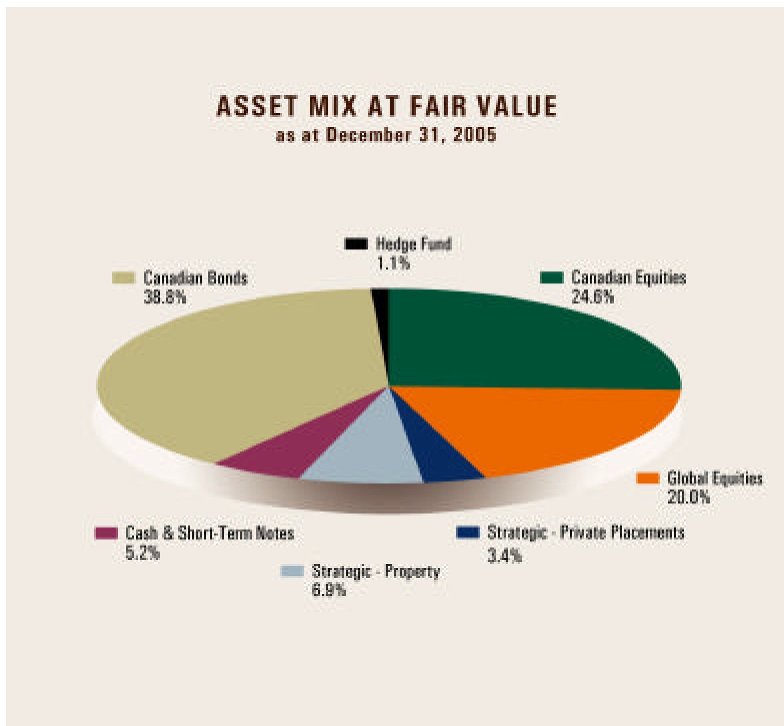
The revised target long-term asset mix of the Fund, to be implemented by January 2007, is: 50% fixed income, 34% equities and 16% strategic alternatives (formerly 55% equities, 34% fixed income and 11% strategic alternatives). The revised long-term asset mix also calls for the hedging of interest rate risk created by the equity and strategic alternative portfolios, which by their nature are not matched to the Plan's pension liabilities.

OVERVIEW OF THE YEAR'S FINANCIAL OPERATIONS

The Fund's net assets available for benefits increased $331.0 million (8.9%) from $3,733.9 million at December 31, 2004 to $4,064.9 million at December 31, 2005. The increase is primarily attributed to a change in fair value of investments totalling $292.1 million due to favourable Fund returns in the world financial markets and in alternative investments.

Over the year, the funding excess, which is the actuarial value of net assets available for benefits less the accrued pension benefits on a going-concern basis, increased by $72.1 million from $272.8 million in 2004 to $344.9 million at the end of 2005.

For the year ending December 31, 2005, the one year rate of return was 12.2% as compared to 11.1% for the benchmark return, and 6.7% over a four year period compared to the benchmark of 6.6%. For the ten year period ending on the same date, the time weighted annual rate of return for the Fund was 8.5%. Over the same ten year period the investment objective was to achieve a time-weighted average rate of return of 6.2%.



Trustees Report

Financial Health of the Plan

The CBC Pension Fund turned in a strong investment performance in 2005, its third consecutive year of positive returns. The rate of return of 12.22% overachieved the yearly benchmark portfolio objective by 1.08%. The long term 10-year investment objective was overachieved by 2.30% as well as the actuarial long term assumption for the asset rate of return by 2.00%.

The latest triennial actuarial valuation, as required by the Office of the Superintendent of Financial Institutions (OSFI), was performed as at December 31, 2005. The valuation requires the measurement of pension plan surpluses/deficits in two different ways. The first is the Going Concern approach, which measures the plan's ability to meet its pension obligations over the longer-term. The second is the Solvency approach, which simulates the wind-up of the plan.

As of December 31, 2005, it was determined that the Plan's surplus on a Going Concern basis, which is used for financial reporting purposes, was $344.9 million, which provides for a funding ratio of 110.3%. This represents an increase of $72.1 million over the estimated surplus of $272.8 million reported at December 31, 2004. The Plan therefore continues to be in a sound financial condition on a going concern basis.

The actuarial valuation determined that on a solvency basis (plan wind-up) there is a deficit of $89.1 million at the end of 2005 as compared to an estimated deficit of $114.1 million at the end of 2004. This decrease is due to the strong investment performance in 2005. The continued deficit position is attributable to the ongoing low level of long-term interest rates, which on a solvency basis cause an increase to the Plan's liabilities. The Plan's solvency ratio is 97.9% as at December 31, 2005. Most Canadian pension plans have seen their solvency surplus position change to a deficit in the low interest rate environment over the last three to four years. A recent Canadian pension industry study, which includes a database of approximately 760 plans, indicates that only 18% of the total plans have a solvency ratio greater than 100%.

Under current federal regulations, the CBC, as the Pension Plan sponsor must use the results of the more negative of the two valuation methods, calculated at the time of the triennial valuation, in order to establish its required contribution amount. Over and above its regular contributions, the CBC will be required to fund the solvency deficit over a period not exceeding five years, beginning in 2006. The Board of Trustees will continue to monitor the financial impact of long-term interest rates on the solvency position of the Plan, with quarterly reports prepared by our actuaries. By regulation, a full actuarial valuation will also be performed at December 31, 2006.

Asset Mix Review

The Pension Board of Trustees completed a review of the Plan's asset mix, undertaken over the course of 2005 with the assistance of independent external investment management advisors. Deciding on the asset mix for the Plan is one of the most important strategic decisions taken by the Trustees and, at the highest level, entails how the plan's assets are allocated to a mix of fixed income/bond holdings versus equity/stock and other investment alternatives. Asset mix reviews are carried out as market conditions change and have taken place approximately every three to four years.

The Board of Trustees approved significant changes to the asset mix and investment policies that will result in a closer matching of the Plan's assets to its liabilities (i.e. its pension payment obligations). To this end, the target asset mix has been changed to increase the fixed income portion and decrease the equity portion of the investments. Within the equity investment category, alternatives to complement the Plan's publicly traded investments will be pursued. Risk management strategies will also be employed to enhance asset/liability matching. These overall changes to the asset mix policy are expected to mitigate the Pension Plan's deficit risk and provide more stable results while generating equivalent long term returns at the total plan level. The Board of Trustees will regularly monitor the progress and results of implementing the revised investment strategies.

Governance

The Board of Trustees maintains a sound Pension Plan Governance framework which continues to evolve over time with leading-edge practices. The objective of actively managing the governance program is to ensure that the processes and structure within the framework are the most appropriate to assist the Trustees and management to discharge their responsibilities to Plan members. In September 2005, the Trustees approved an updated Governance Framework for the Pension Plan which reflects the pension industry's current best practice standards: the recently issued Canadian Association of Pension Supervisory Authorities (CAPSA) Governance Guidelines.

One of the Pension Board's governance practices is to self-assess its performance on an annual basis, with the assistance of an external facilitator. The 2005 self-assessment focused on the structure and processes at the Board level and their effectiveness in accomplishing the Plan's objectives and mandates. Overall, practices were found to be sound and performance favourable, with a few potential opportunities for improvement identified. These include continued education on investment strategies, enhanced monitoring of the quality of pension administration services and the development of a performance assessment program at the individual Trustee level. Action plans have been developed to address these areas in 2006.

Another of the Board of Trustees' practices under its governance framework is to hold periodic Trustee education sessions. Topics covered in 2005 ranged from the evolving area of income trusts to the emergence of the China and India markets from an investor's perspective. One of the sessions focused on the methodology used to measure the Plan's liabilities, a timely topic as the Plan undertook the triennial valuation of its actuarial liabilities as noted above.

Retiring Officer

The Board of Trustees wishes to express its appreciation to the Pension Plan Staff for their efforts in 2005 and to thank our retiring staff. In particular, we would like to acknowledge the important contribution of Mr. Don Grant who retired on December 31, 2005,from the position of Secretary/Treasurer, after 19 years of service with the Pension Plan and 38 years with the CBC.

On behalf of CBC Pension Board of Trustees
Hélène F. Fortin, CA

MANAGING DIRECTOR/CEO REPORT

The world was kind to Canada in 2005. Supported by demand for commodities such as oil and metals, the Canadian stock market turned in one of the best performances with a return of 24.1 %. International Equities also produced respectable returns of 10.7%, while the US returned only 2.3%. With long-term interest rates falling, Canadian Bonds provided a return of 6.5%.

These market conditions assisted the CBC Pension Plan in achieving a 2005 return in the double digits - namely 12.22%. This exceeded the Benchmark return of 11.14% by 108 basis points. Besides the positive equity returns, the Fund's investments in alternatives including real estate, private placements and hedge funds contributed to this result. This return results in an increase in the going-concern surplus. For the four-year moving average, the Fund returned 6.72% which exceeded the Benchmark of 6.62% by 10 basis points.

On the asset side, the Fund passed the $4 billion milestone. As at December 31, 2005, assets equaled $4.06 billion which was an increase of $331 million from 2004. This was achieved despite the fact that pension payments of $179.3 million exceeded employer and employee contributions of $83.3 million by $96.0 million.

The healthy return contributed to an increase in the going concern surplus to $345 million from $273 million at the end of 2004. Unfortunately, the solvency (or wind-up) position of the Plan did result in a deficit of $89 million at the end of 2005. This number is the result of a full actuarial valuation but is an improvement over the estimated solvency deficit of $114 million at the end of 2004. As a result, the Plan has a solvency ratio of 98% as at December 31, 2005. Compared to other pension plans, this would place the CBC Pension Plan in the lower part of the first quartile. A survey of approximately 760 plans in the Mercer Human Resources Consulting data base reveals that while 18% of plans have a solvency ratio greater than 100% at the end of 2005, 68% of the plans have a solvency ratio of less than 90%, and 14% of the plans have a solvency ratio between 90% and 100%.

Overall, the results for 2005 are very positive and the Plan is fundamentally healthy.

ACTIVITY HIGHLIGHTS

» The most important activity of 2005 was the Asset/liability review undertaken by the Trustees. From an operational point of view, this resulted in two major changes:

i. the on-going management of the Plan changed from an asset to an asset and liability focus.

ii. the asset mix was significantly changed by reducing equities, increasing bonds and relying more on alternative investments to generate returns. With Trustee approval in September, significant changes to the asset mix were made by the end of 2005. The transition will continue through 2006 and possibly 2007, depending on market conditions.

» A new internal global equity portfolio was created as well as a small external hedge fund portfolio.

» A risk control self-assessment program was implemented and potential gaps identified in earlier reviews were addressed.

» Four positions, including three retirements, out of a total of twenty staff were successfully filled. The use of succession planning tools facilitated the staffing process.

As noted, the Fund's assets now exceed $4 billion. However, as we have seen in the last four years, total assets can be quite volatile depending on the markets. It is therefore an important change in focus to manage both assets and liabilities in order to concentrate on the ultimate objective of the Plan which is to meet the pension promise. The changes being made will better equip us to continue to meet the objective.

Particularly with all the changes in 2005, I would like to give a big thanks to the staff for their efforts.

Stephen Cotsman
Managing Director/CEO

PENSION PLAN GOVERNANCE

OVERVIEW

Pension plan governance means the process and structure adapted by the Board of Trustees in order to direct and manage the business and affairs of the CBC Pension Plan with the objective of optimizing the Plan's performance while ensuring that the Plan is financially able to discharge its responsibilities. The process and structure define the division of responsibilities and establish the mechanisms for achieving accountability among the Board of Trustees, pension plan management and the plan members. The direction and management of the Plan should take into account the impact on other stakeholders such as the CBC and its Board of Directors. The practice of good governance allows the Trustees to fulfill their fiduciary obligations since effective pension plan governance is crucial to delivering the pension promise.

By virtue of the Trust Deed between the CBC and the Trustees, the CBC Pension Board of Trustees is responsible for the administration of the Plan including the management of the fund's assets and the payment of benefits promised to plan members and their survivors. In discharging the fiduciary responsibilities, the Trustees must exercise the care, diligence and skill in the administration and investment of the pension fund that a person of ordinary prudence would exercise in dealing with the property of another. The fiduciary duties oblige Trustees to invest assets in a prudent manner taking into account all factors that may affect the funding and solvency of the Plan and the ability of the Plan to meet its financial obligations. The CBC Pension Board of Trustees has a Statement of Investment Policy and Procedures defining investment policies, principles and eligible investments which are appropriate to the needs and objectives of the Plan and the Fund.

Through its ongoing commitment to good governance practices, the Board of Trustees has developed a Governance Framework to ensure that the Plan is managed effectively, prudently and in compliance with all legal requirements. This framework has evolved over time with best practices, including a 1999 Task Force on Pension Plan Governance. In 2005, the Board of Trustees benchmarked its practices and adopted the new Canadian Association of Pension Supervisory Authorities (CAPSA) Pension Plan Governance Guidelines. These guidelines, which were issued in October 2004, include 11 governance principles which are very similar to but offer more detail than those contained in the Board of Trustees' previous governance framework.

The essential principles required to achieve effective governance of a pension plan are:

1. **Fiduciary Responsibility**
   The plan administrator has fiduciary and other responsibilities to plan members and beneficiaries. The plan administrator may also have fiduciary and other responsibilities to other stakeholders.

2. **Governance Objectives**
   The plan administrator should establish governance objectives for the oversight, management, and administration of the plan.

3. **Roles and Responsibilities**
   The plan administrator should clearly describe and document the roles, responsibilities, and accountability of all participants in the pension plan governance process.

4. **Performance Measures**
   The plan administrator should provide for the establishment of performance measures and for monitoring the performance of participants who have decision-making authority in the governance process.

5. **Knowledge and Skills**
   The plan administrator, directly or with delegates, has a duty to apply the knowledge and skills needed to meet governance responsibilities.

6. **Access to Information**
   The plan administrator and, as necessary, any delegates should have access to relevant, timely and accurate information.

7. **Risk Management**
   The plan administrator should provide for the establishment of an internal control framework, commensurate with the plan's circumstance, which addresses the pension plan's risks.

8. **Oversight and Compliance**
   The plan administrator should provide for the establishment of appropriate mechanisms to oversee and ensure compliance with the legislative requirements and pension plan documents and administrative policies.

9. **Transparency and Accountability**
   The plan administrator should provide for the communication of the governance process to plan members, beneficiaries and other stakeholders to facilitate transparency and accountability.

10. **Code of Conduct and Conflict of Interest**
    The plan administrator should provide for the establishment of a code of conduct and a policy to address conflicts of interest.

11. **Governance Review**
    The plan administrator should conduct a regular review of its plan governance.

A CBC Pension Plan Responsibility Chart, which clearly defines the responsibilities and accountabilities of the participants in the governance, management and operations of the Plan, is appended to the By-Laws of the CBC Pension Board of Trustees.

In 2005, the Trustees, with the assistance of external consultants, performed an annual Governance review and self examination of their role as Trustees as a group. The assessment focused on investment, pension services and general Board processes. Overall, Trustees rated the performance of the Board during the past year favourably. The exercise allowed the Trustees to identify and act upon some areas for enhancement in the governance process.

