CBC PENSION PLAN

Annual Report

2008

CBC Radio-Canada

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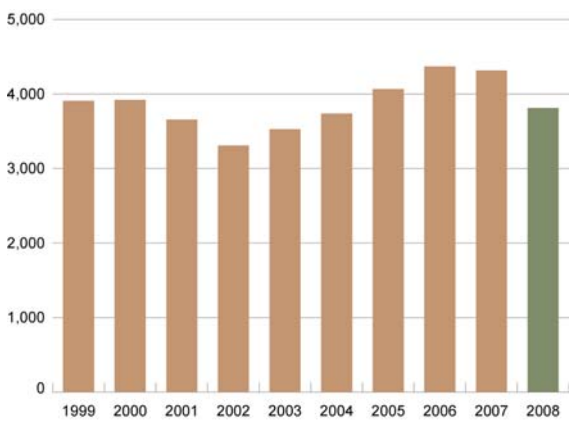
Profile

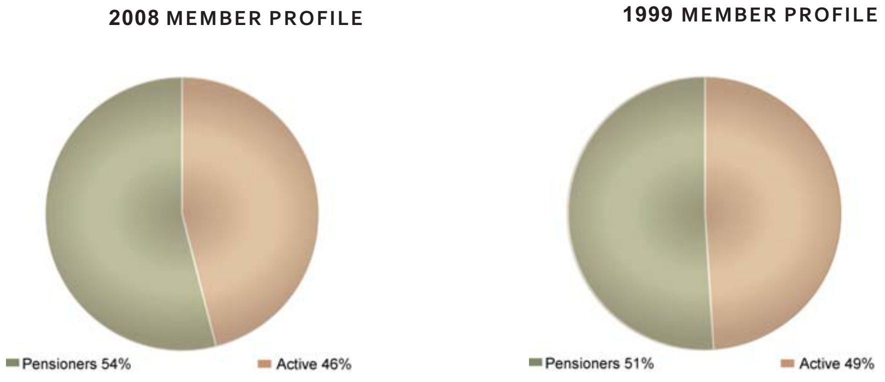
The Canadian Broadcasting Corporation Pension Plan (the Plan) was established by the Canadian Broadcasting Corporation (CBC/Radio-Canada) effective September 1, 1961, pursuant to the Broadcasting Act. The Plan is primarily a contributory defined benefit pension plan covering substantially all employees of the CBC/Radio-Canada. 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 optional 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 (which comprise the "Fund") are administered by the CBC Pension Board of Trustees by virtue of the Trust Deed between CBC/Radio-Canada and the Trustees. The accompanying chart shows the movement of the net assets of the Plan over the last ten-years.

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. At the end of 2008, the Plan served 17,821 members, of which 46% were active members and, 54% pensioners, survivors or deferred members. This reflects the maturity of the Pension Plan, with a significant portion of the Plan's liabilities attributable to pensioners, and compares to 14,879 members served ten years ago of which 49% were active and 51% retired, survivors or deferred.

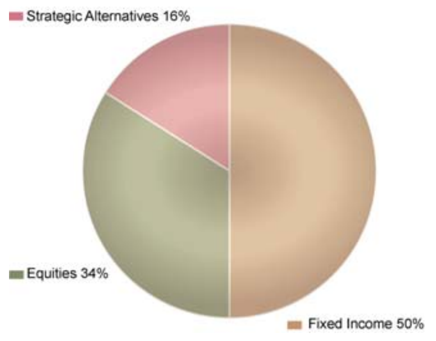
NET ASSETS - 10-YEARS
(for the year ended December 31)
(in million $)



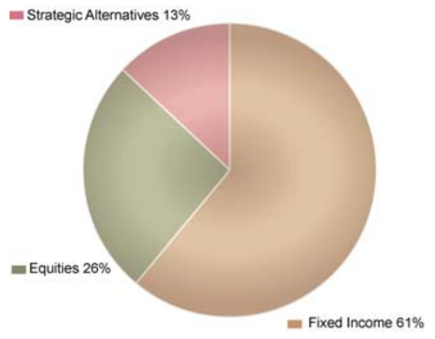


The CBC Pension Board of Trustees, directly or through agents retained by it, is responsible for investing the Fund and in doing so, identifies and pursues investment opportunities in accordance with the Act, the regulations and the Fund's Statement of Investment Policy and Procedures (SIP&P).

LONG-TERM ASSET MIX POLICY



ASSET MIX - ACTUAL AT FAIR VALUE



The long-term investment objective of the Plan 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 nominal bond and real-return bond indices. At the total Fund level over the long-term, this objective is designed to generate a rate of expected return that will allow the Plan to meet its obligations while mitigating the risk of Plan deficit.

During 2008, the CBC Pension Board of Trustees completed the implementation of its liability-driven investment (LDI) strategy and long-term asset mix policy which was revised in 2005. The strategy is designed to achieve appropriate long-term returns at the total Plan level while more closely matching the characteristics of the Fund's assets to those of its pension obligation liabilities and to reduce the volatility of the Plan's financial position.

The asset mix is comprised of two broad categories of assets. The first, the fixed income class (or 'matched assets') shares the pension plan obligations' sensitivity to changes in interest rates and inflation. The second category, which includes publicly traded equities as well as strategic alternative type investments (the 'unmatched assets'), includes assets whose value over time is generally not as sensitive to factors affecting the value of the pension plan obligations.

The long-term target asset mix- policy of the Fund is: 50% fixed income, 34% equities and 16% strategic alternatives. The target long-term asset mix also calls for the hedging of the interest rate and inflation sensitivities created by the equity and strategic alternative portfolios in the unmatched asset classes. Under the LDI strategy, this is achieved through the use of derivative fixed income instruments.

The Fund is actively managed by a group of internal and external portfolio managers under the guidance and direction of the Managing Director/CEO. The Fund management 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% 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 policy.

2008 Highlights

Financial Overview

Year over year, the Fund's net assets available for benefits decreased $501.8 million (11.6%) from $4,311.9 million at December 31, 2007 to $3,810.1 million at December 31, 2008. Pension contributions of $51.8 million were lower than in 2007, and together with investment income of $127.4 million were offset by investment losses of $455.1 million, pension payments of $211.2 million and administrative expenses of $14.7 million in 2008.

The Plan's financial position on a going-concern basis, which is the actuarial value of net assets available for benefits less the accrued pension benefits used for financial reporting purposes, decreased by $447.8 million from an estimated surplus of $461.9 million in 2007 to $14.1 million at the end of 2008. The regulatory framework also requires measurement of the Plan's funding position on a solvency basis, which is a simulation of the wind-up of the Plan. On this basis, the Plan's funding position decreased from an estimated surplus of $71.9 million at the end of 2007 to an estimated deficit of $163.9 million at the end of 2008.

Financial Position as at December 31 ($ millions)	2008	2007
Net Assets Available for Benefits	$ 3,810.1	$ 4,311.9
Actuarial Asset Value Adjustment	-	(172.0)
Actuarially adjusted net assets	3,810.1	4,139.9
Accrued Pension Benefits	3,796.0	3,678.0
Going Concern Funding Excess	14.1	461.9

Investment Performance

For the year ending December 31, 2008, the one-year rate of return was -7.9% as compared to -7.6% for the Plan's Asset Benchmark, while the return over a four-year period was 4.0% exceeding the Asset Benchmark of 3.7%. This assessment of the Plan's performance measures the Plan's investment returns against a composite reference portfolio of relevant financial market return indices.

A liability benchmark allows for the tracking of the movement in the Plan's asset values to its estimated solvency funding liabilities, the net difference between the two providing a proxy of the impact of market and interest rate movements on the Plan's estimated solvency funding position. The Plan's annual return of -7.9% in 2008 was lower than its Liability Benchmark of 3.4%.

Investment Performance vs. Benchmarks	2008	2007	2006	2005	4-years
Fund Rate of Return	(7.9)%	2.7%	10.2%	12.2%	4.0%
Asset Benchmark	(7.6)	2.9	9.3	11.1	3.7
Value Added to Asset Benchmark	(0.3)	(0.2)	0.9	1.1	0.3
Liability Benchmark (introduced October 2005)	3.4	3.0	0.5	-	-
Value Added to Liability Benchmark	(11.3)	(0.3)	9.7	-	-

The long-term investment objective of the Plan is to achieve time weighted average annual rates of return which consistently exceed the Liability Benchmark by a minimum of 1.1%. Prior to October 2005 when the liability benchmark was introduced, the long-term objective was expressed in terms of consistently exceeding increases in the consumer price index by a minimum of 3.75%. The time weighted annualized four-year rate of return for the Plan was 4.0% which was below the long-term investment objective of achieving time-weighted average rates of return of 4.9% over this period.

Member Services

The Plan's members continued to rate pension administration services highly with over 93% of those surveyed ranking services as excellent/good. Plan members are surveyed as they call in to the Pension Administration Centre (PAC).

The PAC completed 14,825 transactions and members completed 16,802 online interactions. PAC operating volumes and costs were lower than in 2007, reflecting cost reductions resulting from the implementation of process efficiencies in 2008, and the non-recurrence of costs relating to a special past service buy-back project carried out in 2007. At the same time, service level performance targets were exceeded.

	2008	**2007**
Member Service satisfaction level (rated as good or excellent)	**93.5%**	91.3%
Pension Administration Centre		
Transactions processed	**14,825**	19,142
Online interactions	**16,802**	17,822
Overall service level agreement performance (target = 90%)	**94%**	93%
Pension Benefit Administration cost (000's)	**$ 1,659**	$ 1,876

Trustees Report

Performance and Financial Health of the Plan

Following on the heels of a volatile year, 2008 proved to be even more tumultuous, marked by a slowing global economy, an increasingly fragile financial system and extreme volatility in the financial markets, which triggered steep stock market declines. Against this backdrop, the CBC Pension Plan delivered an investment return of -7.9%, its first loss in the last six years. While the Plan was not immune to the financial crisis, its return strongly outperformed that of the Canadian pension sector and it remains in a solid position to meet all of its obligations. This was achieved through the Plan's liability driven investment strategy and its careful risk assessment decisions, which helped to contain stock market exposure. The rate of return in 2008 compares to the annual asset benchmark portfolio return of -7.6%, and the Plan's liability benchmark of 3.4%. The Plan's annualized 10-year return was 5.2%, compared to its long-term 10-year investment objective of 5.7%.

The estimated financial position as at December 31, 2008 is determined based on projections and estimates from the last actuarial valuation which was performed in 2006. The Plan's surplus on a going concern basis was estimated to have decreased from $461.9 million at the end of 2007 to $14.1 million at the end of 2008, representing a ratio of Plan assets to liabilities of 100.4% at December 31, 2008. The decrease in the surplus was primarily due to the negative market performance and the effect of the release of actuarial asset smoothing reserves. The financial position was also impacted by the contribution holiday of the Plan sponsor which ended in October 2008. The solvency position is estimated to have declined to a deficit of $163.9 million at the end of 2008 from a surplus of $71.9 million at the end of 2007, affected by factors similar to those impacting the going concern surplus, and also reflective of movements in long term interest rates over the year. The Plan's solvency ratio was estimated at 96% as at December 31, 2008, which according to a recent Canadian pension industry study, places the Plan in the estimated top 10% of plans, out of a database of 743 plans and confirms the Plan's relatively solid financial position.

By regulation, the next actuarial valuation of the Plan must be performed by December 31, 2009. The Trustees will continue their practice of monitoring the going concern and solvency positions of the Plan through these challenging times, with special quarterly reports prepared by our actuaries and estimates prepared on a monthly basis by management.

Asset Mix and Investment Policy

In 2008, the Board of Trustees guided the Fund to the completion of changes to its asset mix and investment policies, a process that began in 2005 following the development of a new liability-driven investment (LDI) strategy, designed to achieve a closer matching of the Plan's assets to its pension obligation liabilities. Guided by the overall objective of meeting the pension promise and reflecting the level of maturity of the Plan, the strategy seeks to mitigate the Plan's surplus volatility and deficit risk over the long term, while generating appropriate long-term returns and more stable results at the total Plan level. Derivative fixed income overlay strategies were also introduced to enhance asset/liability matching by hedging the interest rate and inflation sensitivities inherent in the Plan's pension obligations. Assisted by independent investment management counsel, the Board of Trustees monitored the progress and results of the revised investment strategy and will continue to do so on a regular basis.

In 2008 the LDI strategy also helped to mitigate the impact of the plummeting equity markets, as the Plan's exposure to the stock markets was lower than the typical pension fund. A number of measures were also taken to prudently navigate through the turmoil in the markets and the uncertain economic environment. The defensive focus of the investment strategy included holding higher money market balances, eliminating exposures to small capitalization stocks and decreasing exposures to the volatile commodity sectors of the equity markets, all of which helped lessen the impact of the crisis on the Fund.

Governance

The Board of Trustees maintains and continues to develop a sound Pension Plan Governance Framework which is based on the pension industry's current best practice standards: the Canadian Association of Pension Supervisory Authorities (CAPSA) Governance Guidelines. A key element of the Plan’s Governance is the development of a comprehensive risk management framework. The Plan has a Risk Management Policy and comprehensive risk management program in place to manage key risks. Reflecting organizational objectives, risks are organized into five categories: strategic, operational, investment, reporting and compliance. In 2008 a full assessment of these risks, showed that the Plan’s risk management processes and internal controls were operating effectively. This emphasized the importance of the Plan’s continued focus on enhancing its risk analytics, scenario testing and performance attribution tools.

As investments and pension plan administration grow more complex and markets more inter-related and risky, it remains a priority of the governance framework that management and Trustees be up-to-date on industry activities and market practices through ongoing education sessions. Education sessions in 2008 included an overview of the global economic environment and its outlook and risks, presented by a leading guest economist, a review of social and governance investing and proxy voting practices, a presentation on the current US political environment, an overview of equity market investment styles, highlights of recent pension plan case law and a benchmarking report on pension administration practices.