Board of Trustees Composition

The Trust Deed identifies that the Board of Trustees is comprised of seven individuals. Two Trustees are designated senior officers of the Corporation to include the Senior Vice President, Human Resources and Organization, and the Vice President & Chief Financial Officer. The five remaining Trustees must be appointed by the CBC Board of Directors of which two must hold office as Directors or be officers of the Corporation employed full time by the Corporation, and three are general appointments. Currently, the five appointed Trustees include two members of the CBC Board of Directors, and the three general appointments include two employees, as recommended by members of a committee for staff benefits, and the third is a retired member who is recommended by the Board of Directors of the National Pensioners Association.

Board of Trustees Committee

The Board of Trustees functions as a single general committee which addresses all subject matters, including benefits, investments and audit, as part of the operating agenda for the Trustees at their meetings.

Independence of the Board

The Board of Trustees is required to act independently not as representatives of any interest, whether CBC, active employees or pensioners. The Board of Trustees administers the pension plan and pension fund as a trustee for the employer, the members of the pension plan, former members, and any other persons entitled to pension benefits or refunds under the plan. The Board of Trustees meets with outside advisers on any issue which may require clarification or independent opinion in order to assist the Board in discharging its responsibilities. At its meetings, the Board of Trustees has in camera sessions, without management present, to discuss any matters or subjects it sees fit. The Board appoints and meets with external auditors to review their findings. The auditors' report is submitted to the Corporation in conjunction with the financial statements within 90 days following the close of each fiscal year of the Fund.

The Board also appoints actuaries in order to obtain an actuarial report on the financial condition of the Plan. A copy of the report, which must be prepared at least once every three years, is to be submitted to the Corporation within sixty days following receipt of same. The Corporation is responsible for the decisions with regards to surplus utilization or the funding of deficits as well as the level of contributions.

Effectiveness of the Board

In the oversight role Trustees should have the qualities necessary to oversee a complex financial business therefore prudence requires that a Trustee should have an understanding of financial markets, risk management and actuarial principles.

The Board of Trustees has a formal orientation program for new and existing Trustees to assist them in executing their fiduciary and governance duties. The program includes sessions on legal responsibilities, governance concepts and practices, investment management and finance, and, actuarial concepts and approaches. The education sessions and material are provided by external experts and staff specialists.

The Board of Trustees also has a continuing education program which includes a full day meeting as well as dedicated time at regular meetings. Topics are varied and timely in order to enhance the Trustees knowledge base required to properly discharge their fiduciary duties.

The Board of Trustees has Terms of Reference which clearly identify its role on an overall basis as well as its role related to investment, pension administration, audit and actuarial activities. The CBC Board of Directors has issued guidelines for the selection of Trustees which identify the attributes of a Trustee. These guidelines are intended to be used for the selection and appointment of Trustees as well as a review of the qualifications and effectiveness of Trustees on a continuing basis.

The CBC Pension Plan has in place standards of business conduct to govern the activities of Trustees and other individuals in discharging their duties to the Plan. The Code of Conduct Policy which includes conflict of interest, personal trading, confidentiality, business conduct, and gifts and other benefits, is supplemented by the CBC Pension Fund Code of Ethics and, Standards of Professional Conduct and Employee Personal Investment Guidelines which applies to designated investment professional employees of the organization only.

In 2005 the Board of Trustees met 6 times. Under the By-Laws of the Board of Trustees, the Trustees must meet a minimum of 4 times per year.

Role of Management

The Board of Trustees has defined management responsibilities for planning, operating and reporting activities of the Plan.

These responsibilities, which include the investment management of the fund, administration of the benefits associated to the Plan, human resources, communications, operations and control, have been delegated to the Managing Director/CEO, who reports to the Board of Trustees.

Subject to Board approval, management develops and implements all relevant policies including those in the areas of investment, communications, integrity and control, organization and compensation, and operations and administration. Subject to these policies, management develops and implements the investment program and develops and monitors service quality standards for the plan members.

Throughout the process, management ensures that the Plan is administered in compliance with the policies and ensures that all regulatory requirements are met.

MANAGEMENT PERFORMANCE

The CBC Pension Fund Statement of Investment Policy and Procedures defines the investment policies, principles, and eligible investments which are appropriate to meet the objectives of the Plan. It takes into account all factors that may affect the funding and solvency of the Plan and its ability to meet its financial obligations. Operationally, it defines the long-term asset mix targets and the permitted ranges around those targets.

Reviewed and approved annually by the Trustees, the Statement of Investment Policy and Procedures identifies the long term (e.g. 10-year period) investment objective of the Fund. Up to the end of September 2005, the investment objectives was to consistently achieve time weighted average annual rates of return which exceed the increases in the consumer price index by a minimum of 3.75%. Effective October 2005, the long term investment objective of the Fund is now expressed in relation to the Plan's liabilities, i.e. to exceed by a minimum of 1.1% a liability benchmark comprising a mix of real-return and long term bond returns.

The Statement of Investment Policy and Procedures identifies performance benchmarks for the individual asset classes and the total Fund. A competitive compensation policy for the investment professionals is directly related to the performance benchmarks in the Investment Policy. The remuneration therein provides a progressive base salary and a bonus program which is dependent on the over-achievement of the performance benchmarks over a four year period. The guidelines for the management of the pension benefit administration are contained in a policy entitled Pension Benefit Administration Standards. These performance standards ensure that payment of post employment benefits out of the Pension Fund are executed by the Pension Administration Centre following efficient practices and processes to respond to client needs in a timely manner.

Management has provided assurance to the Trustees regarding compliance with applicable policies and reported that all regulatory requirements were met in 2005.

COMMUNICATIONS

The Board of Trustees is accountable and must provide disclosure on the Plan’s activities to the CBC as Plan sponsor, as well as to both the active and members who have retired or their survivors.

The Board of Trustees disclosure and reporting practices include the distribution of a CBC Pension Plan Annual Report Highlights document to all members. Further, the main CBC Pension Plan Annual Report is available to all members as the formal communication on the activities of the Plan for the year. The main report includes the Financial Report, a Governance section and a Management Discussion and Analysis section, all of which are integral parts of the Plan's continuous disclosure practice. Starting in 2005, the Board of Trustees has also adopted the practice of issuing Communiqués following each of its meetings, summarizing key items discussed and distributing this communication through web-based channels accessible to members.

Other communications issued during the year include the personalized employee benefit statement, which is a legal requirement, various communication bulletins which are distributed to members who have retired or their survivors, and miscellaneous announcements which are reported on the direct deposit notices.

All of the above noted information items including the Annual Report are available to members on the Pension Benefit Administration web site at *www.pensionweb.ca/cbc-radiocanada*. General information as well as the Annual Report is available on the CBC main web site *www.cbc.radio-canada.ca/about/pension*. Active members or members who have retired are invited to communicate in writing, by fax, or on the internet. The addresses are provided on the last page of the annual report.

GOVERNANCE SELF-ASSESSMENT

Governance self-assessment leads to improved plan governance practices which in turn contribute to improved investment performance, efficient use of Plan personnel and reliable assurance to members that the Plan is able to pay current and future benefits.

There is an annual review of the Managing Director/CEO's objectives and performance. The Trustees, with the assistance of external consultants, also perform a Governance review and self examination of their role as Trustees.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis section of the annual report elaborates on the information contained in the audited financial statements. This section, which is prepared by management and reviewed by the Board of Trustees, assists the readers in gaining an appreciation of the Plan's financial position and performance over the past year as well as some brief insight on the year to come. The reader is cautioned that there is a degree of uncertainty in forward looking information pertaining to economics and investments in general.

PLAN OBJECTIVE

The Plan is required to provide defined benefits for its members in accordance with the Trust Deed and other documents from time to time describing the Plan. The Plan's assets are managed within a moderate level of risk to provide a rate of return sufficient to offset liabilities and attempt to avoid increases in contribution rates.

The investment policy is expressed in a document entitled CBC Pension Fund Statement of Investment Policy and Procedures. This policy is reviewed and approved annually by the Board of Trustees as required by the Office of the Superintendent of Financial Institutions.

INVESTMENT CONSTRAINTS

In accordance with the Pension Benefits Standards Act, (the "Act") the Trustees and management must exercise the care, diligence and skills in the administration and investment of the pension fund that a person of ordinary prudence would exercise in dealing with the property of another. The assets must be invested in a prudent manner taking into account all factors that may affect the funding and solvency of the Plan.

Under other sections of regulations to the Act, the Fund cannot directly or indirectly lend or invest moneys equal to or more than 10% of the total book value of the assets in any one investment. Further, except as permitted in subsection 11(2) of the regulations, the Fund cannot own more than 30% of the voting shares of any one corporation.

Permitted investments and restrictions thereon which are appropriate to the needs and objectives of the Plan and the Fund are identified in the Statement of Investment Policy and Procedures.

INVESTMENT OBJECTIVE

Up to September 2005, the investment objective of the Fund over the long term (e.g. 10 year period) was to consistently achieve time weighted average annual rates of return which exceeded the increases in the consumer price index by a minimum of 3.75%. Effective October 2005, the investment objective of the Fund was modified by the Board of Trustees following a detailed review of the investment strategy with the assistance of independent external investment counsel. In order to enhance management of the Fund's assets in relation to the pension obligations, the new long-term objective of the Fund is expressed as a function of the Plan liabilities. The revised long-term objective is to exceed by 1.1%, the return on a liability benchmark consisting of 50% real return bonds and 50% long-term bonds.

Over the past four years the Fund’s rate of return averaged 6.7%, and over the past 10 years 8.5%. On a basis that combines the new objective for the last three months of 2005 with the former objective up to that time, the Fund's overall long-term objective was 7.3% over the past four years and 6.2% over the past 10 years.

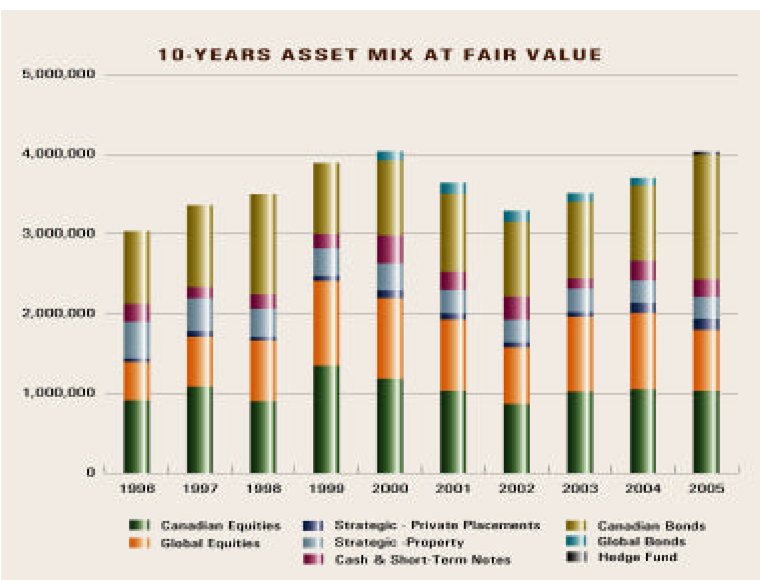
The Fund Manager's objective is to generate net returns that equal the annual average increase in a benchmark portfolio plus 50 basis points (0.5%) on a four-year moving average basis. During the transition period from the former investment strategy to the new strategy approved by the Board of Trustees in 2005, this objective is reduced to 35 basis points or 0.35%. The transition is expected to continue into 2006 and part of 2007. The benchmark return is calculated by combining the return of the asset class benchmark indices in the proportion in which they are represented in the Fund's asset mix. For the year ended 2005, the Fund’s net return of 12.2% overachieved the benchmark portfolio by 108 basis points. On a four-year moving average the Fund’s net return of 6.7% exceeded the benchmark return by 10 basis points.

Asset Mix

Up to the end of September 2005, the long term asset mix of the Fund, as defined in the Statement of Investment Policy and Procedures, was 55% equities, 34% fixed income and 11% strategic which includes property, private placements and hedge funds. As stated above, under the revised investment strategy this target mix was modified effective October 2005. The new asset mix target is 50% fixed income, 34% equities and 16% strategic investments. The new strategy also provides for hedging of the interest rate risk in the 50% of the portfolio that is not invested in fixed income. The objective of the long term asset mix is to ensure that the Fund's assets will offset the obligations for accrued pension benefits. There are lower and upper limits to the percentages which, once the transition to the new strategy has been completed, allow management the ability to take advantage of market directions and therefore enhance the performance of the Fund. As at December 31, 2005, the actual asset mix at fair value was 44% fixed income, 45% equities and 11% strategic.

Investment Management Approach

The Fund is actively managed by a relatively small group consisting of the Managing Director/CEO, the Secretary/Treasurer, four internal portfolio managers and ten external investment managers. The Managing Director/CEO provides the general direction on asset mix objectives which is in response to current market conditions and economic forecasts. Internally the portfolio managers and the Secretary/Treasurer are responsible for the individual buy or sell decisions within their respective portfolios as are the external managers within their mandates. The internal professionals, with the aid of portfolio assistants, do their research in house by using a network of investment brokers, industry publications, company site visits, etc.



It is anticipated that investment decisions will add extra value to the Fund. In 2005 pension payments were 2.2 times greater than contributions and the Plan continues to rely on investment income to pay current and future pension benefits since these expenditures continue to be greater than the contribution income.

Risk Management

The Statement of Investment Policy and Procedures defines the investment policies, principles and eligible investments which are appropriate to the needs and objectives of the Plan including the long term asset mix, which identifies the target percentage of asset categories to be held by the Fund. Each type of asset has different levels of risks associated to it (i.e. equities are higher risk than government bonds, etc.). The asset model utilized by the Fund is considered moderate in risk, however, it is deemed to be the most appropriate in addressing future liabilities of the Plan. There are a number of risks associated to the Plan and these are identified in Note 3 to the Financial Statements.

Asset/Liability Matching

The Corporation guarantees pensions and other benefits payable under the terms of the CBC Pension Plan with the exception of the flexible pension provisions in Part III of the Plan. An asset/liability study was undertaken by the Plan's external investment advisors in 2005. The process included a review of the risk/reward associated with the existing long-term asset mix policy, analysis of the risk/reward profile that would result from alternative asset mix policies, and consideration of the impact of various economic environments on both the assets and liabilities. The study concluded that the Plan was in a good financial position on a going concern basis. It was recommended at that time that the long-term asset mix be revised as described above. The new asset mix objective and revised investment strategy are expected to result in a closer matching of the Plan's assets to its liabilities. Changes to the asset mix and to the diversification of manager mandates within the asset categories began in 2005, with implementation expected to be completed in 2007. Diversification across various asset classes and managers continues to be an important management tool used in reducing volatility and risk.

The Fund's objective is to select eligible investments that produce acceptable rates of return to meet the future obligations of the Plan. If the Fund's investment portfolio was risk free, the rates of return would be low and stable and would require higher contributions in the future. If the Fund's investment portfolio was aggressive, the rates of return would be potentially higher but the results would be more volatile due to higher risk; however, the contributions may be lower if high returns are earned or the contributions could be much higher if there was a major long term correction in the market.

Interest Rate Volatility

The Plan's liabilities are sensitive to changes in the long term rates on asset return, salary escalation and inflation. Note 3c(i) indicates that if our assumed long term rate of return, which is used in actuarial valuations, were to decrease from the existing 6.50% to 5.50% the pension liabilities would increase by approximately $467.5 million. This increase in liabilities relates directly to the long term effect of lower earnings. However, if the assumed long term rate of return were to increase by 1%, the pension liabilities would decrease by approximately $434.1 million. Declining rates of return over a prolonged period could cause an increase to contribution rates in order to meet the Plan's liabilities.

Financial Market Volatility

The Fund's total assets at December 31, 2005, were $4.1 billion at fair value. Of this total, $1.8 billion was in equity investments. This substantial amount exposes the Fund to domestic and foreign market volatility. This volatility is managed by diversifying across industry sectors and international equity markets. Historically, equities have a negative return about once every five years. The year 2005 provided the third consecutive year of positive returns after two straight years of negative returns on domestic and three years on major international equity markets. The long-term performance expectation outweighs the risks of short-term cyclical volatility.

Liquidity Risk

Liquidity risk refers to the ability of the Fund to meet its financial obligations as they fall due. Liquidity relates to cash available for new investments net of pension payments and operating costs. In 2005, benefit payments from the main plan and administration costs totalled $193.5 million. These expenses were partially offset by employee contributions to the main plan of $38.1 million, and employer contributions of $44.2 million. The cash flow requirement for the balance of benefit payments was generated through investment income of $149.1 million and proceeds on disposal of assets.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Every time the Fund makes an investment decision it is exposed to the risk that the security issuer, be it a government or a corporation, may default on payments or become insolvent. The Fund's Statement of Investment Policies and Procedures provides guidelines and restrictions for eligible investments taking into account credit ratings, maximum investment exposure and other controls in order to limit the impact of this risk. Note 3 c)(ii) provides more detail on this subject.

Foreign Currency and Exposure Risk

The Fund invests in non-Canadian equities, bonds and money market securities for which the fair value may fluctuate due to the economic and political environment of individual countries as well as the relative value of the Canadian dollar. These investments contribute to the diversification of the portfolio.

Occasionally, the Fund invests in forward currency agreements in order to reduce the foreign currency risk. With the exception of currency forwards contracts held as part of the Hedge Fund portfolio, the forwards total market value in any one foreign currency never exceeds the total market value of the Fund's investments in the hedged foreign currency at the time the hedge was placed.

Investment Performance

The Fund uses an external firm which specializes in providing portfolio performance measurement and benchmark data.

The Fund's total rate of return in 2005 was 12.2% which was 1.1% higher than the Fund asset portfolio benchmark of 11.1%. Comparatively, in 2004, the Fund's total rate of return was 9.1% which was 0.3% higher than the asset portfolio benchmark of 8.8%. After adjusting for the Consumer Price Index, the Fund's real rate of return for 2005 was 10.1% as compared to 6.8% in 2004.

The overachievement of the benchmark in 2005 was primarily attributed to the positive performance of our strategic asset portfolios, along with strong returns in our foreign equity portfolios. On a four-year basis, the total Fund return was 6.7% which exceeded the asset portfolio benchmark return of 6.6% by 0.1%.

The table on page 11 provides a comparison of the one year rates of return for the individual asset categories. Reported are the asset weights and the actual returns by asset category compared to benchmark returns.

Asset Review

The Economic Environment

Despite the pressure of rising oil prices, higher inflation, US dollar uncertainty, rising short term interest rates and attacks from terrorists and mother-nature, the global economy proved remarkably resilient in 2005. The US economy continued to expand and even though the pace of US consumer activity slowed there was an improvement in US corporate activity. With strong domestic activity, US imports continued their upward projectile. This in turn buoyed global economic growth. China in particular, continued to experience a double-digit rate of growth in manufacturing and production activity. The rising demand from a growing global economy along with oil supply scares and terrorist premiums pushed commodity prices upwards for most of the year. This steady rise in commodity prices and demand supported commodity exporters of both developed and emerging countries. Most welcome in 2005 was the return of Japan, the world's second largest economy, to economic growth. Although Japanese economic growth started slowly and at first was export-driven, signs of domestic spending sprang to life by the end of the year. The European region remained an economic laggard in 2005. Faced with high unemployment, political unrest and attempts at a competitive overhaul, European domestic activity was weak throughout the year. Overall global economic growth was positive, however hindsight masks the vagaries and uncertainty experienced throughout the year.

Fortunately for the global economy, US economic performance proved much stronger than expected. For the past few years US consumption has been abetted by the stock market bubble followed by falling interest rates, lower taxes, rising house prices and access to easy credit. As these factors subsided there were fears that US domestic consumption would stall. Indeed as interest rates started to rise, housing and mortgage activity did slow. In the third quarter, consumer sentiment was dealt a blow by the tragic images of loss and devastation wrecked by the hurricanes to the US Gulf Coast. US corporations were also cautious, reluctant to create new jobs while holding large cash balances and low inventories. The US Federal Reserve raised short term interest rates eight times during 2005. As a result of these factors, the strength of the US economy fluctuated, sending mixed messages to the financial markets. In the end however, US economic activity continued to expand. The growth in consumer spending continued to outpace income growth. Companies increased their capital spending in order to create more capacity to produce. Employment opportunities improved by the second half of the year allowing the unemployment rate to fall to 4.9% by December. Although there were signs of slowing in the fourth quarter, the US economy grew 3.5% in 2005.

		2005			2004		
Asset Categories		*Categories as a % of Total Assets*	*Benchmark Return*	*Actual Return*	*Categories as a % of Total Assets*	*Benchmark Return*	*Actual Return*
Cash and Short-Term Investments		5.2	2.6	3.0	6.7	2.3	2.8
Bonds	- Canadian Nominal	26.0	6.6	6.4	25.5	7.1	6.9
	- Canadian Real Return	12.8	4.7	4.7	-	-	-
	- Global[1]	-	(8.0)	(5.9)	2.7	2.0	1.5
Canadian Equities		24.6	24.1	22.2	28.4	14.5	9.2
Global Equities		20.0	6.2	9.0	25.9	6.2	6.2
Strategic		11.4	10.0	19.0	10.8	8.3	25.9
Total		100.0	11.1	12.2	100.0	8.8	9.1

[1] to September 30, 2005

The Canadian economy was boosted by strong domestic and trade activity. The strength of commodity prices caused Canada's trade surplus to widen to a record level during the year. Manufacturing activity was also surprisingly robust throughout the year, thanks to US demand for machinery and equipment and specially priced automobiles. The strong demand for Canada's commodities and the country's healthy economic fundamentals caused the Canadian dollar to appreciate vis-à-vis the US dollar to lows not seen since the early 1990s. Canada's GDP grew 2.9% in the year triggering another year of robust job creation. In 2005, 232,500 jobs were created pushing the unemployment rate to a near 30-year low of 6.5% by year end. Job gains, income growth and an appreciating currency encouraged consumer spending. Retail sales grew 6.7%. Cash flows also spilled over to the housing markets. In such an environment, corporate profits expanded. Granted much of the profit growth was skewed to oil and gas companies, but other sectors also gained. As the Canadian economy strengthened, the Bank of Canada raised the overnight interest rate by 75 bps in the year.

Although the year started with the Japanese government reducing its forecast of economic growth, rising exports to the US and China gave the Japanese economic recovery a kick start. Both manufacturing and service companies generally reported better profit growth which in turn encouraged companies to increase machine orders and other forms of capital spending. Although job creation fluctuated from month to month, the ratio of jobs to applicants steadily rose throughout the year and the unemployment rate fell to a 4.2% low in September before rising to 4.4% by year end. While salary growth has been modest there is growing momentum which, along with bonus and overtime pay is triggering an improvement in consumer spending. Prices are rising and there are signs that deflation may soon end. Consumer and business sentiment steadily improved throughout the year. The September election results gave the ruling LDP party a powerful majority which broadened its support base and will likely speed up the progress of further financial and economic reforms.

European economic growth in 2005 remained modest. Growth was mostly export driven. Unlike Japan however, export sales did not trigger much domestic activity. For the most part, domestic consumption remained weak, burdened by high unemployment, high energy prices and restrictive monetary conditions. In addition, several countries faced various forms of political and social unrest. France and the Netherlands solidly rejected the proposed European Union constitution and by the end of the year, governments were still trying to broker an agreement on budget reform. France declared a three-month state of emergency aimed at curbing riots as unemployed youth took to the streets. Italy crawled out of recession in the second quarter but remained mired in weak economic data. In Germany, the divisive September election results suggested that necessary economic reform would be stymied. However by the end of the year, progress was evident. German manufacturing reports indicate growing economic momentum. Although economic growth in the Euro region has been modest, inflationary pressures continued to build, causing the ever vigilant European Central Bank to raise interest rates by 25 bps in December.

In 2005, the forces of global integration continued to build. Emerging markets benefited from the activities of the developed markets and developed economies felt the impact of emerging market activity. The economies of the emerging markets grew, based firstly on export growth to the developed countries but, in many cases, broadening to include domestic consumption. As incomes in the emerging countries grew faster than their expenditures, there has been a build up of global (ex-US) savings. In order to keep their exports competitive, the central banks of many emerging countries tempered their currency appreciation by buying vast amounts of US dollar assets. This action cushioned the US dollar thereby encouraging US consumers to keep spending. As well, the purchase of US bonds by foreign central banks had the bonus effect of repressing long-term US interest rates. The build up in excess capacity and savings has led to an increasingly competitive environment and has kept down core global inflation rates. Economic growth in the emerging markets did, however, push up the cost of commodities thereby raising top line global inflation.

Not surprisingly, with the increased integration, economies remain more vulnerable to, and dependent on, each other than ever before. In 2005, long-term interest rates stayed too low for the level of economic growth and inflation in the system. The value of the US dollar has been artificially supported above fundamentally justifiable levels. The over-indebted US consumer (and government for that matter) remained the lynchpin to global economic growth. None of these risks are new but continued to grow in 2005 with little correction to date.

Investment Strategy

The Fund's investment policy provides the latitude to vary the weighting of the assets within an operational range around the actuarially determined long-term asset mix target. On a quarterly basis the Fund reviews its asset mix, and based on forecasted returns can increase the weighting of the asset classes that are expected to perform well and reduce the exposure to those asset classes that are forecasted to underperform.

Uncertainty surrounding the economic environment caused the Fund to pursue a defensive investment strategy holding underweight positions in the stock and bond markets for the first three quarters of 2005. The equity market positions were more cautious at the start of the year given the concerns that rising oil prices, rising interest rates and a waning US consumer would slow profit growth. Among the equity asset classes there was a preference for the Canadian stock market with its large commodity and resource exposures. Internationally, the strategy was underweight the US stock market for currency reasons and underweight the EAFE (Europe, Australia and Far East) markets due to their weaker economic outlook. The bond market underweight was predicated on the view that long term interest rates would rise to offset rising inflationary pressures. In order to protect the Fund from an anticipated decline in the US dollar, the strategy also included a hedge on 50% of the Fund's US dollar exposure. As the year progressed and global economic growth became more evident, the strategy moved to a more neutral stock market exposure and reduced the size of the

US dollar hedge but maintained an underweight to bonds. The underweight positions of the first three quarters were offset by an excess cash position.

In the fourth quarter a new asset mix policy was introduced which involved shifting the assets to better match the Fund's liabilities. In order to concentrate on transitioning the portfolio to the new policy mix, the strategy of making tactical quarterly asset mix calls around the long-term target was suspended in the fourth quarter.

The total return (in Canadian dollars) of the TSX cap 10 index was 24.1%, 2.3% for the S&P 500 and 10.7% for the EAFE markets. The fixed income markets generated returns of 6.5% and 2.6% for the Canadian Universe bond and money markets respectively.

Cash and Short-Term Investments

The Fund invests its cash in quality and highly liquid money market investments. This activity contributes to maximizing returns on total available funds and accommodating the flexibility required to manage the cash demands related to the Fund's investments, the Plan's benefit payments and total administration expenses.

In 2005, the Bank of Canada increased short-term interest rates three times, in September, October and December. The average yield for Canadian 91-day Treasury Bills was 3.6% in December 2005 as compared to 2.5% in December 2004.

In 2005, the Fund had on average approximately $229.0 million or 5.9% of assets in cash and short term investments. The one year rate of return for the internally managed portfolio of the Fund was 3.0%, which was some 40 basis points above the benchmark return of 2.6%. Over a four-year period the rate of return was 3.1%, which was 50 basis points over the benchmark return of 2.6%. At December 31, 2005, cash and short-term investments represented 5.2% of the Fund's investments at fair value.

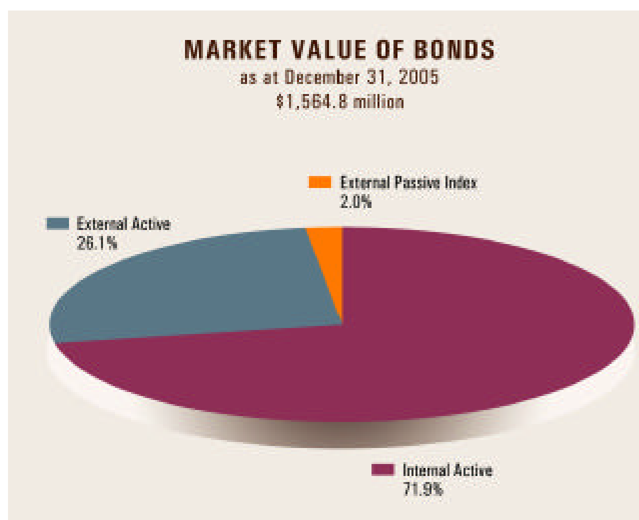
Bonds

North American bond markets spent the year trying to explain the 'Greenspan Conundrum'. Back in February, the then-Chairman of the US Federal Reserve queried how it was that long term interest rates had fallen even as the Fed raised short term interest rates. The Fed in fact was raising interest rates as they viewed inflation as a greater threat to the economic system than the possibility of deflation or recession. This situation continued for most of the year. By the end of 2005, the Fed had raised the benchmark rate eight times (on top of another five in 2004) for a total of 200 basis points, yet the 10 year treasury bond yield had increased only 17 basis points and the 30 year yield had actually fallen 29 basis points. The situation in Canada was similar, with the Bank of Canada raising the benchmark rate three times for a total of 75 basis points, with the 10 year yield falling 33 basis points and the 30 year tumbling an astounding 80 basis points, thereby substantially flattening the yield curve.

As 2005 began, the prevailing wisdom was that interest rates were poised to increase across the entire yield curve. Growth worldwide was generally strong. Commodity prices, particularly oil, were firming. Unemployment was falling and capacity utilization rising, all signs that higher inflation was looming. The US Fed had kept short term rates unusually low in the aftermath of 9/11 to stimulate economic growth, potentially a recipe for inflation in an economy nearing capacity constraints. Indeed, longer term interest rates did float higher in the first quarter, and talk of 'stagflation' in the latter stages of the quarter began to emerge. The concern was that firming oil prices would cool consumer spending while inflation was rising.