Succession Activities

2008 marked changes in the Trustees of the Plan. Ms. Hélène Fortin, Chair of the Board of Trustees left the Board after contributing significantly to its stewardship and direction for more than three years. Mr. Bernd Christmas also left the Board of Trustees after a three year tenure during which he provided a strong contribution and insightful perspective. The Trustees were pleased to welcome Mr. Brian Mitchell and Mr. Tim Casgrain to the Board in 2008.

Looking Ahead

As the market volatility and uncertainty continues, the overriding focus of the Board of Trustees will be to continue the close monitoring of market developments, economic conditions and their implications. As the Plan has now completed the implementation of changes to the Fund’s asset mix that began in 2005, emphasis will be placed on review and assessment of the changes made and on enhanced reporting. In anticipation of an eventual improvement in market performance, new portfolio mandates will also be given consideration.

On behalf of CBC Pension Board of Trustees

Johanne Charbonneau

Managing Director/CEO Report

Pension Funds were once again whipsawed in 2008 by poor market returns which decrease the value of assets. With the privilege of steering the pension fund over this unprecedented time period we continued to focus on the job at hand, managing with a long term perspective while navigating through short term challenges.

2008 was a tough year by any measure. It was a year where the deteriorating US housing sector quickly entangled the global banking system and triggered a global economic decline. It was a year where financial market volatility reigned supreme and diversification provided no place to hide. We learned that our global connectedness means that we are all in this together – all economies rise and fall as one and that 2008 would not be the year of "decoupling" between the developed and emerging markets. There were many casualties as decades-old investment firms disappeared through fire sale acquisitions, restructurings or bankruptcy. Commodity prices went on a nauseating roller coaster ride with early fears of extreme global scarcity particularly for food and oil vanishing by year end. Confidence and trust in the global banking system deteriorated to the point where even banks would not lend to each other. Unbridled capitalism came to an end and government bailouts have become the norm.

A weakening economic environment along with a crumbling global financial system set an ugly backdrop for the financial markets. The Canadian equity market ended the year down 33.0%; international equities in Canadian dollars fell 25.6% and the US equity market declined 21.2%. Canadian long nominal bonds generated a return of 2.7% and 91-day T-bills earned 3.3%

The CBC Pension Plan return for 2008 was -7.9%, which was slightly below the asset benchmark return of -7.6%. Over a four-year moving average, the Fund returned 4.0%, exceeding the asset benchmark of 3.7%. The asset benchmark represents the market index returns weighted by the policy asset mix weights. Comparison of the Plan's return to the asset benchmark provides a sense of how our portfolios performed against market indices. The assets are also measured against a liability benchmark which serves as a market proxy for the change in solvency liabilities due to movements in inflation and interest rates. Comparison of the Plan's return to the liability benchmark provides a timely snapshot of how our portfolios performed against the Plan's solvency liabilities. In 2008 the Plan's return underperformed the liability benchmark return of 3.4% by 11.3%.

The net assets of the Fund decreased from $4,312 million in 2007 to $3,810 million in 2008, a decrease of $502 million. This decrease includes the impact of pension payments of $211 million which exceeded the employer and employee contributions of $52 million by $159 million.

The Accrued Pension Benefits of the Plan represent future pension payments. On a going concern basis, the Accrued Pension Benefits increased by $118 million from $3,678 million to $3,796 million.

While net contributions, fluctuating interest rates and actual plan experience all have an impact on the Plan's financial position, the biggest factor in 2008 was market return. The going concern surplus of the Plan declined from $462 million in 2007 to $14 million at the end of 2008. Similarly the solvency position declined to a deficit of $164 million from a $72 million surplus in 2007. This results in a going concern funding ratio of 100% and a solvency ratio of 96%. While our liability-focused asset mix and active investment management allowed us to fare better than many of our pension fund counterparts, we acknowledge that the one year investment return is far below long-term actuarial assumptions.

2008 Activity Highlights

- Liability Focus - The final steps in the transition to the new liability driven asset mix policy, which focuses on holding more assets with interest and inflation rate attributes similar to that of our liabilities, was completed. The asset mix policy separates the investments into matched assets (fixed income investments) and non-matched assets (equities and strategic investments). In order to further reduce funding volatility, the asset mix policy also includes placing an overlay on the non-matched assets with derivative exposures characterized by liability-like interest and inflation rate sensitivities;

- Active Investment Management – We reintroduced quarterly tactical asset mix calls whereby management can vary within a limited range the Fund's exposure to the various asset classes versus the long term policy weight. Given the economic environment of 2008, active calls included holding higher cash and money market balances while underweighting exposures to the equity markets. Among equity portfolios we eliminated some of the more volatile, non-core mandates. Within the core equity mandates, stocks of more defensive and less cyclical companies were emphasized.

- Risk Management – While risk management has been an ongoing priority for the Fund over the past few years, 2008 provided ample opportunities to enhance our risk monitoring, develop more sensitivity analyses and assess worst case test scenarios. We also undertook our biennial reassessment to outline key Plan risks which will then, through a series of control self assessments, be reviewed on a rotating basis with the Trustees;

- Communication and transparency – Understanding the importance of providing information quickly especially during a time of great market upheaval, we expanded our communications strategy to increase our accessibility to stakeholders. Trustees were provided with the most current market and funding information available. Communiques from the Trustees which included more detailed Plan status and investment market information were issued to the membership on a timely and more frequent basis that the usual quarterly schedule.

To our stakeholders, know that we understand our fiduciary responsibilities; that we have been diligent in our duties; that we hold a long term focus and that we continue to build on our strong in-house active investment, processing, analytical and risk management capabilities. This long term focus also reminds us that investment returns do fluctuate over the short term - there are good years and bad years. 2008 fell into the latter category, but eventually markets recover.

I thank the Trustees for their ongoing support in these difficult times. I also thank our pension fund team who despite daunting challenges and increasing demands continue to produce high-quality work, reports and analyses. Together we stand ready to take on the challenges of 2009.

Debra Alves
Managing Director/CEO

Pension plan governance

Overview

Pension plan governance denotes the processes 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 CBC/Radio-Canada 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 CBC/Radio-Canada 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 (SIP&P) defining investment policies, principles and eligible investments which are appropriate to meet the 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 using best practices and currently reflects the eleven governance principles contained in the Canadian Association of Pension Supervisory Authorities (CAPSA) Pension Plan Governance Guidelines.

The essential principles required to achieve effective governance of a pension plan under CAPSA are summarized in the table below.

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.
Governance Objectives	The plan administrator should establish governance objectives for the oversight, management, and administration of the plan.
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.
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.
Knowledge and Skills	The plan administrator, directly or with delegates, has a duty to apply the knowledge and skills needed to meet governance responsibilities.
Access to Information	The plan administrator and, as necessary, any delegates should have access to relevant, timely and accurate information.
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
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.
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.
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.
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 2008, the Trustees reviewed their process for performing governance self-assessment. The review was facilitated by an external governance assessment firm and focused on industry best practices to enhance Board performance and identify strengths and areas for improvement and effectiveness of Board operations.

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 Canadian Broadcasting Corporation (CBC/Radio-Canada) to include the senior executive officer of the Corporation responsible for Human Resources or such other Corporate Executive of the Corporation designated by the President and CEO of the Corporation, and the senior executive officer of the Corporation responsible for finance, or such other Corporate Executive of the Corporation designated by the President and CEO of the Corporation. 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 CBC/Radio-Canada 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/Radio-Canada, 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 including the use of in-camera sessions. The auditors' report is submitted to CBC/Radio-Canada in conjunction with the financial statements within 90 days following the end 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 submitted to CBC/Radio-Canada within sixty days following receipt of same. CBC/Radio-Canada 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 qualifications necessary to oversee a complex financial business and 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 performing 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. These are contained in the Code of Conduct Policy which includes conflict of interest, personal trading, confidentiality, business conduct and gifts and other benefits guidelines. In addition, the CBC Pension Fund Code of Ethics and Standards of Professional Conduct and Employee Personal Investment Guidelines apply to designated investment professional employees of the organization only.

In 2008, the Board of Trustees met five times. Under the By-Laws of the Board of Trustees, the Trustees must meet a minimum of four times per year.

Role of Management

The Board of Trustees has defined management's 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 with 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, business conduct 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 SIP&P 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 each of these targets.

Reviewed and approved annually by the Trustees, the SIP&P identifies the long-term (e.g. 10-year period) investment objective of the Fund. Since October 2005, the long-term investment objective of the Fund is determined 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 SIP&P 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 member needs in a timely manner.

Management regularly reports to the Trustees regarding compliance with applicable policies. All regulatory requirements were met in 2008.

Communications

The Board of Trustees is accountable and must provide disclosure on the Plan's activities to CBC/Radio-Canada as Plan sponsor, as well as to members.

The Board of Trustees disclosure and reporting practices include the distribution of the 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. The Board of Trustees also follows the practice of issuing Communiques following each of its meetings, summarizing key items discussed and distributing this communication through internet 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 retirees or their survivors, and various announcements which are provided in the direct deposit notices.

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

Governance Review

Governance review 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 also perform a 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 consolidated 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 CBC Pension 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 meet 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 (SIP&P). This policy is reviewed and approved annually by the Board of Trustees as required by the Office of the Superintendent of Financial Institutions (OSFI).

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 Plan 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.

Permitted investments and restrictions thereon which are appropriate to the needs and objectives of the Plan and the Fund are identified in the SIP&P.

Investment Objective

The long-term objective of the Fund is expressed as a function of the Plan liabilities. The long-term objective is to exceed by 1.1% the return on a liability benchmark consisting of a mix of nominal bonds and real return bonds. The objective reflects a liability-driven investment (LDI) strategy and is intended to enhance management of the Fund's assets in relation to the pension obligations and to mitigate the Plan’s deficit risk. Over the past four years the Fund's rate of return averaged 4.0%, and over the past 10 years, 5.2%. On a basis that combines the current long-term objective, which was adopted in October 2005, with the former objective up to that time, the Fund's overall long-term objective was 4.9% over the past four years and 5.7% over the past 10 years.

The Fund Manager's objective is to generate net returns that exceed the annual average increase in a benchmark portfolio by 50 basis points (0.5%) on a four-year moving average basis. During the transition period to the new investment strategy approved by the Board of Trustees in 2005, this objective was reduced to 35 basis points or 0.35%. 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 policy. On a four-year moving average the Fund's net return of 4.0% exceeded the benchmark portfolio return by 32 basis points.

Asset Mix and Investment Strategy

The long-term policy asset mix target of the Fund as defined in the SIP&P is 50% fixed income, 34% equities and 16% strategic investments which include property, private placements and hedge funds. The long-term target asset mix also provides for hedging of the interest rate and inflation risk created by the unmatched portfolio, that is the 50% of the portfolio that is not invested in fixed income instruments. Under the LDI strategy, this is achieved through the use of derivative fixed income instruments.

The objective of the long-term asset mix is to ensure that the Fund's assets will meet the obligations for accrued pension benefits. There are lower and upper limits to the long term asset mix percentages which allow management the ability to take advantage of market directions and therefore enhance the performance of the Fund. The investment policy allows for the Fund to make tactical calls that vary the weighting of the assets within an operational range around these actuarially determined long-term asset mix targets. On a quarterly basis, based on a forecasted outlook for the global economy and the financial markets, the Fund may increase its weighting of those asset classes expected to perform well and reduces the weights of those asset classes that are expected to underperform.

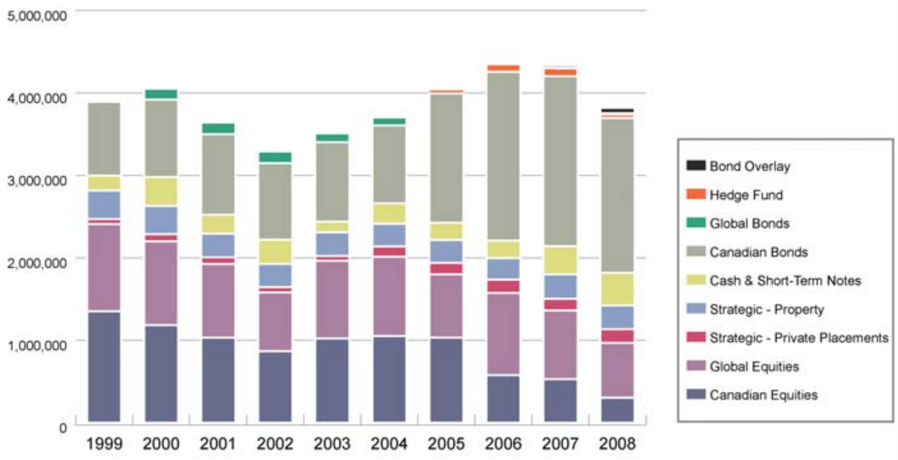
As at December 31, 2008, the actual asset mix at fair value was 61% fixed income, 26% equities and 13% strategic. Within its permitted limits, the Fund’s proportion of fixed income investments at the end of 2008 was higher than the long-term policy mix, with the under allocation to equities and strategic investments held primarily in short-term investments. This predominantly reflected a decision to underweight equities in the turbulent market conditions prevalent through 2008, which had a positive impact on the Fund’s performance for the year.

Investment Management Approach

The Fund is actively managed by a group consisting of the Managing Director/CEO, the Secretary/Treasurer, four internal portfolio managers and five 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 analysts, perform their research in-house by using a network of investment brokers, industry publications, economic indicators, market data and company site visits. External managers are selected following the establishment of investment objectives, mandates and constraints, determination of selection criteria and due diligence process conducted with the assistance of independent external advisors. Oversight of external managers includes monthly portfolio performance measurement reports and more detailed quarterly reports on performance attribution, risk, mandate compliance and other relevant measures. These are supplemented by regular teleconferences and meetings as well as periodic site visits to monitor the external managers’ mandates and activities.

It is anticipated that investment decisions will add extra value to the Fund. As a mature pension plan paying out significantly more in benefit payments than it receives in pension contributions, the Plan continues to rely on investment income to pay current and future pension benefits.

10-YEAR ASSET MIX AT FAIR VALUE



Risk Management

The Plan has a Risk Management Policy and a comprehensive risk management program in place to manage key Plan risks. Risks are organized into five broad categories that reflect organizational objectives. The categories are strategic, investment, operational, reporting and compliance risks. Key risks within these categories are assessed via a Control Self-Assessment process on a rotational basis and reported to the Board of Trustees. Besides a reassessment of the Plan's key Plan risks, other Control Self-Assessments held during the year included an assessment of the Plan's derivative related controls and an assessment of the controls in place for processing and valuing non-publically traded securities.