By the end of the second quarter, it became obvious that oil prices were not yet having any discernable negative impact on economic growth as consumers continued to borrow heavily against the rising values of their homes, and economic growth in the US actually strengthened. Moreover, the core rate of inflation was showing little effect of stronger commodity prices. Thus longer term yields fell steadily from March through to June, even as the US Fed continued to raise the benchmark rate and warn against the potential threat of inflation. Inflation fears once again broke out in July, sending yields sharply higher, only to fall again in August.

Late August brought the devastation of Hurricane Katrina. Initially the expectation was that the negative impact on economic growth, including the effect of spiking oil prices, would send the US Fed to the sidelines, possibly even lowering the benchmark rate. Quickly it became apparent that the Fed feared a repeat of the mistakes made during the oil crises in the 1970's and early 80's, and were in fact more determined to continue to raise rates to ward off commodity price inflation filtering into the core inflation rates. Whispers of stagflation again made the rounds, and longer term yields swiftly rose, peaking early November. As signs emerged that core inflation remained benign and that the housing sector was finally slowing, long term yields crept lower.



The Greenspan Conundrum continues to be debated. No question, core inflation has remained muted, even as the headline rate in the US hit cyclical highs in the aftermath of Katrina. However, real rates of return are at or near generational lows. Many now believe that the heavy flow of funds from Asian central banks, perhaps to maintain the US dollar at its present level, have resulted in an inordinate demand for US Treasuries. We suspect this issue will never be fully explained.

Overall, the Canadian bond market outperformed the US market as the stronger currency provided a dampening effect on import pricing and our economic growth lagged the US. Yields across the curve fell below that of the US. Although the US dollar did surprisingly well against most currencies, the Canadian dollar rose vis-à-vis the greenback.

The Canadian corporate bond market generated positive returns in 2005. In the year credit spreads fluctuated, narrowing with upbeat earnings reports and widening on concerns around the US auto makers and with various bankruptcy announcements. However, overall corporate bonds rallied as Government of Canada bond yields declined. The Fund's externally managed portfolio generated returns of 6.3% in 2005 versus the corporate bond index return of 6.0%. The portfolio was able to add value through yield curve positioning to take advantage of a flattening yield curve, maintaining a shorter duration and security selection.

Overall, the Canadian nominal bond asset category rate of return for 2005 was 6.4%, some 20 basis points below the benchmark return of 6.6%. Over a four-year period, the rate of return was 7.3% which was equal to the benchmark mix of Scotia Capital Long Term Bond and Universe indices.

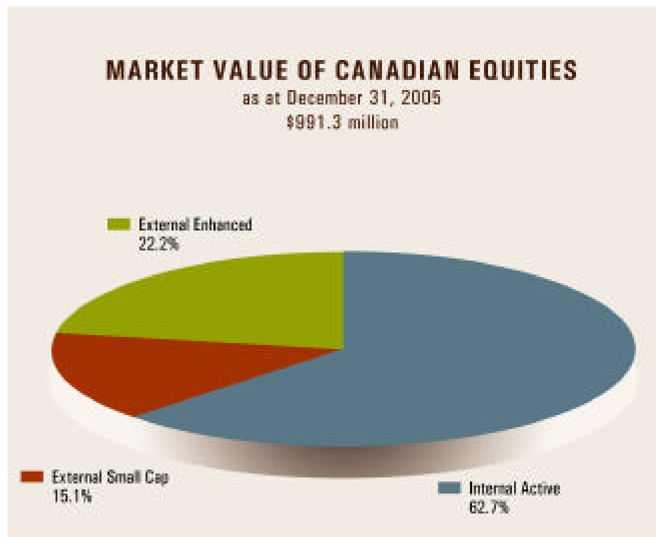
In the fourth quarter of 2005, the Fund acquired approximately $500 million of real return bonds as part of the asset mix policy which seeks to better match the Fund's fixed income portfolios to the characteristics of the Fund's liabilities. These bonds returned 4.7% in the fourth quarter.

At year-end, Canadian nominal and real return bonds represented 38.8% of the Fund's investments at fair value.

Unlike the Canadian bond market, global bonds generated negative returns in 2005. The negative performance in Canadian dollar terms was attributed mostly to the negative returns of the US and Japanese markets as well as to the appreciation of the Canadian dollar. The Fund's externally managed global bond portfolio held the debt obligations of international government and corporate issuers rated single-A or better. In order to reduce the impact of the falling bond markets, the Fund gradually reduced its exposure to global bonds. The portfolio's return of -5.9% outperformed the index return of -8.0%. Within the portfolio, the outperformance was due to the portfolio's shorter than index duration as well as its underweight to the US bond market. In addition, the asset mix policy decision to completely eliminate the global bond exposure in mid-September also aided relative performance.

Canadian Equities

The Fund's Canadian Equities asset class has three components: an actively managed internal portfolio, an externally managed enhanced portfolio and an active externally managed small capitalization portfolio. In addition, an externally managed passive portfolio replicating the rates of return of the S&P/TSX Index was eliminated during the fourth quarter as the Fund moved to implement the change in its asset mix. The chart below identifies the percentage distribution of Canadian Equities by portfolio. At December 31, 2005 Canadian equities totalled $ 991.3 million, which represents 24.6% of the Fund's investments at fair value.



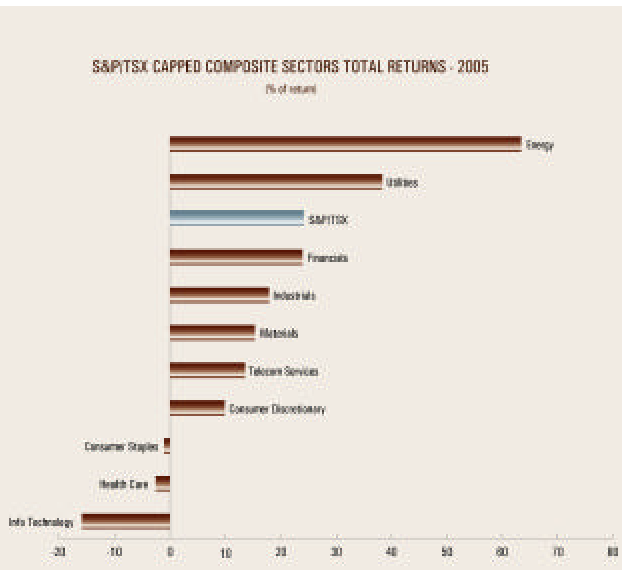
Surging commodity prices propelled the heavily resource weighted Canadian stock market to new highs in 2005. Concerns over tight supplies combined with increasing geopolitical tensions resulted in oil prices climbing 50% to $62 US per barrel. Base metal prices also rose sharply on continuing strong demand growth from China. Late in the year, gold spiked to twenty-five year highs as investment demand for the commodity surged. As shown in the chart on page 15, the TSX Capped Composite Index returned a stellar 24.1% for the year.

For the second year in a row, the Energy sector led the market higher with a spectacular return of 63.4%. The Utilities Sector, up 38.3% was the only other sector to outperform the TSX Capped Composite Index. Leading the underperformers were the Information Technology Sector, down 15.7%, and the Health Care Sector down 2.7%.

The chart below shows the 2005 total returns for the 10 sectors comprising the S&P/TSX Composite Index.

Factors influencing the Canadian Market in 2005 were:

- High energy prices supported by fears of tight supplies, gulf coast hurricanes and increasing geopolitical tensions in oil producing nations;
- Strong base metal prices driven by continuing strong demand growth, particularly from China;
- Canadian dollar rising to a fourteen year high versus the US dollar;
- Surging gold price, rising to a new twenty-five year high of $517 US/oz.;
- Strong earnings growth across most sectors.

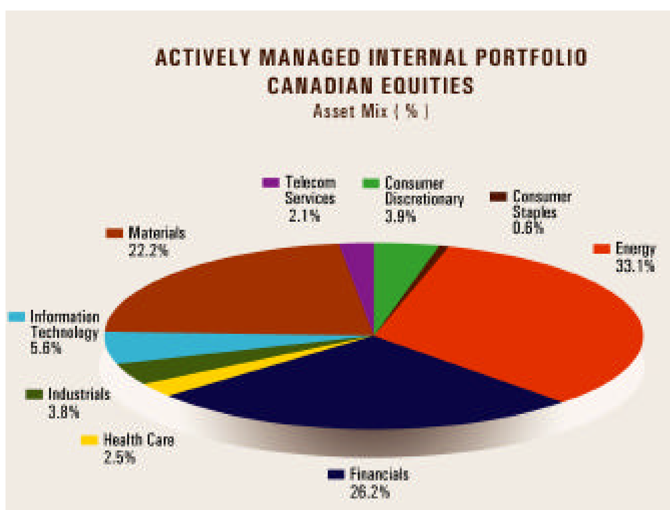


Despite having a bullish stance on the resource sectors, the internally managed portion of Canadian Equities underperformed against the S&P/TSX Capped Composite Index returning 22.9% against the benchmark of 24.1%. Underperformance was mainly attributable to specific holdings in the Health Care and Energy sectors and an overweight position in the Materials sector.

The Fund's small cap portfolio, which holds approximately 40 equity securities, generated a positive return of 10.7%, however it significantly underperformed the Nesbitt Burns Small Cap Index return of 19.7%. The portfolio, which invests in companies with healthy balance sheets and valuation multiples consistent with their growth potential, remained underweight the more cyclical sectors such as energy and metals which generated strong benchmark returns in 2005.

The objective of the externally managed Enhanced Index portfolio is to outperform the S&P/TSX composite index, through superior stock selection, while maintaining neutral sector weights. The portfolio is style-neutral and is broadly diversified. Performance in 2005 was 27.9% solidly outperforming the S&P/TSX index return.

The Canadian Equity asset category rate of return for 2005 was 22.2%, some 190 basis points lower than the benchmark return of 24.1%. Over a four-year period the rate of return was 11.5% which was 60 basis points below the benchmark return of 12.1%.



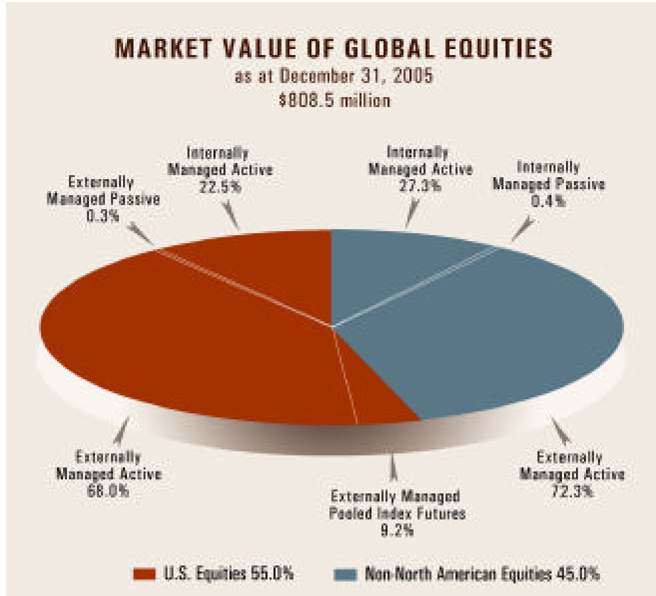
Global Equities

The Fund's overall Global Equities asset class is comprised of three components:

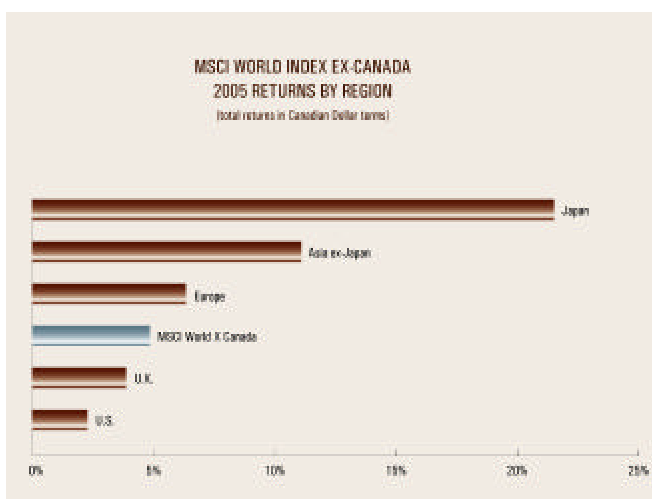
- Non-North American Equities which include an actively managed external portfolio and an actively managed external small capitalization portfolio. Up to the fourth quarter, an externally managed pooled index fund also comprised part of the portfolio. It was eliminated as a result of the revised asset mix.
- U.S. Equities, which include an externally managed S&P enhanced index portfolio, an actively managed external value portfolio and an externally managed pooled index fund.
- Global Equities, comprised of an internally managed portfolio launched in January 2005.

Global equities returned respectable gains in 2005, demonstrating impressive resilience in the face of surging oil prices, devastating hurricanes, terrorist bombings in London, and continued interest rate increases by the US Federal Reserve. Overall, the MSCI World ex-Canada index posted total returns of 4.9% in Canadian dollar terms; however, the strength of the Canadian dollar against most major currencies tempered a strong performance in local currency terms in most markets. Fuelled by a stunning rally in the second half of 2005, Japan significantly outperformed the other major developed markets for the year, and strong performance was also seen in other Asian markets and continental Europe. Equity markets in the UK and US lagged the other major regions, impacted by such concerns as higher energy prices, slowing earnings growth and weaker consumer spending. Emerging markets enjoyed yet another year of robust returns and outperformed developed markets, led by such markets as South Korea, India, Brazil and Mexico.

Although struggling throughout the first half of 2005, Japanese equities significantly outperformed all other major regions in the second half of the year, fuelled by an improving economic environment, recovering consumer confidence, and a strong export performance. These factors, coupled with record inflows of foreign capital supported a surge of over 40% in local currency terms, with major indices ending the year at levels last seen in 2001. In September, the Japanese market was also given a boost by the decisive election victory of Prime Minister Koizumi, who returned to power with a renewed mandate to continue his reform agenda. Although the long-awaited end to the deflationary era remained elusive in 2005, growing evidence of a nascent revival in domestic demand attracted investors to companies leveraged to domestic spending such as real estate developers, construction companies and financial institutions. Investor sentiment drove the market to close the year near its multi-year highs.



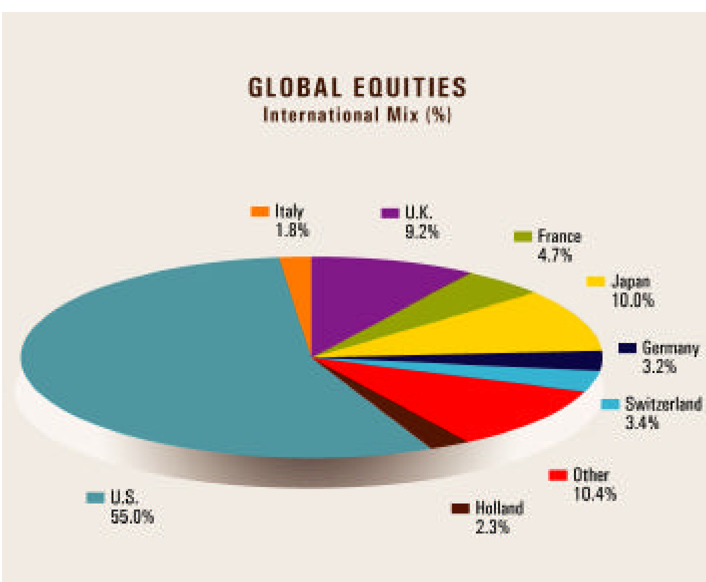
In other parts of Asia, early concerns over a possible slowdown in China proved to be unfounded, and surging foreign capital inflows fuelled strong equity markets across most regions. In the developed markets, Australia benefited from a commodity-led rally, underpinning a third straight year of strong performance. Singapore also experienced steady economic growth and positive sentiment, while markets in Hong Kong modestly lagged the region on investor concerns about the impact of higher interest rates.