In 2008, the Plan further developed its risk management capabilities, focusing on the implementation of enhanced performance attribution, analytics, scenario analysis and risk measurement systems. The focus during the year was on the usage of the information and on the development of aggregated Fund level information. These systems allow the Fund to better understand the factors that drive investment performance. They also allow the Fund to fine tune the risk-reward relationship of its investments. The implementation of these systems is an ongoing project that will be continuing into 2009.

One of the key strategies that the Plan has adopted to better manage investment risk is a liability-driven investment (LDI) focus, which is discussed in more detail in the following and other sections of this Annual Report and the accompanying Consolidated Financial Statements. One of the key features of the LDI strategy is to focus on the volatility of the solvency funding position, i.e. the combined volatility of both the Plan's assets and its liabilities. To support the LDI strategy, the Plan expended significant effort over the last few years to establish processes and reports for monitoring and assessing the effectiveness of the strategy. This includes measuring its liabilities on a much more frequent basis and revising its risk management and performance reporting to reflect the LDI focus.

A key focus in 2008 was the assessment of the credit and economic crisis on the Plan's ability to enter into interest rate derivatives as part of its LDI strategy. The crisis affected both the availability and credit quality of the Plan's interest rate derivative counterparties. The Plan closely monitored the credit quality of its key derivative counterparties, as well as developed contingency plans to deal with a possible lack of interest rate derivative market liquidity. The Plan also reviewed the impact of widening credit spreads on its cost of funds for its interest rate derivative exposure.

The SIP&P 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 risk associated with it (e.g. equities are higher risk than government bonds). The asset model utilized by the Fund is considered by the Pension Board to be moderate in risk, however, it is deemed by the Board to be the most appropriate in addressing future liabilities of the Plan. There are a number of risks associated with the Plan which are disclosed in the following section. In addition, those risks dealing with financial instruments held by the Fund are identified in Note 3 to the Consolidated Financial Statements.

Asset/Liability Matching

CBC/Radio-Canada 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. Asset /Liability studies are undertaken periodically to review the risk/reward associated with the existing long-term asset mix policy, analyze the risk/reward profile that would result from alternative asset mix policies, and consider the impact of various economic environments on both the assets and liabilities. The last such study was carried out in 2005 and the long-term asset mix was revised as described above, reflecting the revised LDI focused strategy that is expected to result in a closer matching of the Plan's assets to its liabilities and to reduce the volatility of Plan surplus. Changes to the asset mix and to the diversification of manager mandates within the asset categories began in 2005 and were completed in 2008. LDI based changes encompassed three tactical areas to better match the duration of assets to Plan liabilities: a) increasing the duration (term to maturity) of the existing fixed income portion of the portfolio, b) increasing the portion of the portfolio in fixed income investments, including real return bonds, and c) buying duration on the unmatched asset portion of the portfolio through an interest rate overlay strategy using derivative instruments.

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 were risk free, the rates of return would be stable but low and would require higher contributions in the future. If the Fund's investment portfolio were aggressive, for instance, primarily invested in equities, the rates of return would be potentially higher but the results would be more volatile due to higher risk. While contributions may be lower if high returns are earned, contributions could be much higher if there was a major long-term contraction in the market.

Interest Rate Volatility Risk

The Plan's liabilities are sensitive to changes in the assumptions on the long-term rates on asset return, salary escalation, mortality and inflation. Note 3E ii) b) to the Consolidated Financial Statements describes the impact of changes in the assumed long-term rate of return, which is used in going concern basis actuarial valuations. Declining rates of return over a prolonged period could cause an increase to contribution levels in order to meet the Plan's liabilities.

By regulation, the Plan's funding position is determined using the lower of the going concern and solvency basis actuarial valuations. The valuation of liabilities on a solvency basis is highly sensitive to changes in interest rates. The LDI strategy seeks to mitigate the impact of sensitivities to interest rates inherent in the Plan's pension liabilities, as well as the inflation risk created by Plan indexation. Thus a decrease in interest rates that would increase Plan liabilities would also be expected to increase the matched (fixed income) portion of the Fund's asset values.

Financial Market Volatility Risk

The Fund's total assets at December 31, 2008, were $3.8 billion at fair value. Of this total, $1.0 billion was in publicly traded 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 2008 saw sharply negative returns following five consecutive years of positive returns on domestic equity markets. Major international equity markets also experienced sizeable losses after five years of positive returns in US dollar terms. All international equity markets lost value in Canadian dollar terms in 2008. The long-term performance expectation for publicly-listed equities outweighs the risks of short-term cyclical volatility. The Fund further mitigates this risk by investing in strategic assets such as real estate and private placements, including infrastructure projects, which have longer-term investment horizons. Financial market volatility risk is also expected to be mitigated through limited allocations to hedge fund assets and similar absolute return strategies, which are expected to generate less volatile returns because they can take both long and short positions on securities and therefore should be able to benefit in times of rising as well as falling markets. Diversification across various asset classes and managers continues to be an important management tool used in reducing volatility and risk. Note 3 E) ii) c) to the Consolidated Financial Statements provides more information on the management of this risk.

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 2008, benefit payments from the plan and administration costs totalled $211.2 million. These expenses were partially offset by employee contributions to the plan of $35.0 million, and employer contributions of $16.8 million. The cash flow requirement for the balance of benefit payments was generated through investment income of $127.4 million and proceeds on disposal of assets. The Fund maintains a portfolio of highly liquid short-term notes that allows it to meet the Plan's ongoing liquidity requirements. The management of liquidity risk is further described in Note 3 E) iv) to the Consolidated Financial Statements.

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 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 SIP&P 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 E)(iii) to the Consolidated Financial Statements provides more detail on this subject.

Foreign Currency and Exposure Risk

The Fund invests in non-Canadian 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 its foreign currency risk. With the exception of currency forward contracts held as part of hedge fund portfolios, total market value of the forwards 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. Note 3 E) ii) a) to the Consolidated Financial Statements provides more information on the management of foreign currency and exposure risk.

Investment Performance

The Fund uses a specialized external firm which provides portfolio performance measurement and benchmark data.

The year 2008 was marked by increasing credit and financial market turmoil. Developments in the US housing and structured finance markets continued to clog the banking sector and credit markets and created downward pressure on global economic growth. These developments also triggered a sharp decline in equity markets. The relative value of the Canadian dollar fell substantially as commodity prices declined sharply in the second half of the year.

Against this backdrop, the Fund's total rate of return in 2008 was -7.9% which was 0.3% lower than the Fund asset reference portfolio benchmark of -7.6%. Comparatively, in 2007, the Fund's total rate of return was 2.7% which was 0.2% lower than the reference asset portfolio benchmark of 2.9%.

The overall 0.3% underachievement of the asset benchmark in 2008 reflected mixed performance against benchmarks amongst the asset classes. On a four-year basis, the total Fund return was 4.0% which exceeded the overall asset reference portfolio benchmark return of 3.7% by 0.3%.

As described earlier in this Annual Report, a liability benchmark was introduced in the last quarter of 2005 to track changes in the Plan’s asset values in relation to the impact of movements in interest rates and inflation on its estimated solvency funding liabilities. The Plan’s annual return of -7.9% in 2008 was lower than its Liability Benchmark return of 3.4%, which has the effect of decreasing the estimated financial position.

The following tables provide a comparison of the Fund’s performance against its asset and liability benchmarks, along with a year-over-year comparison of the rates of return for the individual asset categories. This includes the asset weights and the actual returns by asset category compared to benchmark returns.

Investment Performance vs. Benchmarks	2008	2007	2006	2005	4-years
Fund Rate of Return	(7.9)%	2.7%	10.2%	12.2%	4.0%
Asset Benchmark	(7.6)	2.9	9.3	11.1	3.7
Value Added to Asset Benchmark	(0.3)	(0.2)	0.9	1.1	0.3
Liability Benchmark (introduced October 2005)	3.4	3.0	0.5	-	-
Value Added to Liability Benchmark	(11.3)	(0.3)	9.7	-	-

	2008			2007		
ASSET CATEGORIES	Categories as a % of Total Assets	Asset Benchmark Return	Actual Return	Categories as a % of Total Assets	Asset Benchmark Return	Actual Return
Cash & Short-Term Investments	**10.5%**	**3.3%**	**3.5%**	8.0%	4.4%	5.1%
Canadian Bonds:						
- Nominal	**37.0**	**2.7**	**0.8**	36.4	3.4	3.0
- Real Return	**12.6**	**(0.8)**	**(0.8)**	11.6	1.1	1.1
Canadian Equities	**8.0**	**(33.0)**	**(24.8)**	12.3	9.8	8.8
Global Equities	**17.6**	**(25.6)**	**(29.5)**	19.4	(8.2)	(10.0)
Strategic[1]	**12.9**	**6.8**	**0.8**	12.2	8.0	14.8
Bond Overlay	**1.4**	**0.6**	**0.5**	0.1	0.8	0.5
Total	**100.0**	**(7.6)**	**(7.9)**	100.0	2.9	2.7

[1] The Strategic category return includes publicly-listed income trust units that were acquired from the conversion of a privately-held investment of the Fund.

Fund Asset Review

The economic environment

The economic story of 2008 can be divided into two halves. During the first half of the year, the deterioration in the US housing sector worsened as delinquencies and defaults on mortgages began to rise. It was however widely held that the US housing crisis would be contained solely to the housing sector and to the US. Early in the year, economic indicators seemed to confirm this containment theory as first quarter GDP and business and consumer activity remained positive. Oil prices continued to rise on scarcity fears and speculative trading, hitting record levels in July and intensifying inflation fears. Overshadowing the economic situation however was an unfolding credit crisis. Many of the US mortgages were used as collateral for various complex investment vehicles and held as assets by global banks. As the US housing crisis deteriorated, the resultant decline in the value of the mortgage-related bank assets was pervasive enough to weaken the balance sheet of the global banking system. As banks tried to salvage their balance sheets they restricted lending activity not only to consumers and businesses but also to other banks, thereby creating a crisis of confidence in the global banking system.

By the second half of 2008, the restriction in lending activity and credit availability by the banks began to take its toll on the world economies. Recessionary indicators were first revealed in Japan as weakening export demand and lackluster consumer spending led to two quarters of negative GDP rates. China's GDP growth rate, while still positive at 6.8%, was weaker than previously enjoyed double digit growth rates due to falling foreign investment, slowing retail sales and weakening export sales. European economies quickly followed suit as business and consumer sentiment plunged amidst tightening employment conditions and deteriorating domestic investment and spending activity. In the US, revised data revealed that, according to the National Bureau of Economic Research, the US had been in a recession since November 2007. US consumer confidence fell as the employment situation turned grim and the full impact of excess consumer indebtedness hit home. Canada's exposure to oil, gas and agricultural commodities cushioned its descent into recession as signs of economic weakness such as rising unemployment, declining manufacturing activity and plummeting trade positions only came to light late in the year.

By year end the economic trends of rising unemployment, falling inflation, deteriorating trade conditions and plummeting consumer confidence and consumption were exhibited by the developed as well as the emerging countries as the synchronous nature of this recession became apparent.

Cash and short-term investments

2008 was another year of volatility in the short-term investment markets. Money markets were again roiled as events initially triggered by the US sub-prime crisis continued to spread through the US and global banking sectors. The Canadian money market was impacted by these events, with corporate and bank credit spreads widening significantly. Although the Bank of Canada eased benchmark rates a number of times to multi-decade lows, money continued to flow to the security of government T-Bills in the uncertainty fostered by the credit crisis for much of the year.

The Fund invests its cash in quality and highly liquid short term 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.

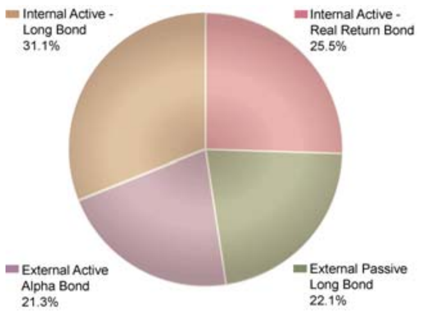
In 2008, the Fund had on average approximately $369.6 million or 9.2% of assets in cash and short-term investments as it made tactical calls to overweight its cash and short-term notes position as the equity market turmoil emerged. The one-year rate of return for the internally managed portfolio of the Fund was 3.5%, which was some 20 basis points above the benchmark portfolio return of 3.3%. The portfolio is primarily positioned in the one to three month maturity area. Over a four-year period the rate of return was 4.0%, which was 40 basis points over the benchmark return of 3.6%.

At December 31, 2008, cash and short-term investments represented 10.5% of the Fund's investments at fair value.

Bonds

It was the best of times; it was the worst of times. 2008 was truly a tale of two bond markets. Globally, most sovereign debt performed exceptionally well as Central Banks dropped benchmark rates in some cases to effectively 0% to combat the credit and economic crises. Yet corporate debt provided abysmal returns as investors abandoned anything that had any remote risk in favour of the safety of federal bonds. For the year overall, Government of Canada bond yields fell a staggering 65 to 265 basis points across the yield curve, with larger decreases in the shorter end of the curve thereby significantly steepening the curve. Provincial yields were modestly lower, while corporate yields were generally higher. Yield decreases in the US ranged from 228 basis points in the 2 year term to 178 basis points for the 30 year bond. Curiously, while shorter term rates in US government debt fell less than in Canada, longer term yields dropped substantially more.

MARKET VALUE OF BONDS
(as at December 31, 2008)
$1,876.9 million



The year began with great uncertainty regarding the outlook for the bond market. The liquidity crisis had emerged in August 2007, and had already caused corporate spreads to widen to what would historically be viewed as attractive levels. The US housing market was weak, but other sectors of the US economy appeared to be fairly healthy. However, in January global equity markets tumbled hard as the economic slowdown spread. The US Federal Reserve Board (US Fed) acted quickly with a rare inter-meeting easing. In March 2008, several investment banks ran into liquidity problems, and again the US Fed moved to engineer a bailout and provide extra liquidity measures to most financial entities. This helped to somewhat stabilize the markets. Government interest rates, after falling most of the first quarter, rose back up to year end levels during the second quarter, but corporate spreads remained elevated. Stagflation became the big concern as commodity prices set new highs on almost a daily basis. Headline inflation screamed higher, although core inflation rates remained relatively steady. Commodity prices, particularly oil, topped out in July, and began a rapid descent. Also in July, it became apparent that the two US mortgage giants, known as Freddie Mac and Fannie Mae, had serious liquidity problems. Once more into the breach rode the US Fed by effectively guarantying their debt in August. More troubles arose in September, with the US Fed providing a lifeline to the insurance giant AIG, but letting investment bank Lehman Bros file for bankruptcy. It is now widely believed that this precipitated the disastrous markets of October as investors globally tried to unwind any investments with Lehman. The Canadian corporate market effectively seized up as investment bond yelds dove sharply in November to new lows in a massive flight-to-liquidity as it became apparent that the global recession was expanding rapidly and deflation, not inflation, was the greater risk.

OVERALL BOND PORTFOLIO

Overall, the Fund's Canadian bond nominal asset rate of return for 2008 was 0.8 %, which was 190 basis points below the DEX Long Bond benchmark return of 2.7%. Over a four-year period, the rate of return was 3.7%, which underperformed the benchmark of 4.3%. The Fund also holds real return bonds, which yielded a return of -0.8% in 2008 and had a fair value of $478.4 million at December 31, 2008. At year-end, nominal and real return bonds represented 49.6% of the Fund's investments at fair value.

INTERNAL BOND PORTFOLIO

The Internal Bond Portfolio had moved to an overweight position in corporate holdings early in the year to take advantage of what were historically very attractive yields. Unfortunately the credit and economic troubles morphed into the worst global financial crisis since the Great Depression. This resulted in corporate spreads widening out to unprecedented levels, and resulted in the Internal Bond Portfolio significantly underperforming its benchmark. Moreover, the Portfolio was invested in government guaranteed debt that underperformed due to the lack of liquidity. The overall duration of the portfolio had minimal impact on the performance of the portfolio. The vast majority of this underperformance occurred in the fourth quarter. For the year, the Portfolio returned 0.1% against its benchmark of 2.7%.

PASSIVE LONG BOND FUND

The externally managed Passive Long Bond portfolio holds a subset of the Canadian long bond universe and is expected to generate risks and returns similar to the DEX Long Bond Index. In 2008 the portfolio generated a return of 2.2% compared to a benchmark return of 2.7%.

ALPHA BOND PORTFOLIO

This active portfolio is a combination of three investment vehicles comprised of an enhanced Canadian nominal long bond exposure overlayed by a shorter duration, US fixed income strategy and a hedge fund component. In 2008 this portfolio generated a return of 0.1%, underperforming its benchmark return of 2.7%. The portfolio seeks to add value through a globally diversified, multi-sector and broad multi-strategy approach within the fixed income markets. The portfolio's lesser performance occurred mostly in the second half of the year as conditions in the credit markets weakened, as evidenced by widening corporate spreads and worsening trading liquidity. In addition, rising funding costs on the alpha strategies also impacted performance. As part of an asset mix call to reduce bond exposure and increase cash positions, this portfolio was reduced by $50 million in the third quarter of 2008.

Canadian Equities

The Canadian stock market continued its winning ways in the first half of 2008, with surging commodity prices sending the market up 9% to a new record high in June. The party was short-lived however, as the market quickly fell victim to its own successes. Fueled by what turned out to be the inevitable crash of the commodity bubble, the heavy resource based Canadian stock market suffered big losses in the second half of the year, closing the year down 33%. In just six months, the market lost nine years of gains.

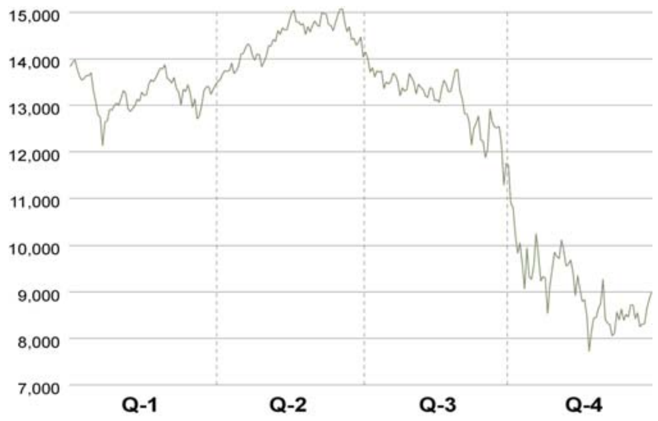
The lower chart shows the 2008 returns (including dividends) for the ten sectors comprising the S&P/TSX Capped Composite Index.

The selloff was broad based, with all sectors generating negative returns in 2008. Only 19 stocks had positive returns, with 63 stocks down 50% or more on the year. Leading the market lower was the Information Technology sector, with the once darling Nortel Networks down a staggering 98% and heavyweight Research in Motion down 56%. Despite reassurances from the Canadian Government that our banks are the safest in the world, the Financials sector lost 36.4%. Also underperforming the market were the Consumer Discretionary sector down 35.5% and the Energy Sector down 33.9%. The only real bright spots from a relative return perspective were the Consumer Staples sector down 6.1% and Utilities down 20.5%.

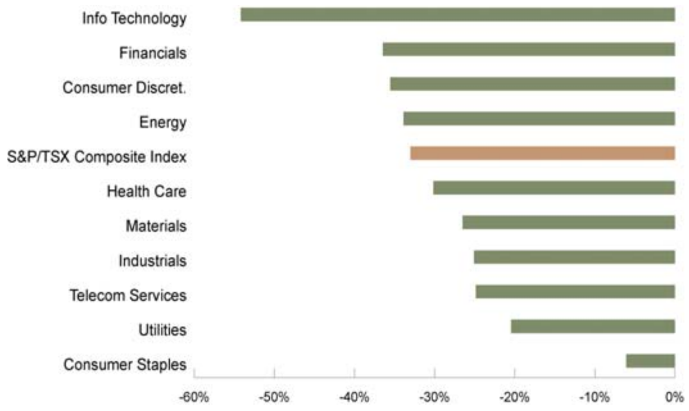
Factors influencing the Canadian Equity Market in 2008 were:

- A global financial crisis that led to the collapse of some of the largest financial institutions in the world and a virtual freezing of the credit markets worldwide.
- Increasing evidence of weakening global economies, leading to a surge in job losses by year end in both Canada and the US.
- Collapse of commodity prices with oil down 59.2%, Nickel down 59%, Copper down 57%, Zinc down 53% and Natural Gas falling 25%.
- Gold was the only commodity to rise in 2008, with a gain of 3%.

S&P/TSX CAPPED COMPOSITE INDEX
2008



S&P/TSX CAPPED COMPOSITE INDEX
Total Return by Sector
2008



- Extremely volatile currency markets with the Canadian dollar depreciating 22% versus the US dollar.
- Record easing of interest rates by central banks worldwide, with the Bank of Canada cutting its prime lending rate from 4.25% at the beginning of the year to 1.5% by December.
- The failure of the BCE Inc. takeover by the Ontario Teachers' Pension Plan.

OVERALL CANADIAN EQUITY PORTFOLIO

The Fund’s overall Canadian Equity asset rate of return for 2008 was -24.8% compared to the S&P TSX Composite Index benchmark return of -33.0%. Over a four-year period, the rate of return was 4.3% while the benchmark returned 1.7%. At year-end, Canadian equities represented 8.0% of the Fund’s investments at fair value.

CANADIAN INTERNAL PORTFOLIO

The Canadian Equity Internal Portfolio had its best year ever in relative performance terms in 2008, outperforming the S&P/TSX Composite index by 1441 basis points. The portfolio avoided the heavy losses associated with the crash in commodity prices by prudently maintaining an aggressive underweight position in the Energy and Materials sectors of the market. The portfolio also sold out of a significant portion of financial services holdings ahead of the sharp fall in prices in 2008. Overweight positions in the Consumer Staples, Utilities, Telecom, and Gold sectors also contributed to outperformance. Positive stock selection was also a factor as the portfolio outperformed in nine of the ten sectors.

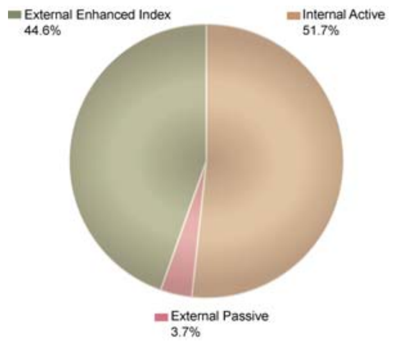
CANADIAN SMALL CAP PORTFOLIO

As part of the 2008 asset mix strategy to reduce the Fund’s exposure to Canadian equity and particularly to the more volatile small cap space, the Canadian Small Cap portfolio was terminated early in the year. The sales proceeds were invested into a passive S&P/TSX Composite Index Fund.

CANADIAN ENHANCED PORTFOLIO

One of the externally managed Canadian equity portfolios is the Canadian Enhanced Index portfolio. The objective of this 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 broadly diversified. In 2008, the portfolio generated a return of -29.4%, outperforming the index return of -33.0%. The value added of 360 basis points was largely due to avoiding or underweighting a number of highly leveraged and fragile stocks in the index. During the year, the portfolio was reduced to support the asset mix strategy away from Canadian equity and into cash.

MARKET VALUE OF CANADIAN EQUITIES
(as at December 31, 2008)
$303.0 million



CANADIAN EQUITY INDEX FUND

A $40 million passive Canadian Equity Fund was added at the beginning of 2008 for the implementation of tactical asset mix calls. By mid year, as the outlook for Canadian equity deteriorated and the asset mix strategy moved to reduce exposure, $25 million was sold for cash. As expected this portfolio’s performance for the year was index like with a return of -30.3% versus the benchmark return of -29.7%.

Global equities

In 2008, the world was witness to an historic year of volatility, both in the world economy and in financial markets. The majority of securities, apart from government bonds, fell dramatically in value as the world came to grips with the worst financial crisis in generations. Unfortunately, there was really nowhere to hide. The year can easily be broken down into two parts, the first six months where global economies dealt with surging commodity prices and percolating inflationary pressures and the second six months, marred by a banking system on the verge of collapse. Global equities were not spared.

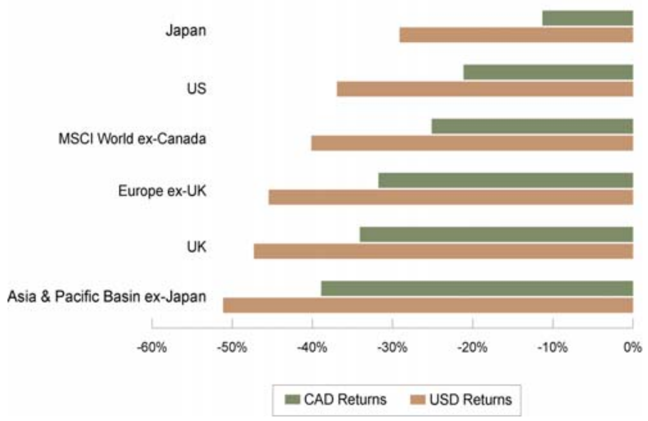
The MSCI World ex-Canada Index fell 25.6% in Canadian dollar terms in 2008. Were it not for the underperformance of the Canadian dollar, returns would have been even worse still. Geographically, all regions generated double-digit declines in value, with most regions down over 20% on the year. On a sector basis, it was not surprising to see that Financials and the economically-sensitive Materials sector were the hardest hit, declining by 42.4 % and 39.3% respectively. Also, unsurprising was that the “recession-resistant” sectors of Health-care and Consumer Staples were the best-performing, falling 3.4 % and 1.1% respectively in 2008.

No area of the world was able to escape the equity carnage. Emerging market equities underperformed against developed market equities for the first time in eight years. Asia Ex-Japan was the worst-performing geographic area of the world due to exposure to export-reliant countries such as China. There are now significant headwinds to growth for all export-dependent Asian economies, as a result of significantly slowing developed markets worldwide. The collapse in commodity prices has also negatively-impacted commodity-based economies such as Brazil.

The Euro-zone area continued to deal with housing busts occurring in Spain and Portugal along with problems stemming from many divergent economies being overseen by one central bank and managed by a single monetary policy. While not as highly-levered at a consumer level, Germany continued to be hampered by slowing exports on which they have come to depend. Meanwhile in the UK, problems persisted due to a severe housing market decline and banking system that had tremendous dependency on rising home prices.

As for the world’s largest economy, the US, it remained the focal point of the world’s financial and economic woes. US consumers re-trenched from years of over-spending beyond their means. The sub-prime crisis blossomed into an all-out financial crisis. Housing prices continued to fall in the US and this severely restricted options for banks whose balance sheets remained bloated with mortgage assets that continued to decline in value. Until such time as housing stabilizes, balance sheets will require more and more infusions to shore up capital ratios. As a result, Financial sector returns were the worst on record for 2008.

MSCI WORLD EX-CANADA INDEX
2008 Returns by Region
(total returns in Canadian & U.S. dollar terms)



The Materials sector was not far behind in terms of losses, as the so-called commodity bubble collapsed in mid-year due to both a rapidly declining global economy as well as a stronger US dollar. Oil prices also fell precipitously resulting in a 21% decline for the Energy sector for the year. The Consumer Staple and Healthcare sectors did provide some relief as declines were much more modest to reflect the defensive nature of the component companies.

OVERALL GLOBAL EQUITY PORTFOLIO

The Fund's overall Global Equity asset rate of return for 2008 was -29.5% compared to the S&P MSCI World ex-Canada Index benchmark return of -25.6%. Over a four-year period, the rate of return was -4.2% while the benchmark returned -3.5%. At year-end, Global equities represented 17.6% of the Fund's investments at fair value.