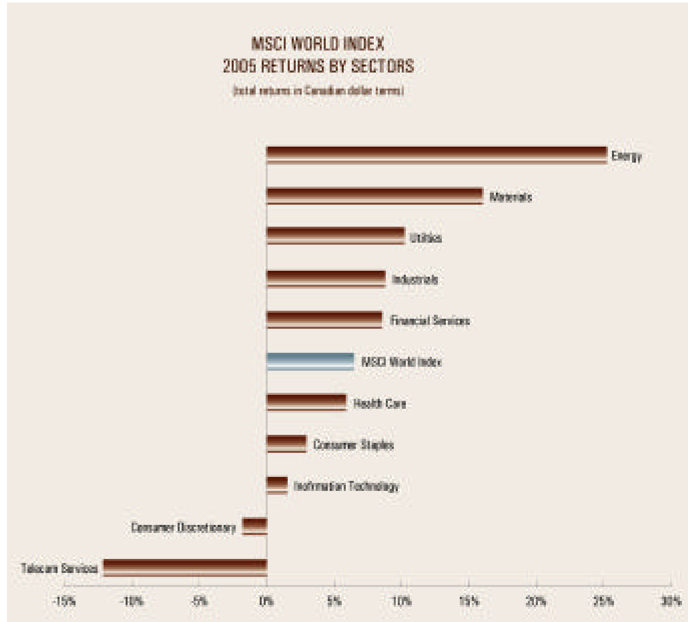


European markets posted another year of strong equity performance, shrugging off such challenges as sluggish economic growth, an election stalemate in Germany, and the French and Dutch rejection of the European constitution. High levels of takeover activity, strong growth in corporate profits, prospects of further structural reforms and the export benefits of a weaker euro all helped to drive market performance. Although performance was quite broad-based across the region, the strongest returns were seen in such markets as the Nordic region, Austria, Switzerland, Germany and France. Toward the end of 2005, continued growth in economic activity and concerns over creeping inflation prompted the ECB to tighten its benchmark rate 25 basis points, but further tightening measures were expected to be modest over the medium-term.

In the UK, equity markets were impacted by concerns over a slowdown in consumer spending and a weakening housing market as the impact of a series of interest rate hikes in 2004 began to take hold. Although unemployment remained at very low levels and the UK economy continued to grow at a respectable pace, the impact of higher interest rates, rising energy prices and benign inflation led the Bank of England to cut rates in August. As a result, a wide divergence in performance was seen between underperforming consumer-sensitive stocks and commodity-driven names.

US equities posted a lackluster performance in 2005, as concerns over moderating economic growth, high energy prices, the impact of two major hurricanes, and rising interest rates impacted investor sentiment. Relative performance was partially supported by a strengthening US dollar, which rose substantially against both the euro and the yen in the year. Positives for the US market included strong corporate earnings growth, modest inflation, and robust merger and acquisition activity. As the year came to a close, concerns about the sustainability of consumer spending continued to rise in the face of a decelerating housing market and slowing retail sales.





With oil prices rising close to 50% over 2004, the energy sector was the strongest performing sector in 2005, repeating the strong performance seen in 2004. Surging commodity prices and fund flows also drove sharply positive returns in the materials sector, while cyclical industrials also performed well. On the flip side, consumer sensitive sectors and telecom services lagged overall performance as concerns over the US consumer and slowing growth in telecom impacted sentiment.

The core Non-North America (EAFE) portfolio holds approximately 100 stocks and has benchmark-relative constraints regarding country and sector weights. This portfolio has been positioned to take advantage of the increasing impact that China and India will have on global companies based in the EAFE region. For the year of 2005, the portfolio benefited from an overweight to the industrial, energy and material sectors, strong stock selection in Japan and its opportunistic exposure to the emerging markets. The portfolio generated a Canadian dollar return of 18% for the year versus the index return of 10.7%.

The second externally managed EAFE portfolio actively invests in small cap stocks of the region. These companies range in capitalization size from US $ 100 million to US $2 billion. The approach to selecting stocks in this portfolio involves both fundamental and quantitative analysis. In 2005 the portfolio returned 28.1% in Canadian dollar terms, exceeding the index by some 900 bps. Excess performance was driven mostly by strong stock selection in eight out of the 10 sectors, with an emphasis on the energy and consumer discretionary stocks.

The internal active global equity portfolio advanced 3.7% in Canadian dollar terms in 2005, versus a return of 4.9% for the MSCI World Index ex-Canada. The underperformance of the portfolio is largely attributable to underweight positions in the energy and materials sectors, which substantially outperformed the overall market. Country allocation was positive, with overweight positions and strong stock selection in Europe and Japan and underweight positions in the US and UK contributing to performance. This performance was offset by negative stock selection in the US and the strength of the US dollar, which tempered returns in Europe and Japan.

The Fund also maintained two passive portfolios, managed by an external manager to obtain both market and currency exposure to the S&P 500 and MSCI EAFE Indices through the use of un-leveraged derivatives. In 2005, a currency hedge was placed on the passive S&P 500 portfolio in order to reduce the impact of an anticipated depreciating US dollar. These portfolios are used mostly to affect asset mix changes and to reduce the overall benchmark volatility of the asset classes. Given the decline in the US dollar, the hedged S&P 500 fund outperformed the index by some 290 basis points. The passive EAFE fund outperformed the index returns by 50 basis points. As mentioned above, the passively managed EAFE fund was eliminated in the fourth quarter of 2005, as part of the implementation of the revised asset mix targets.

The Fund has two externally managed U.S. Equity portfolios. The first is an enhanced S&P 500 index portfolio. This portfolio of approximately 150 US stocks attempts to generate slightly higher than index returns while maintaining risk statistics that are similar to that of the S&P 500 index. In 2005, the portfolio outperformed the S&P 500 index by 1.9% generating returns of 4.2 % (in Canadian dollars). Given the tight risk constraints, security selection remains the primary driver of the portfolio's outperformance versus the benchmark.

The second externally managed portfolio is a US value portfolio. The portfolio holds approximately 50 large cap US stocks characterized by lower than average Price to Earnings multiples and higher dividend yields. This portfolio underperformed the S&P 500 by some 90 basis points due mostly to its underweight position in the high performing energy sector, an overweight position to the large US banks and an overweight position in certain consumer discretionary stocks. The portfolio generated a Canadian dollar return of 1.4% in 2005.

For the year 2005, the total global equities performance was 9.0%, 280 basis points above the benchmark MSCI World X Canada Index of 6.2% (hedged). At December 31, 2005, Global Equities represented 20% of the Fund's investments at fair value.

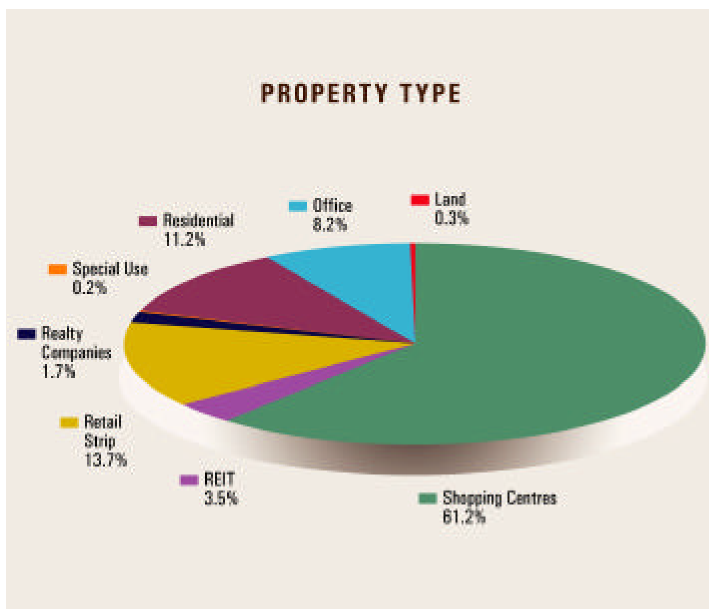
Strategic

There are three components to the Fund's strategic investments: property, which includes real estate and mortgages, private placements and hedge funds.

Property

2005 proved to be another strong year for real estate in Canada. The past few years have been characterized by falling capitalization rates, increasing the value of the underlying real estate. Prior to this past year, however, the underlying fundamentals such as vacancy levels and lease rates were generally mediocre. In 2005, rental rates and occupancy levels have generally strengthened in most areas and types of property. This created what could be described as the best of times for real estate investors.

Activity in the secondary market was extremely busy. However, overseas investors were noticeably less active than in 2004, but domestic pension funds picked up the slack. Most offerings attracted multiple bidders, sometimes as many as twenty legitimate buyers. The compression of capitalization rates to bond yields has meant that most properties need to be financed in order to provide an attractive return. Moreover, properties are often being evaluated on their potential 'value added' rather than on existing cash flow to justify the acquisition.



The office sector was perhaps the strongest property type in 2005. The sector was hard hit by the tech meltdown in 2000-2001, but the robust economic growth in Canada combined with little new product has resulted in vacancy rates falling in most regions in the country, and lease rates have begun to firm. As with most sectors, western properties are performing well but we are also seeing significant improvement in Kanata and downtown Toronto. The retail sector continues to outperform as consumer spending has been solid. Industrial properties have enjoyed low vacancy levels in recent years, and have done surprisingly well in the face of the stronger currency. The hospitality sector has rebounded modestly from the SARS shock in 2003, but has been negatively impacted by the firm dollar. Multi-residential real estate continues to lag due to the booming housing market.

In 2005, the return on the total property portfolio was 21.9%, solidly outperforming its benchmark of 6.0%. The portfolio benefited greatly from the uplift in values due to falling capitalization rates and fewer capital costs from renovations and tenant inducements than in previous years. We took advantage of the frothy market by selling several holdings and utilized the low mortgage rates to provide higher return through greater leverage on the portfolio. By year end, the portfolio represented 6.9% of the Fund's assets at market value.

Private Placements

The private placement portfolio consists of non-publicly traded equities and debt instruments. The portfolio is mostly invested in funds and fund-of-funds managed by specialized fund managers. Since these investments are less liquid and carry a higher risk profile, returns in this portfolio tend to fluctuate but over the long term are expected to generate superior returns. To reduce the overall risk, this portfolio has a small policy weight and is diversified into many companies, operating in various stages of development, involved in various industries and increasingly located in more geographical areas. In 2005 there was one new long-dated fixed income investment added to this portfolio. The strategy remains to add more income paying securities to the portfolio as well as to expand geographically. In 2005 the private placement portfolio generated returns of 15.3% versus its benchmark of 19.7%. Overall, at December 31, 2005, the Private Placement portfolio represented 3.4% of the Fund's investments at fair value.

Hedge Fund

After years of studying and monitoring this market, the Fund made its first investment in a hedge fund. Hedge funds provide the Fund with the ability to pursue absolute return strategies that should generate steady positive returns regardless of the direction of the stock and bond markets. The externally managed hedge fund invests in the large liquid stock, bond and currency markets of the G-10 countries using derivatives and taking modestly leveraged positions. The decision was made to invest in a multi-strategy manager. The multi-strategy manager is a single firm that invests in various strategies managed by its internal investment teams. The advantages of a multi-strategy approach includes lower fees, a greater level of oversight control by the manager, diversification, better liquidity, more transparency and more direct accountability for performance of the underlying strategies. Over time as the portfolio grows, we will also consider other structures such as single strategy and fund-of-funds. The investment, made in September 2005, represents 1.1% of the Fund's total market value at year-end or $40.8 million. From its inception to the end of the year, the hedge fund returned 10.3%.

Change in Net Assets Available for Benefits

The Fund's net assets available for benefits increased $331.0 million from $3,733.9 million at December 31, 2004 to $4,064.9 million at December 31, 2005.

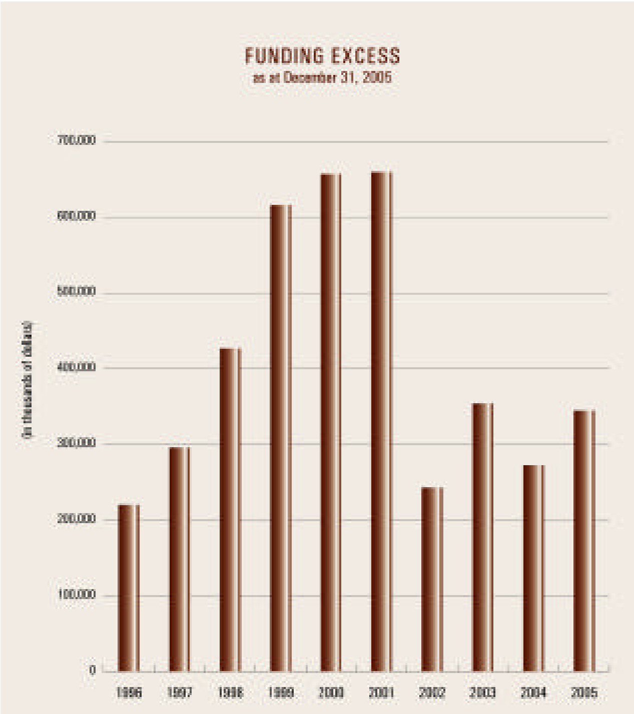
Total investment income of $149.1 million, which includes interest and dividends earned during the year as well as income from real estate properties net of operating and interest expenses, increased by $25.4 million when compared to the previous year. This increase was due primarily to higher income in the real estate and Global equities portfolios.

Total contributions of $83.3 million reflect an overall increase of $2.1 million when compared to the previous year's total of $81.2 million. In total, employee current service contributions decreased $0.4 million, largely attributable to a decrease in the number of contributors compared to the previous year. At the same time, past service contributions increased $3.8 million, reflecting a higher level of buy-back activity. Net reciprocal transfers with other plans increased $0.2 million. Employee contributions to the flexible pension provision of the plan remained fairly static at $0.9 million.

Expenditures out of the Fund totalling $193.9 million reflect an increase of $6.1 million when compared to the previous year's total of $187.8 million. Of this total increase, $3.5 million relates to benefit payments while administrative expenses increased $2.6 million.

Benefits

The plan paid $179.3 million in benefits during 2005, an increase of $3.5 million when compared to the $175.8 million in 2004. Within the total benefits category, pension payments increased by $3.7 million due primarily to a 1.68% cost of living adjustment effective January 1, 2005 and an increase of 103 in the number of pensions being paid. The plan requires an averaging method for calculating the inflation adjustment rates for pensions which is different than the year-over-year rate of inflation. Transfers of contributions and refunds decreased $1.1 million due to a decrease in the number of transfers upon member separations.