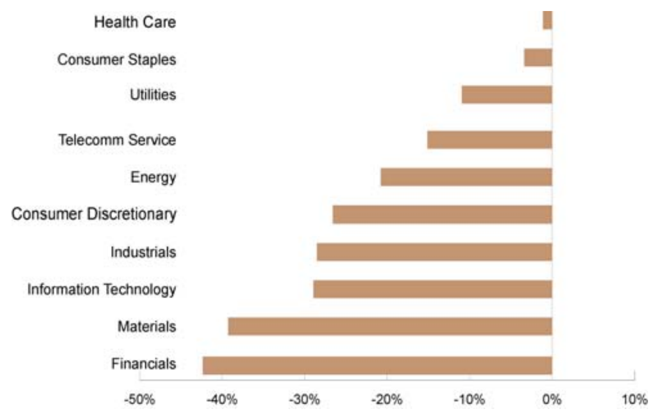
INTERNAL GLOBAL PORTFOLIO

The internal active global equity portfolio declined 16.3% in Canadian dollar terms in 2008, resulting in 930 basis points of outperformance to its benchmark. Avoiding "landmines" was the key component to the outperformance in 2008. The portfolio, which focused on holding quality companies with solid balance sheets and brand name franchises, benefited from its defensive positioning. At the sector level, the portfolio outperformed in nine of the ten sectors on the year, specifically benefiting from overweight positions in Healthcare and Consumer Staples sectors and a significant underweight position in Financials.

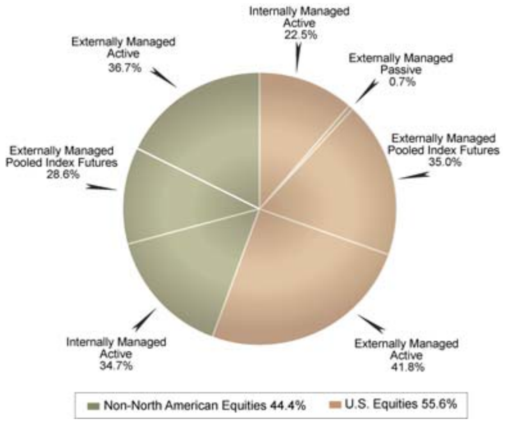
U.S. ENHANCED PORTFOLIO

Within the global equity asset class is an enhanced S&P 500 index portfolio. This portfolio of approximately 150 US stocks is designed to generate slightly higher than index returns while maintaining risk statistics that are similar to that of the S&P 500 index. In 2008, due to poor stock selection within the Health Care, Consumer Staples and Industrials sectors, the portfolio underperformed its benchmark with a return of -22.8% compared to -21.2% for its index.

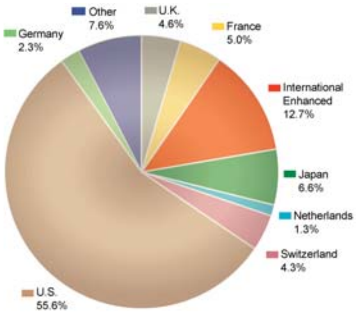
MSCO WORLD EX-CANADA INDEX
2008 Return by Sector
(total returns in Canadian dollar terms)



MARKET VALUE OF GLOBAL EQUITIES
(as at December 31, 2008)
$666.8 million



GLOBAL EQUITIES
International Mix
(%)



U.S. VALUE PORTFOLIO

The US Value portfolio, which had been significantly reduced in 2007 due to the underperformance of the mandate, was terminated during the first quarter of 2008. The portfolio was redeemed for cash pursuant to the asset mix strategy.

INTERNATIONAL CORE PORTFOLIO

The Core EAFE portfolio holds companies that display strong growth characteristics while trading at a reasonable price. Although the mandate involves investing in the EAFE markets, the manager has the discretion to invest up to 15% in the emerging markets. For 2008, the portfolio fell short of its return goal generating index like returns of -29.3% versus the -29.2% of the MSCI EAFE index. The portfolio's underperformance related mostly to poor stock selection within Japan and the UK and by sector within Utilities, Energy and Telecom Service. During the year, the manager reduced its exposure to the emerging markets and increased its cash positions.

INTERNATIONAL SMALL CAP PORTFOLIO

The mandate for the EAFE Small Cap equity portfolio was terminated early in 2008. There were several reasons for the termination, including organizational changes to the management team, poor performance and management's call to reduce small cap exposure at the total Fund level. Proceeds from the mandate were split between a passive International Hedged Equity product and the Fund's cash position.

HEDGED SYNTHETIC US EQUITY POOLED FUND AND PASSIVE US STANDARD & POOR'S DEPOSITORY RECEIPTS

The passive Hedged Synthetic US Equity Pooled Fund and the passive US Standard & Poor's Depository Receipts ("SPDRs") are held to implement tactical asset mix calls relating to the US S&P 500 index. The Hedged Synthetic US Equity Pooled Fund which holds exposure to the S&P 500 stocks also includes a currency hedge to eliminate the fluctuations between the US and Canadian dollars. This vehicle is used to gain US equity exposure but not US dollar exposure. The SPDRs are priced in US dollars and are used to obtain both US stock and currency exposures when the Fund's view is that US dollar appreciation is likely. Given the outlook for the US economy, the asset mix strategy for 2008 called for only minimum exposure to the US equity market. Accordingly for most of the year, the Fund was reducing exposure to these investments. However in order to remain compliant with minimum policy weight constraints and as the US stock market continued to decline, there were flows into these funds for rebalancing purposes. As the Canadian dollar value declined in 2008 the Pooled Fund's underperformance detracted from this portfolio.

HEDGED SYNTHETIC INT'L EQUITY POOLED FUND

The passive Hedged Synthetic International Equity Pooled Fund is held to implement asset mix calls related to the EAFE markets. This pooled fund consists of futures on the largest stock markets of the EAFE nations as well as currency hedges between the local currencies and the Canadian dollar. Early in the year the asset mix strategy called for a neutral policy weight exposure to EAFE stocks rather than US stocks. Over the year however, as the EAFE stock markets also generated dismal returns, the strategy moved to hold only policy minimum weights to these markets. The portfolio performed slightly better than the index with a return of -34.0% versus the benchmark return of -34.4%.

STRATEGIC INVESTMENTS

There are three components to the Fund's strategic investments: property, which includes real estate and mortgages, private placements and hedge funds. The benchmark for the strategic components is the DEX 90 T-Bill index plus 3.4%.

PROPERTY

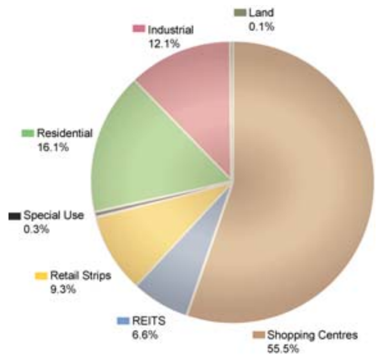
The property market in Canada performed reasonably well in 2008 given the turmoil in the bond and equity markets. Although economic fundamentals were deteriorating, the impact tends to hit commercial real estate with a lag. Hence, occupancy levels generally continued to new cyclical highs and there remained pockets of upward pressure on lease rates. After several years of spectacular declines there appeared to be only a modest increase in capitalization rates, reducing market values ever so slightly. This could be deceiving, however. Commercial property transactions have markedly fallen off, particularly in the fourth quarter of the year. There appears to be a dichotomy between buyers and sellers, with buyers looking for the price of offerings to fall, and sellers still expecting yesterday's higher prices. As a result, appraisers are reluctant to drop valuations with so little evidence to go by. Investors in Canadian REITs have reacted, with market values of REITs falling substantially in 2008. Some of this reflects issues due to the nature of REITs, but the decline also shows the investor concerns for the underlying real estate.

The office sector continued to perform well, but there are threatening signs. Vacancy rates remained historically low, especially in downtown markets, but they are now trending upwards. Of greater concern is the increase in sublet space for rent. This has been particularly notable in western centres such as Calgary and Edmonton. The precipitous decline in the price of oil has forced energy companies to quickly cut development plans and payrolls. Lease rates have stabilized after several years of increases. The retail sector also had a relatively good year, but the sharp fall off of consumer spending late in the year has resulted in at least one major bankruptcy, with more expected shortly. Vacancy levels, although low, have been rising and lease rates appear to be leveling out.

The economic downturn has also begun to hit the industrial sector. Net absorption had been strongly positive early in the year, helping to populate the sizable new supply. However, the situation deteriorated in the second half of 2008. Calgary net rents dropped sharply in response to the fall in the commodity markets, but still remained the most expensive industrial market in Canada. Unlike the other sectors, multi-residential has been thriving as the downturn in the housing market is resulting in greater demand for rent space. Lease rates are generally stable.

In 2008, the return on the total property portfolio was 6.6% compared to the benchmark of 6.8%. While slightly underperforming its benchmark, the portfolio performance benefited from uplift in values due to increased cash flow as a result of higher occupancy and rising lease rates, and a modest decline in the capitalization rate on some properties compared to the prior year. The REIT investments within the portfolio tumbled in value, although they outperformed the REIT index. The major transaction of the year was the sale of the Fund's interest in the Convention Centre Hotel and office complex in Toronto. The Fund received a paydown on the notes held on several properties in Pyxis, its real estate joint venture, as a result of mortgages placed on those properties. By year end, the total property portfolio represented about 7.5% of the Fund's assets.

PROPERTY TYPE
(%)



PRIVATE PLACEMENTS

The private placements portfolio consists of non-publicly traded equities and debt instruments. The portfolio is mostly invested in funds and fund-of-funds managed by specialized asset managers. These instruments are less liquid than their publicly-listed counterparts and are managed on a long-term hold basis. Short term performance will fluctuate but over the long-term, the portfolio is expected to generate higher returns than the more liquid asset classes. In order to reduce risk, the portfolio is diversified by industry, market capitalization and geography. As part of the Plan's target asset mix policy, the amount allocated to private placements is determined within the context of the combined strategic asset class exposures which also include property and hedge funds.

Two new commitments were made in the private placements portfolio in the year. These two investments were consistent with our strategy of increasing portfolio exposure to the infrastructure space and to the expected benefits to be gained from increased European country and corporate integration. In addition the strategy also concentrated on managing the existing portfolio and funding the six new funds added to the portfolio in 2007. Other activities in the year included managing the patient sale of a large income trust holding in the portfolio which was completed in November. The private placement portfolio generated a return of -3.2% versus its benchmark of 6.8% Within this diversified portfolio, infrastructure holdings and buy out funds generated mostly double-digit positive returns while venture capital investments and holdings in China funds did poorly in the year. Mixed results were achieved in the Fund's holdings of mezzanine debt. In addition, the portfolio, which holds some US, UK and European positions, was impacted by the fluctuating currency markets in the translation of values.

Overall, on December 31, 2008, the private placement portfolio represented 4.4% of the Fund's investments at fair value.

HEDGE FUND

The Fund invests in an externally managed multi-strategy hedge fund. The three main investment strategies used by this hedge fund are based on the relative value among the G-10 countries' stock and bond markets, among global currencies and along the global interest rate yield curves. The portfolio was positioned for a reversion to historical levels between government bonds and equity markets. As investors became more risk averse however, these markets moved even further apart. In this environment, the strategy was hurt by an underweight to government bonds which were viewed as highly overvalued and a corresponding overweight to equities. The portfolio holds no exposure to corporate bonds. As markets remained distorted from historical levels, the portfolio manager reduced the size of its relative calls. During the second quarter of 2008, the portfolio was reduced in half due to performance issues. In Canadian dollar terms, the hedge fund portfolio generated annual returns of -20.7% and against its benchmark of 6.8%. The portfolio represented 0.9% of the Fund's investments at market as at December 31, 2008.

BOND OVERLAY PORTFOLIO

In order to minimize Plan surplus volatility as part of the LDI strategy, while at the same time allowing for an enhancement of return over bonds, a Bond Overlay strategy was introduced in 2007, using fixed income derivative instruments. Although fixed income instruments provide a better match to Plan liabilities, their long-term expected return is lower than for many other asset classes, which makes a 100% bond portfolio less than optimal. The bond overlay strategy allows for unmatched assets with higher return potential, such as equities, private placements and real estate, to form part of the Plan's asset mix, while at the same time ensuring that the Plan's assets have the required interest rate and inflation sensitivity. This structure is designed to produce overall Fund return fluctuations which mirror more closely the movement in the pension liabilities it is intended to cover, all the while producing an enhanced return over that of an all-bond portfolio.

Although a variety of instruments exist for implementing a bond overlay strategy, the total liability benchmark return swap provides the best tracking to the Pension Plan's liabilities. The total return swap is a derivative instrument that effectively allows an investor to receive the total investment return of a combination of nominal and real return government bonds in return for paying a money market based funding cost. With the credit and liquidity events of 2008, the cost of funding total return swaps increased, as the spread that counterparties were charging over the Canadian Deposit Overnight Rate ("CDOR") rate rose considerably. In recognition of the increased cost base, the use of total return swaps to obtain the bond market exposure was limited during the year and instead, the strategy made use of bond forwards, which provide similar market exposure but are priced off the Bank of Canada's repo rates for government bonds as opposed to CDOR rates. Repo rates were positively impacted, on a relative basis, by the general market flight to both quality and liquidity.

During the year the bond overlay exposure amount was increased from approximately $1 billion to the full target exposure amount of approximately $1.8 billion. The full target bond overlay exposure was reached in September 2008.

In 2008, the bond overlay portfolio returned 0.5% in terms of total Plan assets, compared to its benchmark return of 0.6%. The underperformance is attributable to the portfolio's holding of exposure to nominal provincial bonds, which saw yields widen out against Government of Canada bonds. The latter are heavily weighted in the all government long bond portion of the portfolio's benchmark index. The increase in provincial yields reflected the flight to quality and liquidity following the escalation of the credit crisis in the final quarter of the year.

The provincial bond exposure has the potential for yield pick up over Government of Canada bonds. It is expected that provincial bonds will outperform Government of Canada bonds as the flight to quality and liquidity unwinds.

As of December 31, 2008, the market value of the Bond Overlay program was $51.5 million. Its notional value, which reflects the value of the swaps' and forwards' underlying asset exposure, was $1.8 billion.

Change in Net Assets Available for Benefits

The Fund's net assets available for benefits decreased $501.8 million from $4,311.9 million at December 31, 2007 to $3,810.1 million at December 31, 2008.

Increase in Assets

INVESTMENT INCOME

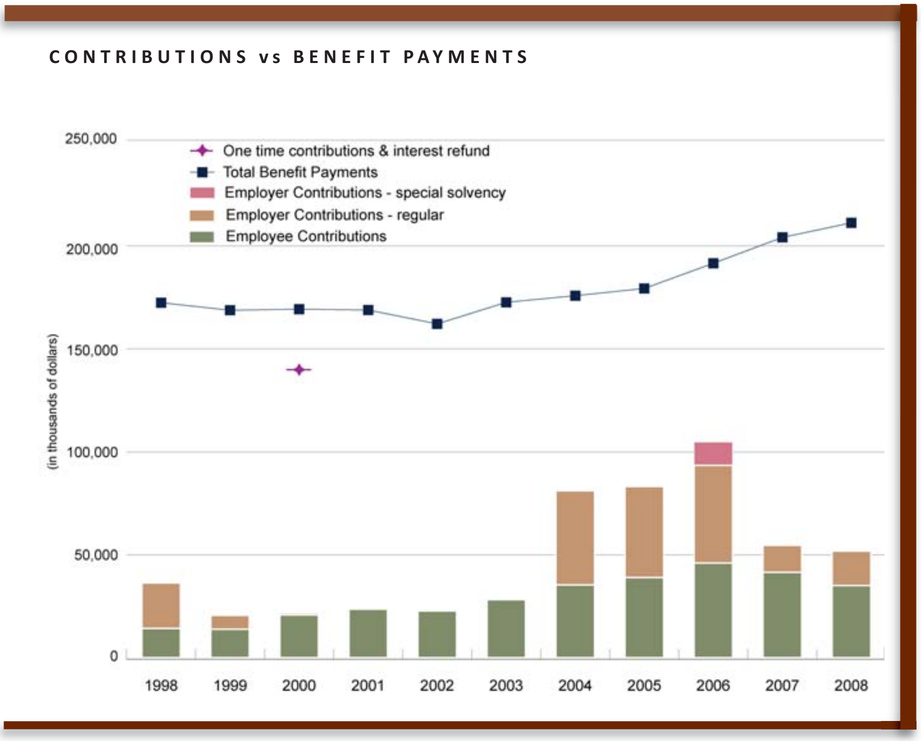
Total investment income of $127.4 million, which includes interest and dividends earned during the year as well as income from real estate properties net of operating and interest expenses, decreased by $13.6 million when compared to the previous year. This decrease was due primarily to a reduction in the amount of dividend income due to a reduction in the proportion of equity investments held during the year, as the Fund moved to limit its exposure to the volatile stock markets.

CONTRIBUTIONS

Total contributions of $51.8 million reflect an overall decrease of $2.8 million when compared to the previous year's total of $54.6 million. This decrease is largely attributable to the net effect of two factors. The first is an overall decrease of $6.5 million in employee contributions due to a lower level of buy-backs of past service in 2008. This decrease is partially offset by an increase of $3.7 million in Plan sponsor contributions. Sponsor contributions resumed in October 2008 after having been suspended in April 2007, at which time a sponsor contribution holiday had resulted from the filing of the December 31, 2006 actuarial valuation of the Plan. Employee current service contributions increased by $2.1 million in 2008, while the number of active contributors increased from 7,937 at the end of 2007 to 8,115 at the end of 2008. Past service contributions decreased $7.8 million, reflecting a lower level of buy-back activity after the completion in 2007 of a special buy back project that began in 2006 following amendments to the Plan's elective service provisions. Net transfers with other plans decreased by $0.7 million and employee contributions to the flexible pension provision of the Plan remained fairly static at $0.7 million.

The table below shows a ten-year history of contributions compared to benefit payments. It illustrates the level of maturity of the Plan, with benefit payments that are significantly higher than contribution levels.

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/Radio-Canada 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. Based on the solvency deficit revealed by the 2005 actuarial valuation, the Plan sponsor was required to make special solvency contributions of $11.3 million in 2006. Following the surpluses revealed by the 2006 actuarial valuation, the Plan sponsor contributions were suspended starting in April 2007 and resumed in October 2008.



Decrease in Assets

CHANGE IN FAIR VALUE OF INVESTMENTS

The change in the fair value of investments in 2008 represented a decrease of $453.5 million and reflects both realized and unrealized gains and losses during the year. The decrease is largely attributable to the impact of the sharp decline in market conditions and the turmoil experienced during the year, with changes in the fair value of Canadian and Global equities representing $400 million of the total. There were also net realized and unrealized losses of $72 million in the bond portfolios, following increases in real return bond market yields during the year and reflecting widening spreads on the Fund's investments in corporate bonds. These net decreases in the fair value of the Fund's investments were partially offset by an increase of $20 million, comprised of realized and unrealized net gains on the Fund's bond overlay portfolio. There were less significant gains and losses in the Fund's other investment holdings in 2008.

BENEFITS

The Plan paid $211.3 million in benefits during 2008, an increase of $7.1 million when compared to the $204.2 million in 2007. Within the total benefits category, pension payments increased by $7.2 million due primarily to a 1.88% cost of living adjustment effective January 1, 2008 and an increase of 111 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 increased marginally by $0.1 million, while pension benefits purchased using FlexPen benefits decreased $0.2 million.

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 2008 totaled $14.7 million, a decrease of $2.4 million over the previous year. Total administrative expenses represented a cost of 36.2 cents per $100 of average assets under management in 2008, compared to 39.7 cents per $100 of average assets in 2007.

The decrease in administrative expenses related primarily to reductions in external investment management fees of $1.6 million, internal investment management fees of $0.1 million and pension benefit administration costs of $0.2 million. External investment manager fees decreased following lower market and investment portfolio performance in 2008 than in 2007 and also as a result of adjustments made to external asset management mandates in 2007, as the Fund terminated certain external equity portfolio mandates.

The Fund participates in an annual external benchmarking study that covers the fund management portion of its administrative expenses, with the latest study being undertaken for the 2007 financial year. The study established a benchmark operating cost for a fund of our size, asset mix and nationality of 36.5 cents per $100 of average assets under management. For only those operating costs that formed part of this study, the equivalent actual costs for the Fund in 2008 were 31.3 cents per $100 of average assets under management, indicating that these expenditures for the management of the CBC Pension Fund continue to compare favourably to the industry.

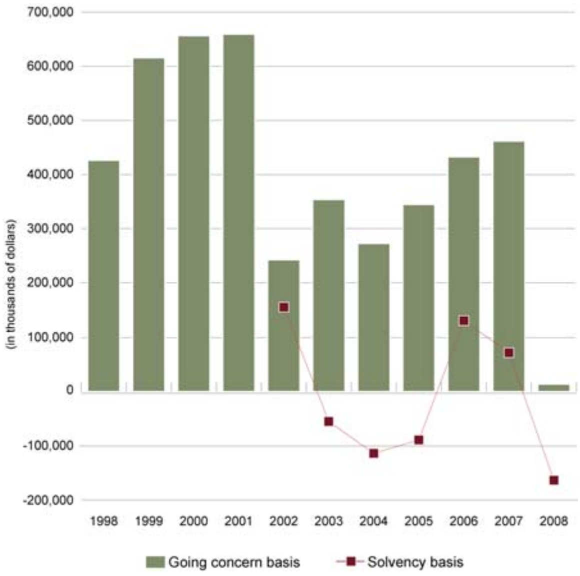
The 2009 approved budget for administrative expenses includes a decreased allocation for expected investment management fees reflecting recent market declines and portfolio reductions, an increase for salary costs in line with the Fund's compensation policy and staffing actions and an increase in data processing costs for new software implementation. It also includes an increase in Board of Trustee expenses that reflects the fact that an actuarial valuation will be performed. Minor fluctuations are anticipated in the other expense categories reported in Note 13 in the Consolidated Financial Statements.

Accrued Pension Benefits

The Fund's assets are managed to provide a rate of return over the long-term sufficient to cover the liabilities and attempt to minimize increases in contribution rates. A formal actuarial valuation is prepared by the Plan's actuaries, a minimum of every three years, the latest of which was at December 31, 2006. This valuation determines the accrued pension benefits and the 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 pension 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 CBC/Radio-Canada in determining the contribution rates required to cover 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 the Board's best estimate of expected economic trends.

The results from these valuations are reported in the Consolidated Financial Statements. The methodology and key assumptions underlying the actuarial valuation and projections are described in Note 10 to the Consolidated Financial Statements. The primary long-term economic assumptions used in the 2008 projection were unchanged from those used in the 2006 acuarial valuation.

As at December 31, 2008, on a going concern basis which is the basis used for financial reporting purposes, the accrued pension benefits were projected at $3,796.0 million, an increase of $118.0 million from the previous year's total of $3,678.0 million. Over the same period, the actuarial value of net assets available for benefits decreased $329.8 million from $4,139.9 million to $3,810.1 million. This reflects the negative market performance which decreased the market values of the Fund's assets and caused the elimination of the actuarial assets value adjustment which results from the Plan's policy of smoothing of realized and unrealized net capital gains over a four year period for actuarial purposes. It also reflects the impact of the sponsor contribution holiday in effect from January to September 2008. The net result of these factors was a decline in the estimated $461.9 million going-concern funding excess at the end of 2007 to $14.1 million at the end of 2008.



FUNDING EXCESS
as at December 31

As required under the Pension Benefits Standards Act (PBSA) and for reporting purposes to OSFI, the Plan's actuary also values the Plan on a solvency basis. Using this method, which simulates a plan wind-up, the projected funding deficit was $163.9 million as at December 31, 2008. This compares to an estimated funding surplus as at December 31, 2007 of $71.9 million. The primary reasons for the estimated decrease in the solvency deficit were similar to those impacting the going concern position and the solvency basis actuarial liabilities were also impacted by interest movements during the year.

As previously described, under federal regulations, the Plan's funding position is determined based on the lower of the going concern and solvency funding surplus or deficit amounts as determined in the latest actuarial valuation. Under the current regulatory framework, the next formal actuarial valuation will be required by December 31, 2009.

USE OF ESTIMATES

Under Canadian generally accepted accounting principles, the Plan is required to make estimates when accounting for and reporting assets, liabilities, investment income and expenses, and to disclose contingent assets and liabilities in the Plan's financial statements. Continual re-evaluation of estimates is also required. The areas of financial reporting that are the most dependent on estimates are the Plan's measurement of accrued pension benefits and the fair value of its investments.

Actuarial assumptions are used in determining accrued pension benefits and reflect the Board's best estimate of future economic and non-economic factors. The primary economic assumptions include the asset rate of return, salary escalation rate and rate of inflation. The non-economic assumptions include mortality, withdrawal and retirement rates of the members of the Plan. The Plan's actual experience could differ from these estimates and the differences are recognized as experience gains and losses in future years.

The fair value of investments is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Management, portfolio managers and appraisers' best estimates are used in selecting the valuation assumptions to determine fair value of non-publicly traded investments.

FUTURE ACCOUNTING AND REPORTING CHANGES

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The objective of the change is to move towards the use of a single set of global accounting standards, thereby facilitating international capital flows and enhancing financial reporting and transparency. The Plan will be required to adopt IFRS for its 2011 fiscal year, with comparative 2010 financial results. In April of 2008 the Canadian Institute of Chartered Accountants (CICA) announced that pension plans would continue to apply CICA section 4100 – Pension Plans rather than the IFRS standard IAS 26. It is expected that pension plans would still refer to other IFRS standards for additional guidance. Although Canadian generally acceptable accounting principles (GAAP) are similar to IFRS, there are some GAAP differences that will impact the Plan's processes and note disclosures and could impact its financial results.

The Plan is currently in the planning phase of its conversion to IFRS. It is in the process of identifying GAAP differences, identifying potential business impacts, developing the project plan and providing training to staff. As it moves closer to the date of adoption of IFRS, the Plan will assess the implications of conversion, as well as estimate the impact and work to implement and ensure the accuracy of the changes. It is currently not possible to assess the full impact on the Consolidated Financial Statements and the potential business impacts, as the IFRS standards and their interpretation are evolving.

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. 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.

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

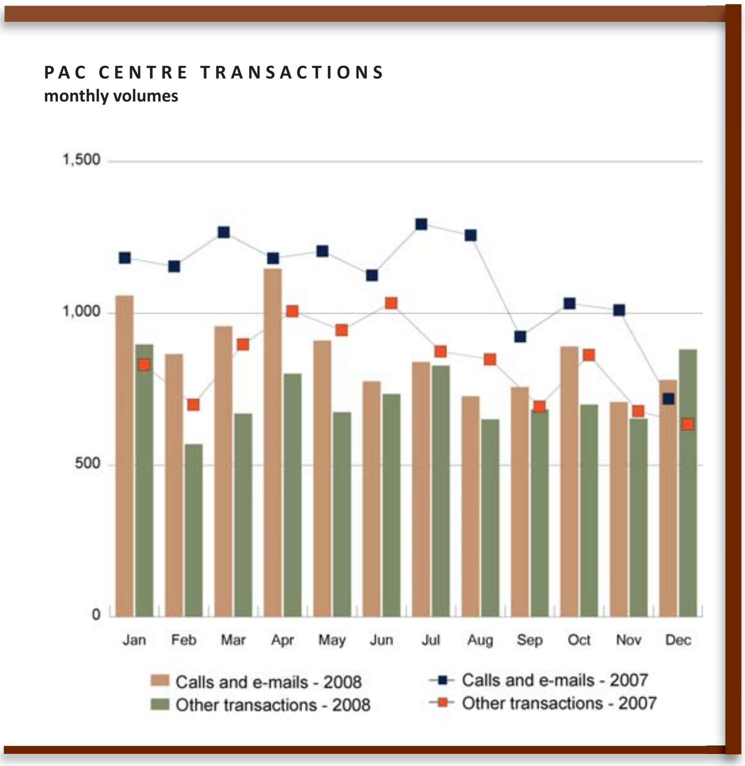
Performance standards for the pension benefit administration services address the practices and processes required to execute, in a timely and efficient manner, the major responsibility noted above as well as other varied functions in pension related activities such as:

- 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; and
- 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 PAC had another successful year in 2008 based upon the service levels achieved, satisfaction survey results and utilization volumes. The overall target for completing 90% of transactions within defined service level timeframes was exceeded, coming in at 94% for the year.