This chart provides a 10-year historical comparison of contributions and benefits. Based upon the results of the actuarial valuation as at December 31, 1999, which reported that the Plan had excess funding of $616.2 million, the CBC decided that its employer contributions for the years 2000 to 2003 would be covered by the funding excess and that normal employee contributions would be reduced by 17.2% from January 1, 2000 onwards. Effective January 1, 2004 both the employer and employee rates returned to pre-2000 levels. Figures for 1999 reflect the results of actions taken subsequent to the December 31, 1996 actuarial valuation whereby the employer and employee contribution rates had been reduced by approximately 50% for 1998 and 1999 as partial utilization of the then existing $234 million surplus.

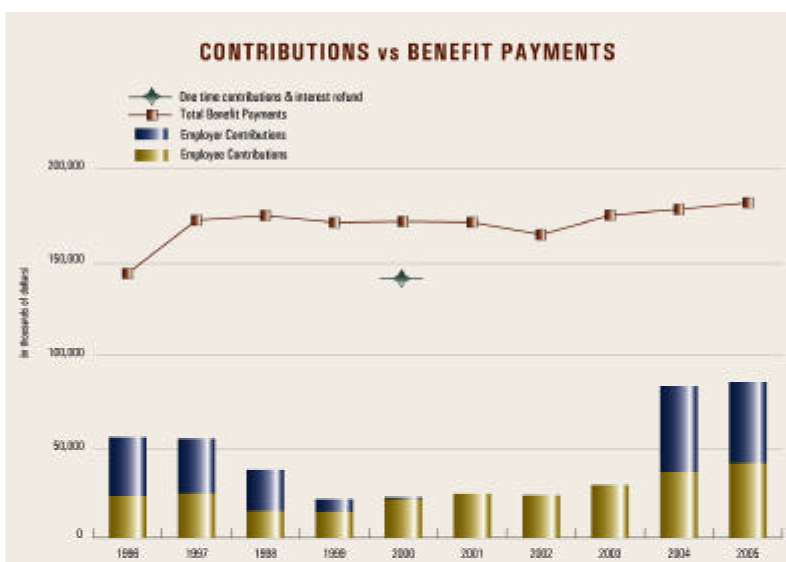
Administrative Expenses

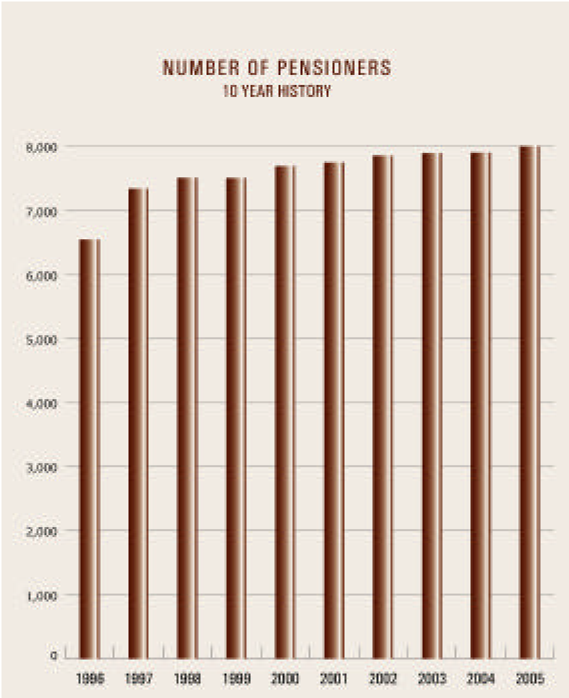
In accordance with the Trust Deed, the total operating expenses relating to the Fund and pension benefit administration are to be paid out of the Fund.

Administrative expenses for 2005 totalled $14.6 million, an increase of $2.6 million over the previous year. The increase related primarily to external investment management fees for $1.8 million, internal investment management fees for $0.3 million and external pension benefit administration costs for $0.3 million.

In 2005, the total unit expenses for the Fund management, including Board of Trustees expenses, was 31.5 cents per $100 of average assets under management. According to a study undertaken in 2004, the comparative benchmark operating cost for a fund of our size, asset mix and nationality was 36.9 cents per $100 of average assets under management. The 2005 expenditures for the CBC Pension Fund are therefore approximately $2.1 million lower than the 2004 benchmark costs for similar funds and the unit costs incurred for the management of the Fund continue to be amongst the lowest in the industry. When the pension benefit administrative expenses are added to the total, the overall unit costs for the administration of the Plan are 37.6 cents per $100 of average assets.

The major asset/liability study undertaken in 2005 resulted in a targeted 21% allocation decrease in equities, a 16% increase to fixed income and 5% increase to strategic alternative investments. Portfolio adjustments towards the new targets commenced in 2005 and in order to enhance the Fund's risk diversification, new external asset management mandates were awarded in 2005 and are expected to be awarded in 2006. The approved budget for 2006 includes an increased allocation for external investment management fees as well as an increase for salary costs in line with the Fund's compensation policy. An increase has also been budgeted in 2006 for actuarial fees relating to the regulatory requirement for an actuarial valuation to be performed at the end of 2006. Minor fluctuations are anticipated in the various other expense categories reported in Note 12 in the Financial Report section.





Accrued Pension Benefits

The Fund's assets are managed to provide a rate of return over the long term sufficient to offset the liabilities and attempt to minimize increases in contribution rates. Further, higher returns contribute to the funding excess or surplus as determined through an actuarial valuation.

A formal actuarial valuation is prepared by the Plan's actuaries, a minimum of every three years, the latest of which was at December 31st, 2005. This valuation determines the accrued pension benefits and an actuarial value of net assets available for benefits. If the results of the valuation indicate that the net assets available for benefits are greater than the accrued benefits, the Plan has a funding excess or surplus. The opposite results in the Plan having a funding deficiency or deficit. The results from the valuation are used by the CBC in determining the contribution rates required to offset the future liabilities. At the end of each year in preparing our financial statements, the actuary uses the result of the formal valuation and for those years where a formal valuation is not performed, the actuary extrapolates from the results of the previous formal valuation using the projected benefit method prorated on service and management's best estimate of expected economic trends. The results from these valuations are reported in the financial statements.

As at December 31, 2005, on a going concern basis, the accrued pension benefits were $3,339.0 million, an increase of $71.0 million from the previous year's total of $3,268.0 million. Over the same period, the actuarial value of net assets available for benefits increased $143.1 million from $3,540.8 million to $3,683.9 million. The net result was an increase of $72.1 million in the funding excess at the end of 2005.

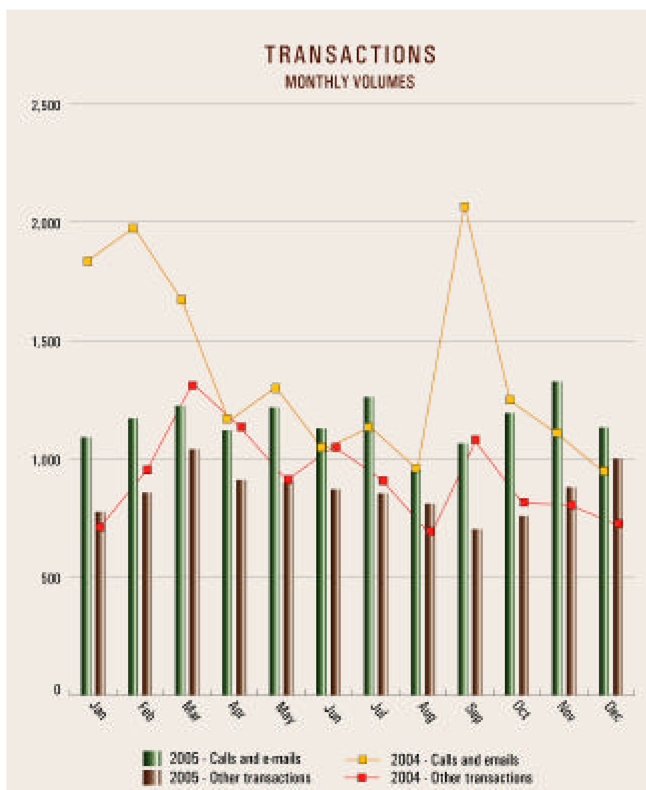
As required under the Pension Benefits Standards Act (PBSA) and for reporting purposes to the Office of the Superintendent of Financial Institutions (OSFI), the Plan's actuary, on at least a triennial basis, also values the Plan on a solvency basis. Using this method, which simulates a plan wind-up, and following the triennial valuation at the end of 2005, the funding deficit as at December 31, 2005 was $89.1 million. This compares to a projected funding deficit as at December 31, 2004 of $114.1 million which was based on extrapolations and projections from the 2002 valuation . The primary reason for this estimated $25.0 million decrease in the solvency deficit was the strong investment performance in 2005, offset in part by the ongoing low level of long-term interest rates. The Plan sponsor uses the lower of the surplus or deficit amounts as determined in the valuation in order to determine the required contribution levels.

Under the current regulatory framework, an actuarial valuation will be required at December 31, 2006.

Benefit Administration

The Board of Trustees is responsible for the administration of the Plan, which includes the payment of post employment benefits out of the Pension Fund to those who have retired or resigned and to survivors of those whose death occurred in service or after retirement.

Since January 2004, the firm of Mercer Human Resources Consulting Limited has administered the services for CBC employees and pensioners through the Pension Administration Centre (PAC).



Performance standards for the pension benefit administration services address the practices and processes required to execute, in a timely and efficient manner, the major responsibility noted above as well as other varied functions in pension related activities such as:

- calculations in connection with the purchase of previous service;
- the transfer of pension entitlements under the terms of reciprocal transfer agreements;
- coordinating the division of pension credits on marriage breakdown;
- gathering and verifying declarations by active pensioners or their power of attorney;
- determination of spousal and/or children's insurance benefits;
- processing pension benefit adjustments related to indexation, ad hoc adjustments, retroactive salary adjustments, garnishments, etc.;
- on-line secure access to pension information, pension and buy-back calculations and pension forms. Further, this on-line feature provides an information request capability and the ability to update personal information;
- a toll-free call centre;
- customer service representatives capable of answering pension related questions, put clients in touch with outside providers and mailing forms related to various life changes.

The second year of operation of the Pension Administration Centre (PAC) was considered successful based upon service levels achieved, satisfaction survey results and utilization volumes. The overall target for completing 90% of transactions within defined service level timeframes was achieved. Ongoing satisfaction survey during the year among callers to the PAC Centre showed an aggregate overall rating of excellent/good in over 90% of those surveyed.

Statistics on the general web usage reveal that the total number of log-ins, which includes multiple log-ins, was 12,476 for employees and 5,693 for pensioners. In total 1,165 employees and 487 pensioners used the web services. There were 680 employees who accessed the short-term quoter for a total of 6,206 pension quotes. The use of the web site features are efficient and cost effective since there is no person to person contact. The PAC centre received a total of 13,234 calls, of which 5,661 were from active members and 7,573 from pensioners and inactive members. The total call volume was lower than the expected volume by 986, reflecting a more efficient handling of enquires. The chart on page 21 identifies the monthly volumes at the PAC.

On July 1, 1998, the CBC Pension Plan was amended to incorporate an additional contributory component providing employees with the flexibility to improve the provisions determining the calculation of their benefit through tax-deductible contributions. This modification, which does not entail additional costs to the Plan, is commonly known as FlexPen.

The table on page 23 indicates the increasing number of persons to whom pensions are paid from the Pension Fund, and also the number of contribution refunds and pension benefit transfers paid during the year.

In 2005, there was an increase of 103 in the number and minor changes in the mix of pensions being paid as reported in the table on page 23. Over a five year period, the total number of pensions being paid increased 3.3% from 7,745 in 2001 to 8,001 in 2005.

The chart on page 21 illustrates the increase in the number of pensioners over the past 10 years.

Future issues and trends

Solvency Deficit

As discussed in other sections of this report, the triennial actuarial valuation of the Plan as at December 31, 2005 determined a deficit, on a solvency basis, of $89.1 million, a reflection of the ongoing low long-term interest rate environment. While there continues to be a Plan surplus on a going-concern basis, the CBC, as plan sponsor, must use the result of the lower of the two valuation methods to establish its contribution amount. In addition to its regular contributions, which are expected to be 10.15% of the pensionable payroll expense, the CBC will be required to fund the solvency deficit over a period not to exceed five years, commencing in 2006. Under current regulations and standards, the minimum annual payment required to amortize the funding deficit is $20.1 million. As required under the regulations of the Office of the Superintendent of Financial Institutions (OSFI), a full actuarial valuation will again be conducted as at December 31, 2006.

Asset Liability Study

In early 2005, the Board of Trustees initiated a major asset liability study, as is its practice on a periodic basis. The objective of the study was to determine the most suitable long term asset mix which will meet the Plan's obligations for accrued pension benefits. The process included a review of the risk/reward associated with the existing long-term asset mix policy, analysis of the risk/reward profile that would result from alternative asset mix policies, and consideration of the impact of various economic environments on both the assets and liabilities of the Plan. As a result, changes to the Fund's long-term asset mix were recommended in 2005, as detailed elsewhere in this report. These changes began to be implemented in the last quarter of 2005 and are expected to continue into 2006 and 2007. In particular, the implementation of new risk management techniques to hedge interest rate risk is expected to commence towards the end of 2006 or early 2007.

Option to Buy-Back Past Service

Effective January 1, 2006, an amendment dealing with elective service was made to the Pension Plan. The amendment will essentially replace a number of existing elective service provisions and methods of calculating buy-back costs. Under the new amendment, the actuarial method will be used for all buy-backs, simplifying pension plan administration as well as making buy-back cost calculations more equitable overall. Employees with service that could be bought back will have the opportunity during part of 2006 to elect to buy-back such service under the former method of calculation applicable to them prior to this amendment.

Control Self-Assessment

In 2005, staff at the Pension Fund, with advisory input from external consultants, performed a -control self-assessment exercise in order to update its assessment of the controls in place for certain business processes of the Fund. This assessment is a component of an Integrated Risk Management Framework which will continue to be developed in 2006 and future years as part of the Plan's continuing risk management process. Planned activities in 2006 include the review of additional process under the control self assessment program, monitoring of the implementation of the new asset mix strategy and the development of enhanced risk measurement tools.

Institutional Trade-date Matching

The Canadian Capital Markets Association (CCMA) is a not-for-profit organization comprised of associations and firms within the investment industry whose objective is to enhance the competitiveness of Canada's capital markets. A current priority of CCMA is to foster the achievement of institutional trade-date matching in order to reduce processing costs and reduce operational, market, settlement and systemic risks. The intent is to achieve seamless passing of information electronically to all parties in the end-to-end securities transaction chain, without manual handling or redundant processing. Through a phased-in approach, which is expected to require that Canada update its securities laws, the CCMA has set a goal that by mid-2007 all institutional trades are matched/confirmed on the same day as they are initiated.

We will continue to monitor this initiative and work closely with our custodian and other service providers to address the impacts of this endeavour.