Ongoing satisfaction surveys during the year among callers to the PAC showed an aggregate overall rating of excellent/good in over 93% of those surveyed.

Statistics on the general web usage reveal that the total number of log-ins, which includes multiple log-ins, was 14,814 for employees and 1,988 for pensioners. In total 7,580 employee visits and 1,029 pensioner visits to the web site. There were 2,972 employees who accessed the short-term quoter for a total of 8,084 pension quotes. The use of the web site features is efficient and cost effective. The PAC received a total of 10,410 calls, of which 3,702 were from active members and 6,708 from pensioners and inactive members. The chart below identifies the monthly volumes of transactions at the PAC. Volumes in 2008 were lower than in 2007, reflecting the completion in early 2007 of a special buy-back project as well as transaction process efficiencies realized during 2008.



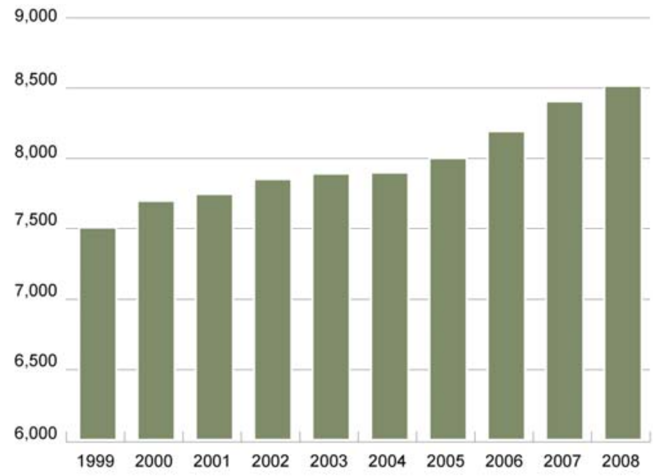
PAC CENTRE TRANSACTIONS
monthly volumes

The table below 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 2008, there was an increase of 111 in the number of pensions being paid, compared to 2007. Over a five year period, the total number of pensions being paid increased 7.8% from 7,898 in 2004 to 8,516 in 2008.

The accompanying chart illustrates the increase in the number of pensioners over the past ten years.

NUMBER OF PENSIONERS

10-year history



Year Ending December 31	2008	2007	2006	2005	2004
Total number of persons (or estates) to whom contribution refunds and pension benefit transfers were paid during the year	**220**	217	205	275	154
The number of pensions transferred to other plans	**12**	12	11	3	11
Pension benefit credits transferred to former spouses (active employees)	**4**	5	3	2	7
PENSIONS BEING PAID					
Pension being paid to pensioners	**6,819**	6,745	6,554	6,394	6,357
To spouses of deceased employees and pensioners	**1,588**	1,543	1,521	1,511	1,442
To former spouses due to division of pension credits	**64**	65	63	60	56
To children of deceased employees and pensioners	**45**	52	55	36	43
Total pensions being paid	**8,516**	**8,405**	**8,193**	**8,001**	**7,898**

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 (Canada) 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.

Debra Alves
Managing Director/CEO
CBC Pension Plan

Suzanne Morris
Secretary/Treasurer
CBC Pension Board of Trustees

February 17, 2009

Actuary's Opinion

Mercer (Canada) Limited was retained by the CBC Pension Board of Trustees (the "Board") to estimate the going concern and solvency liabilities and to calculate the actuarial value of the assets of the CBC Pension Plan (the "Plan") as at December 31, 2008, for inclusion in the Plan's financial statements.

The Plan's actuarial liabilities as at December 31, 2008 are based on extrapolations of the results of the actuarial valuation as at December 31, 2006 and take into account:

- membership data provided by CBC/Radio-Canada as at December 31, 2006;
- methods prescribed under Section 4100 of the Canadian Institute of Chartered Accountants' Handbook for pension plan financial statements; and
- assumptions about future events, such as 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.

We have estimated the impact of plan experience in 2007 and 2008 related to aging, salary increases, mortality of pensioners and pension indexation. The extrapolations are otherwise based on the assumption that, in aggregate, experience between December 31, 2006 and December 31, 2008 is in line with the actuarial assumptions.

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 as at December 31, 2006 and the extrapolations to December 31, 2008. We also believe that the methods employed in the valuation and the assumptions are, in aggregate, appropriate for the purposes of the valuation and the extrapolations. 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 (Canada) Limited
Ottawa, Ontario

February 17, 2009

Auditors' Report

To the CBC Pension Board of Trustees

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and funding excess of the CBC Pension Plan as at December 31, 2008 and the consolidated 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 consolidated financial statements are the responsibility of the CBC Pension Board of Trustees' management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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, 2008 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
Licensed Public Accountants

Ottawa, Ontario

February 17, 2009

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND FUNDING EXCESS

(in thousands of dollars)

As at December 31	2008	2007
ASSETS		
Investments *(Note 3)*	**$ 3,782,001**	**$ 4,294,887**
Accrued Investment Income	**9,754**	9,331
Accounts Receivable *(Note 6)*	**4,598**	4,484
Contributions Receivable *(Note 7)*	**14,566**	4,677
FlexPen Investments *(Note 8)*	**6,409**	8,212
	3,817,328	**4,321,591**
LIABILITIES		
Accounts Payable *(Note 9)*	**7,243**	9,673
NET ASSETS AVAILABLE FOR BENEFITS	**3,810,085**	**4,311,918**
Actuarial Asset Value Adjustment *(Note 10)*	-	(171,978)
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS *(Note 10)*	**3,810,085**	**4,139,940**
ACCRUED PENSION BENEFITS *(Note 10)*	**3,796,000**	**3,678,000**
FUNDING EXCESS *(Note 12)*	**$ 14,085**	**$ 461,940**

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

Approved by the Board of Trustees

Trustee

Trustee

Approved by Management

Managing Director/CEO

Secretary/Treasurer

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in thousands of dollars)

Year Ended December 31	2008	2007
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	**$ 4,311,918**	**$ 4,367,238**
INCREASE IN ASSETS		
Investment Income *(Note 3)*	**127,445**	141,023
Contributions *(Note 7)*	**51,797**	54,629
TOTAL INCREASE IN ASSETS	**179,242**	**195,652**
DECREASE IN ASSETS		
Current Year Change in Fair Value of:		
- Investments *(Note 3)*	**453,488**	29,991
- FlexPen Investments *(Note 8)*	**1,599**	(338)
Benefits *(Note 11)*	**211,254**	204,156
Administration Expenses *(Note 13)*	**14,734**	17,163
TOTAL DECREASE IN ASSETS	**681,075**	**250,972**
DECREASE IN NET ASSETS AVAILABLE FOR BENEFITS	**(501,833)**	**(55,320)**
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	**$ 3,810,085**	**$ 4,311,918**

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

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS

(in thousands of dollars)

Year Ended December 31	2008	2007
ACCRUED PENSION BENEFITS BEGINNING OF YEAR	**$ 3,678,000**	**$ 3,554,917**
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on Accrued Pension Benefits	**225,619**	218,308
Benefits Earned	**89,651**	94,953
Flex Pen *(Note 8)*	**(882)**	1,168
Net Experience Losses *(Note 10)*	**14,866**	12,810
	329,254	**327,239**
DECREASE IN ACCRUED PENSION BENEFITS		
Benefits *(Note11)*	**211,254**	204,156
	211,254	**204,156**
NET INCREASE IN ACCRUED PENSION BENEFITS	**118,000**	**123,083**
ACCRUED PENSION BENEFITS END OF YEAR	**$ 3,796,000**	**$ 3,678,000**

CONSOLIDATED STATEMENT OF CHANGES IN FUNDING EXCESS

(in thousands of dollars)

Year Ended December 31	2008	2007
FUNDING EXCESS BEGINNING OF YEAR	**$ 461,940**	**$ 432,970**
Decrease in Net Assets Available for Benefits	**(501,833)**	(55,320)
Change in Actuarial Assets Value Adjustment	**171,978**	207,373
Increase (Decrease) in Actuarial Value of Net Assets Available for Benefits	**(329,855)**	152,053
Net Increase in Accrued Pension Benefits	**118,000**	123,083
FUNDING EXCESS END OF YEAR *(Note 12)*	**$ 14,085**	**$ 461,940**

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

NOTES TO CONSOLIDATED 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 0055144.

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 1st 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 ($44,900 in 2008) 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 most recent actuarial valuation of the Plan was performed as of December 31, 2006. Under the Federal *Income Tax Act (ITA)*, due to the Plan's going-concern funding position at that date, the Plan sponsor could not contribute to the Plan until the going-concern funding excess, as determined at the time of 2006 valuation, had been reduced by $77 million. Contributions from the Plan sponsor were suspended in April 2007 and resumed in October 2008, by which time the funding excess had been reduced by $77 million.

d) Income tax status

The Plan is a Registered Pension Trust as defined in the *ITA*, 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 in accordance with Canadian generally accepted accounting principles on a 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 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. Inter-company transactions and balances are eliminated in preparing these consolidated financial statements.

c) **Investments**

Investments are recorded as of the trade date and are stated at fair value. Fair value is an estimate of 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.

d) **Accrual of income**

Interest and dividend income have 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. For 2008, the value of the pension benefit obligations constitutes an extrapolation from the results of the previous formal valuation using the projected benefit method prorated on service and the Board's best estimate of future economic events (see note 10). 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.

j) **Changes in Accounting Policies**

On January 1, 2008, the Plan adopted the new Canadian Institute of Chartered Accountants (CICA) accounting standards 3862, Financial Instruments - Disclosures and 3863, Financial Instruments - Presentation, which revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. The new disclosures provide additional information on the nature and extent of risks arising from financial instruments to which the Plan is exposed and how it manages those risks and are included in note 3.

On January 1, 2008, the Plan also adopted the new CICA accounting standard 1535, Capital Disclosures, which specifies disclosure to be provided about (i) an entity's objectives, policies, procedures and processes for managing capital, (ii) quantitative data about what the entity regards as capital, (iii) whether the entity has complied with any capital requirements and (iv) the consequences of non-compliance if any. Note 4 has been added to provide these disclosures.

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 $40.0 million at the end of 2008 ($36.6 million in 2007). 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.

2008 INVESTMENTS

	Fair Value	Cost	Current year Change in Fair Value of Investments [1] (in thousands of dollars)	Investment Income	Total Return
Fixed Income					
Cash and Short-Term Investments	$ 397,030	$ 397,145	$ 1,775	$ 11,389	$ 13,164
Canadian Bonds	1,876,899	1,950,572	(72,254)	73,058	804
	2,273,929	2,347,717	(70,479)	84,447	13,968
Equities					
Canadian	303,041	309,555	(114,794)	10,899	(103,895)
Global	666,761	830,032	(285,188)	15,462	(269,727)
	969,802	1,139,587	(399,982)	26,361	(373,622)
Strategic					
Property (Note 5)	285,009	220,985	4,734	14,263	18,998
Private Placements	167,559	176,277	1,382	1,818	3,200
Hedge Funds	34,196	47,329	(10,081)	556	(9,525)
	486,764	444,591	(3,965)	16,637	12,673
Bond Overlay					
Bond Forwards and Swaps	51,506	-	20,938	-	20,938
TOTAL	$ 3,782,001	$ 3,931,895	$ (453,488)	$ 127,445	$ (326,043)

[1] *The 2008 Change in Fair Value of Investments includes $224.0 million of unrealized losses and $75.1 million of unrealized gains on foreign exchange.*

2007 INVESTMENTS

	Fair Value	Cost	Current year Change in Fair Value of Investments [1] (in thousands of dollars)	Investment Income	Total Return
Fixed Income					
Cash and Short-Term Investments	$ 342,141	$ 342,090	$ (3,760)	$ 10,487	$ 6,727
Canadian Bonds	2,052,585	2,057,880	(22,590)	72,461	49,871
	2,394,726	2,399,970	(26,350)	82,948	56,598
Equities					
Canadian	573,740	421,162	44,388	13,204	57,592
Global	817,887	800,443	(114,763)	23,874	(90,889)
	1,391,627	1,221,605	(70,375)	37,078	(33,297)
Strategic					
Property (Note 5)	299,197	233,147	35,050	15,454	50,504
Private Placements	120,072	139,020	18,080	4,629	22,709
Hedge Funds	84,277	91,473	(7,555)	914	(6,641)
	503,546	463,640	45,575	20,997	66,572
Bond Overlay					
Bond Forwards and Swaps	4,988	-	21,159	-	21,159
TOTAL	$ 4,294,887	$ 4,085,215	$ (29,991)	$ 141,023	$ 111,032

[1] *The 2007 Change in Fair Value of Investments includes $299.6 million of unrealized gains and $89.9 million of unrealized losses on foreign exchange.*

B) Determination of Fair Values

Fair values of investments are determined as follows:

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

ii) Bonds consisting primarily of listed securities are recorded at closing mid-market quotes or if not available are valued based on discounted cash flow techniques.

iii) Equities consisting primarily of listed securities are recorded at prices based on quoted market closing prices or if not available through management valuation techniques.

iv) Private Placements consisting primarily of unlisted securities and debentures are valued at prices based on management's and fund managers' best estimates using one of the following methods: earnings multiple, discounted cash flows or earnings, available market prices and price of recent investment. These methodologies reflect generally accepted industry valuation practices, which include the International Private Equity and Venture Capital Valuation Guidelines developed by AFIC (Association Française des Investisseurs en Capital), BVCA (British Private Equity & Venture Capital Association) and EVCA (European Private Equity & Venture Capital Association).

v) Hedge Funds and similar alternative investment funds are recorded at fair value based on net asset values obtained from each of the fund's administrators. These net asset values are reviewed by management.

vi) Derivative financial instruments entered into by the Plan are recorded at fair value based on quoted market closing prices and market valuation techniques.

vii) Property, consisting of mortgages and real estate, is valued as follows:

a) Mortgages are secured by real estate and generally represent loans made at commercial mortgage rates to corporations. These loans are generally payable and amortized over periods of up to fifteen 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, as a proxy for fair value. Other real estate investments are recorded at estimated fair values determined by using appropriate industry valuation techniques and best estimates by property managers and/or independent appraisers who hold professional appraiser designations. Periodic appraisals use either one or more of three basic methodologies to arrive at an indication of value: the cost approach, the income approach and the direct comparison approach. In periods between appraisals, valuations are reviewed and updated for changes in market and property specific parameters.