Year Ending December 31	2005	2004	2003	2002	2001
Total number of persons (or estates) to whom contribution refunds and pension benefit transfers were paid during the year	275	154	173	188	366
The number of pensions transferred to other plans (reciprocal transfers)	3	11	8	5	10
Pension benefit credits transferred to former spouses (active employees)	2	7	9	9	9
PENSIONS BEING PAID:					
Pension being paid to ex-employees	6,394	6,357	6,367	6,391	6,329
To spouses of deceased employees and pensioners	1,511	1,442	1,414	1,360	1,309
To former spouses due to division of pension credits	60	56	51	45	42
To children of deceased employees and pensioners	36	43	58	56	65
Total pensions being paid	**8,001**	**7,898**	**7,890**	**7,852**	**7,745**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and all other information presented in this annual report have been prepared by management, which is responsible for the integrity and fairness of the data presented, including amounts which by necessity are based on management's best estimates as determined through experience and judgement. The financial statements have been properly prepared within reasonable limits of materiality. The accounting policies followed in the preparation of these financial statements conform with Canadian generally accepted accounting principles.

Management of the CBC Pension Board of Trustees maintains books of account, records, financial and management control, and information systems, which are designed for the provision of reliable and accurate financial information on a timely basis. Systems of internal control are maintained to provide assurance that transactions are authorized, that assets are safeguarded, and that legislative and regulatory requirements are adhered to. These controls include a code of conduct and an organizational structure that provides a well defined division of responsibilities and accountability.

The CBC Pension Board of Trustees is responsible for overseeing management and has overall responsibility for approving the financial information included in the annual report. The Board meets with management and the external auditor to review the scope of the audit, to review their findings and to satisfy themselves that their responsibilities have been properly discharged. In addition the firm of Mercer Human Resource Consulting Limited, consulting actuaries, conducts a formal actuarial valuation of the obligations for pension benefits at least every three years as is required under the Pension Benefits Standards Act.

Deloitte & Touche LLP, the Plan's external auditors appointed by the Board, has conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and procedures as they consider necessary to express the opinion in their report to the CBC Pension Board of Trustees. The external auditors have full and unrestricted access to the Board to discuss their audit and related findings as to the integrity of the Plan's financial reporting and the adequacy of internal control systems.

S. Cotsman
Managing Director/CEO
CBC Pension Plan

Suzanne Morris
Secretary/Treasurer
CBC Pension Board of Trustees

March 8, 2006

ACTUARY'S OPINION

Mercer Human Resource Consulting Limited was retained by the CBC Pension Board of Trustees (the "Board") to calculate the going concern liabilities and the value of the assets of the CBC Pension Plan (the "Plan") as at December 31, 2005, for inclusion in the Plan's financial statements.

The Plan's actuarial liabilities as at December 31, 2005 are based on the actuarial valuation of the Plan at that date and take into account:

- membership data provided by CBC/Radio-Canada as at December 31, 2005;
- methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- assumptions about future events (for example, future rate of inflation and future rates of return on the pension fund) which have been communicated to us as the Board's best estimate of these events.

While the actuarial assumptions used to calculate liabilities for the Plan's financial statements represent the Board's best estimate of future events, and while in our opinion these assumptions are reasonable, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan, and the contributions required to fund it, at that time.

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

Sylvain Poirier
Fellow of the Canadian Institute of Actuaries

Marc Bouchard
Fellow of the Canadian Institute of Actuaries

Mercer Human Resource Consulting Limited
Ottawa, Ontario

March 8, 2006

AUDITORS' REPORT

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Ottawa ON K1P 5T8
Canada

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Fax: (613) 236-2195
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To the CBC Pension Board of Trustees

We have audited the statement of net assets available for benefits and accrued pension benefits and funding excess of the CBC Pension Plan as at December 31, 2005 and the statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in funding excess for the year then ended. These financial statements are the responsibility of the CBC Pension Board of Trustees' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and funding excess of the CBC Pension Plan as at December 31, 2005 and the changes in net assets available for benefits, accrued pension benefits and funding excess for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

February 10, 2006
March 8, 2006 (notes 9 and 11)

CBC PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND FUNDING EXCESS
AS AT DECEMBER 31

	2005	2004
	(in thousands of dollars)	
NET ASSETS AVAILABLE FOR BENEFITS		
ASSETS		
Investments (Note 3)	$ 4,033,987	$ 3,705,257
Accrued Investment Income	14,787	13,096
Accounts Receivable (Note 5)	6,868	9,641
Contributions Receivable (Note 6)	12,541	11,438
FlexPen Investments (Note 7)	7,148	6,215
	4,075,331	3,745,647
LIABILITIES		
Accounts Payable (Note 8)	10,398	11,742
NET ASSETS AVAILABLE FOR BENEFITS	4,064,933	3,733,905
Actuarial Asset Value Adjustment (Note 9)	(380,995)	(193,081)
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS (Note 9)	3,683,938	3,540,824
ACCRUED PENSION BENEFITS (Note 9)	3,339,000	3,268,052
FUNDING EXCESS (Note 11)	$ 344,938	$ 272,772

Approved by the Board of Trustees

Trustee

Trustee

Approved by Management

Managing Director/CEO

Secretary/Treasurer

The accompanying notes are an integral part of the financial statements.

CBC Pension Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31

	2005	2004
	(in thousands of dollars)	
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	$ 3,733,905	$ 3,526,725
INCREASE IN ASSETS		
Current Year Change in Fair Value of		
- Investments and currency (Note 3)	292,091	189,666
- FlexPen (Note 7)	384	381
Investment Income (Note 3)	149,148	123,715
Contributions (Note 6)	83,269	81,227
TOTAL INCREASE IN ASSETS	524,892	394,989
DECREASE IN ASSETS		
Benefits (Note 10)	179,307	175,793
Administrative Expenses (Note 12)	14,557	12,016
TOTAL DECREASE IN ASSETS	193,864	187,809
INCREASE IN NET ASSETS	331,028	207,180
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	$ 4,064,933	$ 3,733,905

The accompanying notes are an integral part of the financial statements.

CBC PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
YEAR ENDED DECEMBER 31

		2005		2004
			(in thousands of dollars)	
ACCRUED PENSION BENEFITS BEGINNING OF YEAR	$	3,268,052	$	3,172,484
INCREASE IN ACCRUED PENSION BENEFITS				
Interest on Accrued Pension Benefits		216,968		210,635
Benefits Earned		82,720		80,479
FlexPen (Note 7)		1,320		1,247
Net Experience Losses (Note 9)		22,599		-
		323,607		292,361
DECREASE IN ACCRUED PENSION BENEFITS				
Benefits (Note 10)		179,307		175,793
Net Experience Gains (Note 9)		-		21,000
Changes in Actuarial Assumptions (Note 9)		73,352		-
		252,659		196,793
NET INCREASE IN ACCRUED PENSION BENEFITS		70,948		95,568
ACCRUED PENSION BENEFITS END OF YEAR	$	3,339,000	$	3,268,052

STATEMENT OF CHANGES IN FUNDING EXCESS
YEAR ENDED DECEMBER 31

		2005		2004
			(in thousands of dollars)	
FUNDING EXCESS BEGINNING OF YEAR	$	272,772	$	354,241
Increase in Net Assets Available for Benefits		331,028		207,180
Change in Actuarial Assets Value Adjustment		(187,914)		(193,081)
Increase in Actuarial Value of Net Assets Available for Benefits		143,114		14,099
Net Increase in Accrued Pension Benefits		70,948		95,568
FUNDING EXCESS END OF YEAR (Note11)	$	344,938	$	272,772

The accompanying notes are an integral part of the financial statements.

1. Description of Plan

The following description of the Canadian Broadcasting Corporation Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the text of the Plan as amended.

a) General

The Canadian Broadcasting Corporation (the Corporation) established the Plan effective September 1, 1961, pursuant to the Broadcasting Act. The Plan is primarily a contributory defined benefit pension plan covering substantially all permanent employees of the Corporation. The Plan is subject to the provisions of the Pension Benefits Standards Act (PBSA) and Regulations. The Plan's registration number with the Superintendent of Financial Institutions is 55144.

b) Benefits

The Corporation guarantees the payment of the pensions (other than the flexible pension provision), and other benefits payable under the terms of this Plan as amended. A member who is a regular employee of the Corporation will receive benefits based on the length of pensionable service and on the average of the best five consecutive years of pensionable salary in the last ten years of employment. A member who is a part-time employee of the Corporation will receive benefits based on an indexed career average salary formula. The benefits are indexed at the lesser of 2.7% or the Consumer Price Index (CPI) effective January 1 of each year.

c) Funding

The Plan is funded on the basis of actuarial valuations, which are made at least on a triennial basis. Employees are required to contribute to the Plan a percentage of their pensionable salary, which for full-time employees, is $5\ ^{1}/_{15}\%$ of earnings up to the maximum public pension plan earnings ($41,100 in 2005) and $6\ ^{2}/_{3}\%$ of earnings in excess of such maximum. The Corporation provides the balance of the funding, as required, based on actuarial valuations.

The Pension Benefits Standards Act also requires that an actuarial valuation be performed on an annual basis when the latest actuarial valuation reveals a solvency deficit. The most recent actuarial valuation of the Plan was made on December 31, 2005, with the actuarial report to be filed with Regulatory Authorities by June 30, 2006. This actuarial valuation reported a solvency deficit which the sponsor will be required to fund over a five-year period starting in 2006, in addition to its regular contributions.

d) Income Tax Status

The Plan is a Registered Pension Trust as defined in the Income Tax Act, and consequently, is not subject to income taxes. The Plan's registration number for income tax purposes is 202895.

2. Significant Accounting Policies

a) Presentation

These financial statements are prepared on the going concern basis and present the financial position of the Plan as a separate financial reporting entity independent of the sponsor and Plan members. The objective of these financial statements is to assist Plan members and other users in reviewing the financial position and results of operations of the Plan for the year. However, these statements do not portray the funding requirements of the Plan or the security of an individual Plan member's benefits.

b) Consolidation

The financial statements include the accounts of the CBC Pension Plan, its wholly-owned subsidiaries, which hold the Plan's interest in certain real estate and other investments, and a joint venture. The Plan's interest in the joint venture is accounted for by the proportionate consolidation method.

c) Investments

Investments are recorded as of the trade date and are stated at fair value (see note 3). Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Cost represents the original cost less write-downs, to reflect other than temporary declines in fair value.

d) Accrual of income

Interest and dividend income has been accrued to the year-end date.

e) Current year change in fair value of investments

The current year change in fair value of investments is the difference between the fair value and the cost of investments at the beginning and end of each year adjusted for realized gains and losses in the year.

f) Accrued pension benefits

Accrued pension benefits related to the defined benefit portion of the Plan are based on a going-concern basis actuarial valuation prepared by a firm of independent actuaries. In the periods between actuarial valuations, the determined obligations constitute an extrapolation from the results of the previous formal valuation using the projected benefit method prorated on service and management's best estimate of future economic events (see note 9). Accrued benefits related to the flexible pension provisions are reported at the fair value of the investments associated with the contributions.

g) Contributions

Contributions for current service are recorded in the year in which the related payroll costs are incurred. Contributions for past service are recorded in the year received. Cash contributions related to the flexible pension provisions are recorded in the year received and payroll contributions are recorded in the year deducted.

h) Foreign currency translation and forward currency agreements

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at year-end. Income and expenses are translated at the rate of exchange prevailing at the time of the transactions. Forward currency agreements are fair valued at the reporting date. Gains and losses from translation and forward currency agreements are included in the current year change in fair value of investments.

i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The major estimates used by management in preparing the financial statements relate to valuation of private placements and property and assumptions used in the calculation of the pension obligation. Actual results could differ from those estimated.

3. Investments

a) The following tables show the fair value and the cost of the investments at year-end as well as the current year change in fair value of investments and related income. Real Estate is recorded net of the Fund's proportionate share of property debt of $42.9 million at the end of 2005 ($57.0 million in 2004). Investment income includes interest and dividends earned during the year as well as income from real estate properties which is net of operating and interest expense.

2005 INVESTMENTS

	Fair Value	Cost	Current year Change in Fair Value of Investments (1)	Investment Income	Total Return
			(in thousands of dollars)		
Fixed Income					
Cash and Short-Term Investments	$ 210,976	$ 210,711	$ (2,086)	$ 7,327	$ 5,241
Bonds - Canadian	1,564,783	1,510,421	27,853	54,783	82,636
- Global	-	-	(5,844)	1,872	(3,972)
	1,775,759	1,721,132	19,923	63,982	83,905
Equities					
Canadian	991,321	753,535	194,211	10,869	205,080
Global	808,455	749,145	43,348	33,125	76,473
	1,799,776	1,502,680	237,559	43,994	281,553
Strategic					
Property (Note 4)	278,753	252,652	15,826	36,385	52,211
Private Placements	138,873	59,687	15,896	3,819	19,715
Hedge Fund	40,826	37,939	2,887	968	3,855
	458,452	350,278	34,609	41,172	75,781
TOTAL	$ 4,033,987	$ 3,574,090	$ 292,091	$ 149,148	$ 441,239

(1) The current year change in Fair Value of Investments includes $533.4 million of unrealized gains and $73.5 million of net unrealized losses on foreign exchange.

2004 INVESTMENTS

	Fair Value	Cost	Current year Change in Fair Value of Investments (2)	Investment Income	Total Return
			(in thousands of dollars)		
Fixed Income					
Cash and Short-Term Investments	$ 247,023	$ 246,784	$ (120)	$ 4,175	$ 4,055
Bonds - Canadian	945,692	908,474	11,607	53,038	64,645
- Global	98,676	99,472	(6,055)	7,580	1,525
	1,291,391	1,254,730	5,432	64,793	70,225
Equities					
Canadian	1,053,039	891,099	76,307	18,665	94,972
Global	959,479	905,616	40,100	16,893	56,993
	2,012,518	1,796,715	116,407	35,558	151,965
Strategic					
Property (Note 4)	273,319	265,763	287	18,307	18,594
Private Placements	128,029	63,514	67,540	5,057	72,597
	401,348	329,277	67,827	23,364	91,191
TOTAL	$ 3,705,257	$ 3,380,722	$ 189,666	$ 123,715	$ 313,381

(2) The 2004 change in Fair Value of Investments included $324.5 million of unrealized gains and $63.5 million of net realized and unrealized losses on foreign exchange.

b) Determination of fair values:

i) Cash and short-term investments

Cash and short-term investments, which include bank deposits, treasury bills, bankers' acceptances and short-term corporate notes and short-term bonds, are valued at cost which approximates fair value.

ii) Equities, Bonds and Private Placements

Equities and bonds consisting primarily of listed securities, including those held through hedge funds, are recorded at prices based on published market quotations.

Private placements consisting primarily of unlisted equities and debentures are valued at prices based on management's best estimates using one of the following methods: trade prices for similar securities, discounted cash flows and appraised values.

iii) Property

Property consists of mortgages and real estate.

a) Mortgages are secured by real estate and generally represent one to five year loans made at commercial mortgage rates to individuals and corporations. These loans are generally amortized over periods ranging from ten to twenty-five years. Mortgages are valued using current mortgage market yields and include accrued interest.

b) Real estate projects when in development are valued at the lower of cost and estimated realizable value. Other real estate investments are recorded at estimated fair values and are subject to independent appraisal at least once every three years.

c) Investment risk

The Plan's performance is subject to a number of risks which are managed using a number of tools and techniques. A discussion of certain of these risks is provided below:

i) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's investments is affected by short-term changes in nominal interest rates and equity markets both domestic and foreign. Pension liabilities are exposed to the long-term assumption for the Plan's rate of return on investments as well as shorter term assumptions on inflation and salary escalation.

The Plan's primary exposure is the prospect of a decline in the long-term real rate of return which may result in higher contribution rates required to meet pension liabilities. As at December 31, 2005, a 1% reduction in the assumed real long-term rate of return would result in an increase in the pension liabilities of approximately 14% whereas a 1% increase in the rate would result in a decrease in the pension liabilities of approximately 13%.

Pension liabilities are sensitive to changes in inflation and salary escalation rates. Changes in these parameters as well as interest rates will have a different effect on the values of the assets and pension liabilities, leading to mismatch risk. Given the nature of pension benefits, such risks cannot be eliminated, but are managed through the funding and investment policy of the Plan.

At the end of 2005, the Plan's Statement of Investment Policy and Procedures provided for a long-term target asset mix of 50% fixed income, 34% equities, and 16% strategic investments which includes property, private placements and hedge funds. The asset mix is determined through periodic reviews of the Plan's pension liabilities.

ii) Credit Risk

a) The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Plan's Statement of Investment Policy and Procedures, which is reviewed annually, defines permitted investments, in accordance with the Act and provides guidelines and restrictions on acceptable investments which minimizes credit risk.

The maximum credit exposure of the Plan is represented by the fair value of the investments as presented in the Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Funding Excess.

b) Concentration of credit risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management does not believe that the concentrations described below are unusual when compared to other pension plans.

	2005	2004
	(% of category)	
BONDS		
Government of Canada	49.4	37.7
Provinces	16.3	10.5
Corporate	32.3	48.5
Passive Pooled Fund	2.0	3.3
	100.0	100.0

	2005	2004
	(% of category)	
CANADIAN EQUITIES		
Materials	20.0	24.0
Industrials	6.1	7.2
Telecommunication Services	2.5	2.6
Consumer Discretionary	6.0	6.1
Consumer Staples	2.2	3.3
Energy	28.3	18.8
Financials	24.1	24.9
Health Care	4.5	4.4
Information Technology	5.8	7.0
Utilities	0.5	0.3
Index Units Canadian Exposure S&P/TSX 60	-	1.5
	100.0	100.0

iii) Foreign Currency and Exposure Risk

The Plan invests in non-Canadian equities, bonds and money market securities the value of which fluctuates due to changes in foreign exchange rates as well as the economic and political environments associated with the individual countries. Further, the Plan increases its foreign exposure by investing in unhedged index units which provide returns based on foreign market performance.

The Plan may, from time to time manage some of the exposure based on economic fundamentals.

The Plan's net foreign currency exposure in Canadian dollars after giving effect to the hedged and trading positions as at December 31 was as follows:

	2005			2004
	Foreign Currency Exposure	Net Foreign Currency Hedge/Trading	Net Foreign Currency Exposure	Net Foreign Currency Exposure
		(in thousands of dollars)		(in thousands of dollars)
Cash and Short-Term Investments	$ 14,916	$ -	$ 14,916	$ 19,231
Equities and Global Bonds:				
United States	485,620	(95)	485,525	542,270
Japan	80,422		80,422	97,656
United Kingdom	76,221	(27)	76,194	99,619
Euro Countries:				
- France	36,641			
- Germany	25,846			
- Holland	18,810			
- Finland	11,277			
- Italy	14,548			
- Spain	11,500			
- Other	4,070			
Total Euro Countries	122,692		122,692	143,285
Switzerland	27,626		27,626	24,247
Australia	8,277		8,277	9,999
HongKong	9,225	49	9,274	6,350
Sweden	6,006		6,006	7,363
South Korea	7,811		7,811	5,638
Others	25,382	73	25,455	115,716
Total	$ 864,198	$ -	$ 864,198	$ 1,071,374

4. Real Estate Joint Venture

Effective April 1, 2000, the Plan and Edgefund Equities Inc. merged part of their respective real estate holdings to form Pyxis Real Estate Equities, a 30%-70% joint venture. The Plan contributed real estate property to the joint venture for a total consideration of $84 million, of which $60 thousand was received in common shares of Pyxis, and the balance was received as a promissory note secured by the fair market value of all properties.

The following amounts represent the Plan's proportionate interest in Pyxis at book value before consolidation:

	2005	2004
	(in thousands of dollars)	
Assets		
Cash and Short-term Investments	$ 4,564	$ 3,095
Accounts Receivable	3,302	5,986
Property	23,611	26,541
Mortgage	600	651
Liabilities		
Accounts Payable	$ 3,331	$ 3,044
Promissory Notes	27,024	28,635
Earnings		
Investment Income	$ 2,207	$ 1,147
Administrative Expenses	(330)	(357)
Net Income	1,877	790

5. Accounts Receivable

		2005		2004
		(in thousands of dollars)		
Property	$	6,796	$	9,338
Other		72		303
	$	6,868	$	9,641

6. Contributions

The following are the contributions for the year:

			2005		2004
			(in thousands of dollars)		
Employee	- Current Service	$	24,494	$	24,848
	- Past Service		12,382		8,616
	- Net Reciprocal		1,224		1,005
	- FlexPen (Note 7)		936		866
Employer			44,233		45,892
		$	83,269	$	81,227

Included in the contributions are the following amounts receivable at year-end:

		2005		2004
		(in thousands of dollars)		
Employee	$	6,147	$	5,323
Employer		6,394		6,115
	$	12,541	$	11,438

7. Flexible Pension (FlexPen)

An amendment was made to the Plan effective January 1, 1998, to include a flexible component. Under FlexPen, members can make additional contributions to the Plan, up to limits within the Income Tax Act. Members may choose from various pooled fund investments which are administered by external managers. Contributions and accrued investment income thereon are converted into additional benefits based upon market rates at the earliest of retirement, death or termination of employment.

The liabilities of the Plan with respect to FlexPen are equal to the additional member contributions, plus investment income, plus or minus capital gains or losses thereon less refunds. This portion of the Plan benefits is funded entirely by members.

A summary of the activity for the year ending December 31 is as follows:

		2005		2004
		(in thousands of dollars)		
Investments beginning of year	$	6,215	$	5,091
Increases:				
Contributions and Interest		936		866
Capital Appreciation		384		381
		1,320		1,247
Decreases:				
Refunds		-		5
Purchase of Additional Pension Benefits		387		118
		387		123
Investments end of year	$	7,148	$	6,215

8. Accounts Payable

		2005		2004
		(in thousands of dollars)		
Investment related	$	5,018	$	3,710
Benefits		996		3,252
Other		4,384		4,780
	$	10,398	$	11,742

9. Accrued Pension Benefits

a) As required under the Pension Benefits Standards Act, the latest actuarial valuation was made at December 31, 2005, by Mercer Human Resource Consulting Limited, a firm of consulting actuaries. Amounts reported in these financial statements are based on going concern results of this valuation. The actuarial assumptions used in determining the obligations for accrued pension benefits, which reflect the Board's best estimates of expected economic trends, were as follows:

	Long term assumptions	
	2005	2004
Asset rate of return	6.50%	6.75%
Salary escalation rate[3]	3.45%	4.00%
Inflation rate	2.70%	3.00%

[3] excluding merit and promotional salary increases

Select assumptions reflecting the short-term economic environment were also used.

In 2005, there were net experience losses of $22.6 million as revealed by the actuarial valuation conducted as at December 31, 2005. In 2004 there were experience gains of $21.0 million arising from pension indexation results being less than the assumed amounts in the December 31, 2002 actuarial valuation.

The changes in the actuarial assumptions in 2005 resulted in a decrease of the Accrued Pension Benefits of $73.4 million.

Actuarial valuations are required at least every three years under the Pension Benefits Standards Act. The Pension Benefits Standards Act requires that the Plan be also valued on a solvency basis, which simulates a plan wind-up. As of December 31, 2005, the Plan's solvency liabilities were $4,150 million ($3,844 million projected as at December 31, 2004).

b) The actuarial value of net assets reflects the amortization of realized and unrealized capital gains and losses linearly over four years, with the resulting value not exceeding the market value. Under this method, the market value is the underlying basis, but fluctuations are generally averaged over a four-year period. The year over year change in the actuarial asset value adjustment is reflected in the Statement of Changes in Funding Excess.

10. Benefits

Benefits for the year ended December 31, were as follows:

	2005	2004
	(in thousands of dollars)	
Pensions	$ 176,761	$ 173,010
Refunds and Related Interest	916	298
Net Transfer of Contributions and Related Interest	1,243	2,362
FlexPen:		
- Refunds	-	5
- Purchase of Additional Pension Benefits	387	118
	$ 179,307	$ 175,793

11. Going-Concern Funding Excess and Solvency Deficit

Through an actuarial valuation as at December 31, 2005, it was determined that the Plan has a funding excess of $344.9 million on a going concern basis and a funding deficit of $89.1 million on a solvency basis. The actuarial report will be submitted to the Plan sponsor, as required under the Trust Deed, and to the Office of the Superintendent of Financial Institutions.

The Plan sponsor has indicated that, along with its regular contributions, it will fund the solvency deficit over a five year period starting in 2006.

12. Administrative Expenses

In accordance with the Trust Deed, all fees, charges and other costs incurred by the Trustees in the setting up and administration of the Plan and in the setting up and management of the Fund are to be paid by the Fund. Expenses for the year ended December 31, were as follows:

	2005	2004
	(in thousands of dollars)	
Fund Administration		
Internal Investment Management		
Salaries and employment costs	$ 2,639	$ 2,301
Professional fees	201	452
Data processing	802	925
Custodial and banking fees	1,017	730
Office rent	229	221
Other	137	116
Total Internal Management	5,025	4,745
External Investment Management		
Management fees	5,417	3,628
Property management	386	396
Total External Management	5,803	4,024
	10,828	8,769
Pension Benefit Administration		
External Administration	1,512	1,470
Salaries and employment costs	373	313
Professional fees	315	250
Other	184	219
	2,384	2,252
Board of Trustees Expense		
Professional fees	481	186
Other	-	56
	481	242
GST	864	753
Total Administrative Expenses	$ 14,557	$ 12,016

13. Commitments and Contingencies

The Fund has committed to enter into investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2005, these potential commitments totaled $28.0 million (2004 - $57.5 million). The Fund is contingently liable to fund cash flow deficiencies and the obligations of its co-investors, including other pension funds, on certain real estate related investments. In addition, the Fund may have to provide financing on certain real estate related investments in the event of the non-availability of financing from other sources.

14. Guarantees and Indemnifications

The Plan provides that Board members, employees and certain others are to be indemnified against the expenses related to proceedings against them. In addition, in the normal course of operations, the Plan may be required to compensate counterparties for costs incurred as a result of various contingencies such as legal claims or changes in laws and regulations. The number of such agreements, the variety of indemnifications and their contingent character prevents the Plan from making a reasonable estimate of the maximum amount that it would be required to pay all such counterparties. To date, no payments have been made under such indemnifications.

15. Comparative Figures

Certain of the 2004 comparative figures have been reclassified to conform to the current year's presentation.

Supplementary financial information

INVESTMENTS GREATER THAN $15,000,000
AS AT DECEMBER 31, 2005

Nominal Bonds

ISSUER	COUPON	MATURITY DATE	FAIR VALUE (in million $)
Government of Canada	4.500%	Jun 01,2015	65.57
Government of Canada	5.750%	Jun 01, 2029	47.52
Government of Canada	8.000%	Jun 01, 2023	34.20
Government of Canada	10.250%	Mar 15, 2014	33.10
Government of Canada	6.000%	Jun 01, 2008	31.46
TD Quant Emerald Canadian Long Bond Fund			31.45
Canada Housing Trust	4.750%	Mar 15, 2007	30.28
Canada Housing Trust	3.700%	Sep 15, 2008	29.78
Province of Québec	5.250%	Oct 01, 2013	26.55
Province of Ontario	5.850%	Mar 05, 2033	23.35
Genesis Trust	3.002%	Mar 15, 2010	22.84
Province of Québec	6.250%	Jun 01, 2032	22.08
Province of Manitoba	5.050%	Dec 03, 2013	21.21
Cards II Trust	4.379%	Oct 15, 2009	21.16
Gloucester Credit Card Trust	5.590%	Jun 15, 2007	20.43
GE Capital Canada Funding	5.000%	Apr 23, 2008	20.42
Canada Housing Trust	5.100%	Sep 15, 2007	20.38
Government of Canada	4.250%	Sep 01, 2009	20.23
Government of Canada	4.500%	Sep 01, 2007	20.21
Canada Housing Trust	3.550%	Mar 15, 2009	17.75

Real Return Bonds

ISSUER	COUPON	MATURITY DATE	FAIR VALUE (in million $)
Government of Canada	4.000%	Dec 01, 2031	190.24
Government of Canada	4.250%	Dec 01, 2026	92.62
Province of Québec	4.250%	Dec 01, 2031	79.86
Government of Canada	3.000%	Dec 01, 2036	65.55
Province of Ontario	2.000%	Dec 01, 2036	50.48
Government of Canada	4.250%	Dec 01, 2021	36.45

Property

ISSUER	FAIR VALUE (in million $)
Pyxis Real Estate Equities - Ogilvy Building	26.79
Pensionfund Realty Ltd. - Residential Property (1) Inc. Pooled	19.60
Pensionfund Realty Ltd. - Convention Centre	18.33
Edgecombe Realty Advisors - Robson Central Promissory Note	18.28
Tonko Developments - Westhill Equity	17.13
Pyxis Real Estate Equities - Dorval Property	16.77

Canadian Equities

ISSUER	FAIR VALUE (in million $)
Barclays Enhanced Canadian Fund	220.21
Encana Corp.	34.43
Suncor Energy Inc.	34.09
Canadian Natural Resource Ltd.	33.43
Royal Bank of Canada	30.88
Bank of Nova Scotia	29.30
Manulife Financial Corp.	38.67
Toronto Dominion Bank	27.20
Kinross Gold Corp.	21.48
Talisman Energy Inc.	21.25
Goldcorp Inc.	19.43
Research in Motion Ltd.	19.19
Bank of Montreal	17.88
Placer Dome Inc.	17.30
Bombardier Inc. Class B	16.56
Petro Canada	16.33

United States Equities

ISSUER	FAIR VALUE (in million $)
TD Quant Emerald Hedged US Fund	41.10

Global Equities

ISSUER	FAIR VALUE (in million $)
Mellon Capital Global Opportunities Fund	40.83

Special & Private Placements

ISSUER	FAIR VALUE (in million $)
1028484 Ontario Inc. Class B	70.26
Teramira Corp.	21.50

Staff Members
as at December 31

Stephen Cotsman
Managing Director/CEO

Don Grant
Secretary/Treasurer

Suzanne Morris
Secretary/Treasurer Designate

Pension Fund Administration

Debra Alves
Strategic Investments Portfolio Manager

Timothy D. Cairns
Domestic Bond/Property Portfolio Manager

William R. Law
Canadian Equity Portfolio Manager

We welcome your comments and suggestions for this annual report as well as other aspects of your communications program.

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