C) Derivative Financial Instruments

Derivative financial instruments are financial contracts whose values are derived from changes in underlying assets, interest or currency exchange rates. The Plan uses fixed income derivative instruments as part of its liability driven investment strategy which hedges the interest rate and inflation risk mismatch in the Plan's assets and liabilities. The Plan may also, from time to time, manage some of its foreign currency exposure based on economic fundamentals.

Notional values represent the face amount of the contract to which a rate or price is applied in order to calculate the exchange of cash flows. Notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions. Rather, these values serve as the basis upon which the returns from, and the fair value of the contracts, are determined. Accordingly, notional values are not recorded as assets and liabilities in the financial statements.

The following table summarizes the notional amounts and fair value of the Plan's derivatives contracts as at December 31:

(in thousands of dollars)	2008		2007	
INVESTMENTS	NOTIONAL VALUE	NET FAIR VALUE	NOTIONAL VALUE	NET FAIR VALUE
Bond Forwards	$ 1,586,534	$ 45,948	$ 903,250	$ 4,182
Total Return Swaps	200,000	5,558	100,000	806
	$ 1,786,534	$ 51,506	$ 1,003,250	$ 4,988

Bond forwards are contracts between two counterparties where one counterparty agrees to buy a bond, and the other agrees to sell a bond at an agreed future date, but at a price established at the start of the contract.

Total return swaps are contracts between two counterparties where one agrees to pay the total return (interest payments and any capital gains or losses) from a specified reference asset and the other counterparty agrees to pay a specified fixed or floating cash flow. The reference asset for the Plan's total return swaps are various fixed income indexes.

The net fair value of derivative contracts as at December 31 is represented by:

(in thousands of dollars)	2008	2007
Derivative-related receivables	$ 54,190	$ 5,817
Derivative-related payables	(2,684)	(829)
	$ 51,506	$ 4,988

All derivatives contracts have a term to maturity under one year.

D) Securities Lending

The Plan participates in securities lending programs whereby it lends securities in order to enhance portfolio returns. Any such securities lending requires high quality collateral with a fair value equal to no less than 105% of the value of the securities lent. As of December 31, 2008, securities with an estimated fair value of $101.0 million (2007 - $214.0 million) were loaned out, while securities contractually receivable as collateral had an estimated fair value of $106.1 million (2007 - $224.9 million).

E) Financial Risk Management

i) Overview

The CBC Pension Plan invests in assets that expose the Plan to a range of investment risks. The Plan invests in riskier assets to earn a higher rate of return than would be achieved through the investment in a minimum risk portfolio (MRP). The MRP is the portfolio that would minimize the Plan's overall risk. The Plan has strategies, policies and processes in place to manage these risks and to ensure it is being properly compensated for the risks it is taking. The Plan's objective is not to minimize risk, but to optimize risk relative to the Plan's risk tolerance. As discussed in the Management Discussion and Analysis (MD&A) portion of the Annual Report, the Plan follows a Liability Driven Investment (LDI) strategy that focuses on reducing the interest rate and inflation risk mismatch between the Plan's assets and liabilities. The Plan's Statement of Investment Policies and Procedures (SIP&P) sets out the Plan's investment framework and risk limits. The SIP&P, which is prepared in accordance with applicable legislation, is updated and approved annually by the Plan's Board of Trustees. It defines eligible investments, asset mix ranges and diversification requirements. Compliance with the SIP&P is evaluated and reported to the Plan's Board of Trustees on a monthly basis. The Plan's processes for selecting and evaluating portfolio managers, as well as the Plan's investment security selection processes are key components of the Plan's financial risk management system. Derivatives are also used to manage certain risk exposures.

ii) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Plan's exposure to market risk comes about through its investment in different types of assets. While the vast majority of the Plan's investments expose the Plan to some form of market risk, the degree of risk varies considerably by investment. One of the key ways that the Plan manages market risk is by diversifying its investments across asset classes, industry sectors, countries, currencies, investment strategies and individual companies.

a) Currency Risk – Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Plan is exposed to currency risk through its investment in financial instruments denominated in currencies other than the Canadian dollar. Changes in the value of foreign currencies relative to the Canadian dollar can increase or decrease the fair value and future cash flows of these investments. Currency risk is managed through SIP&P defined limits on maximum currency exposures, diversification among currencies and through the active hedging of foreign currency exposures. The SIP&P defined maximum exposure to foreign currencies is 40% of the market value of the Plan's assets. As at December 31 the Plan had investment exposure to foreign currencies as set out below:

	2008	2007
(in thousands of dollars)	Foreign Currency Exposure	Foreign Currency Exposure
United States	$ 462,048	$ 506,349
Euro Countries	101,454	159,614
Japan	65,791	63,028
Switzerland	52,806	42,429
United Kingdom	52,021	68,980
Australia	38,262	9,071
China	17,241	-
Sweden	4,219	8,228
Hong Kong	3,394	7,842
Other	5,964	27,942
	$ 803,200	**$ 893,483**

A 1% increase in the Canadian dollar against all other currencies would decrease the value of the Plan's assets by $8.0 million or 0.2%. A 1% decrease in the Canadian dollar against all other currencies would increase the value of the Plan's assets by $8.0 million or 0.2%. This calculation is based on the Fund's direct foreign currency holdings and does not include secondary impacts of exchange rate changes.

b) Interest Rate Risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Pension liabilities also contain a significant component of interest rate risk. The Plan's interest rate risk exposure arises due to any mismatches between the interest rate sensitivity of the assets and the liabilities. The Plan's Liability Driven Investment (LDI) strategy is designed to manage the Fund's interest rate risk as it relates to both the Plan's assets and liabilities, as described on page 15 and 16 of the MD&A section of the Annual Report. The Plan's overall asset mix, fixed income duration and interest rate derivatives are all used to hedge the Plan's interest rate risk. As interest rate risk is one of the key risks facing the Plan, the Plan conducts a significant amount of interest rate sensitivity and scenario analysis. The Plan closely monitors its overall interest rate risk exposure and interest rate risk hedging effectiveness through a detailed set of performance report cards and dashboards.

Changes in interest rates directly affect the value of the Plan's fixed income investments, including fixed income derivative instruments and also have a significant influence on the value of equity investments and foreign exchange. As at December 31, 2008, and after giving effect to derivative contracts, an increase of 1% in nominal interest rates would result in a decline in the value of the fixed income investments and derivatives of approximately $435 million or 11.5% of the Fund value. A 1% reduction in nominal interest rates would increase the value of the fixed income investments and derivatives by $435 million or 11.5 % of the Fund value. This is based on the duration of the holdings and does not include other variables such as convexity.

With respect to pension liabilities, as at December 31, 2008 and holding inflation and salary escalation assumptions constant, a 1% reduction in the assumed long-term rate of return would result in an increase in the pension liabilities, which are measured on a going-concern basis, of approximately 14.0%. A 1% increase in the assumed long-term rate of return would result in a decrease in the pension liabilities, which are measured on a going-concern basis, of approximately 11.0%.

c) Price Risk – Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Plan's exposure to price risk results primarily from its holdings of domestic and foreign equities, as well as through its investments in real estate and other strategic investments. Price risk is managed through SIP&P defined maximum and minimum exposure limits on regions, countries, economic sectors and single securities. As at December 31, 2008 the overall equity market exposure limits as a percentage of Plan assets were as follows:

(%)	Minimum	Long-term Target	Maximum
Canadian Equities	7	12	17
Global Equities	17	22	27
Total	24	34	44

Concentration of price risk exists when a significant portion of the portfolio is invested in securities with similar characteristics or subject to similar economic, market, political or other conditions. The following tables provide information on the Plan's price risk:

(% of category)	2008		2007	
EQUITIES	**CANADIAN**	**GLOBAL**	**CANADIAN**	**GLOBAL**
Financials	**27.0**	**26.0**	25.3	24.4
Energy	**23.2**	**7.9**	20.8	7.4
Information Technology	**4.7**	**9.2**	14.8	10.8
Materials	**15.2**	**3.5**	12.8	5.4
Industrials	**7.1**	**10.0**	7.0	14.4
Consumer Discretionary	**7.0**	**7.4**	6.5	11.1
Telecommunication Services	**6.7**	**6.1**	5.1	6.3
Consumer Staples	**4.0**	**13.5**	3.4	8.9
Utilities	**3.7**	**3.8**	2.4	3.2
Health Care	**1.4**	**12.6**	1.9	8.1
	100.0	**100.0**	**100.0**	**100.0**

Price risk related to equity indexes (i.e. S&P/TSX, S&P 500, MSCI EAFE, MSCI World X Canada) is calculated based on the Capital Asset Pricing Model (CAPM) and with the assumption of a constant risk free interest rate. Portfolio betas are obtained through Thomson Reuters .

(in thousands of dollars)	2008	2007
Canadian Equity		
Market Value	**303,041**	573,740
+/- 1% change in S&P/TSX	**2,907**	5,561
US Equity		
Market Value	**287,295**	330,441
+/- 1% change in S&P 500	**2,892**	3,522
Non-North American Equity		
Market Value	**210,404**	287,274
+/- 1% change in MSCI EAFE	**2,116**	2,493
Global Equity		
Market Value	**169,062**	200,172
+/- 1% change in MSCI World X Canada	**1,538**	1,982

iii) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Plan's main exposure to credit risk comes from its investment in debt instruments and over-the-counter derivatives, as described in note 3c. Debt instruments include both short-term notes and longer term fixed income investments. The credit risk in over-the-counter derivatives arises when the Plan has mark-to-market gains and is therefore owed funds by the counterparty to the derivatives transaction. The Plan's SIP&P defines permitted investments, in accordance with the PBSA and provides guidelines and restrictions on acceptable investments which mitigate credit risk. The SIP&P limits include minimum credit rating requirements, limits on types of investments, limits on exposure to single sectors and limits on exposure to single securities. The minimum bond credit rating permitted under the SIP&P is "BBB-". In order to minimize derivative contract credit risk, the Plan deals only with major financial institutions with a minimum credit rating of "A-". The Plan also has International Swaps and Derivatives Association (ISDA) agreements, netting provisions and/or collateral posting requirements with the majority of its derivative counterparties. The Plan leverages the resources of a major Canadian bank to provide it with independent credit assessments of its derivative counterparties. The Plan held $11.9 million of collateral in the form of Government of Canada bonds from its various derivative counterparties at December 31, 2008.

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.

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. The primary credit portfolio concentrations are as follows:

	2008		2007	
	Fair Value		Fair Value	
Bonds	(in thousands of dollars)	%	(in thousands of dollars)	%
Government of Canada	807,052	43.0	817,885	39.8
Provinces	728,433	38.8	729,805	35.6
Corporate	341,414	18.2	504,895	24.6

	2008		2007	
	Fair Value		Fair Value	
Bonds	(in thousands of dollars)	%	(in thousands of dollars)	%
AAA to AA-	1,334,460	71.1	1,110,762	54.1
A+ to A-	482,310	25.7	624,223	30.4
BBB+ to BBB-	60,129	3.2	317,600	15.5

The above table does not include derivatives or derivatives counterparty exposure. The Plan's fixed income derivatives notional exposure of $1.8 billion as at December 31, 2008 is 39% Government of Canada bonds and 61% Provincial bonds and has a minimum credit rating of "A-".

iv) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Plan is exposed to liquidity risk through its accrued pension benefits (as described in note 10), investment commitments (as described in note 14) and the mark-to-market of derivative positions. The Plan manages its short-term liquidity requirements through forecasting its cash flow requirements on a quarterly basis, monitoring of its cash flows on a daily basis and through its holdings of highly liquid short-term notes. These short-term notes, which generally mature over periods ranging from 1 day to 3 months, are managed so that their maturities cover the Plan's short-term outgoing cash flow requirements. The Plan aims to maintain minimum short-term note holdings equivalent to 3% of the Fund's value, which provides sufficient liquidity to meet contractual obligations as they come due. Over the medium to longer term, the Fund is also able to meet its liquidity requirements through its holdings of liquid investments such as publicly traded equities and fixed income instruments issued by the federal and provincial Canadian governments. The vast majority of the Plan's long-term fixed income instruments are held for trading purposes and are therefore not typically held to contractual maturity, and are thus considered to mature in less than one year.

4. Capital

The Plan's capital consists of the funding surpluses or deficits determined regularly in the funding valuations prepared by an independent actuary. The actuary's funding valuation is used to measure the financial well-being of the Plan. The objective of managing the Plan's capital is to ensure the Plan is fully funded to pay the plan benefits over the long term. The Pension Board of Trustees oversees the preparation of funding valuations and monitors the Plan's funded status. The Plan sponsor determines actions which may be taken to manage the funded position of the Plan.

The actuary tests the Plan's ability to meet its obligations to all current Plan members and their survivors. Using a set of economic and non-economic assumptions, the actuary projects the Plan's benefits on a going-concern basis to estimate the current value of the liability, which it compares to the sum of the Plan assets. The result of the comparison is either a surplus or a deficit. As part of the funding valuation, the actuary also performs a measurement of the Plan's assets and liabilities on a solvency basis, which simulates the wind-up of the Plan.

A funding valuation is required to be filed with the pension regulator at least every three years. A projection of the actuarial valuation is performed by the actuary in years when funding valuations are not prepared. In addition, the Pension Board of Trustees obtains quarterly reports from the actuary and monthly reports from management which estimate the Plan's going-concern and solvency financial positions, which assist the Pension Board of Trustees in monitoring the Plan's capital.

The most recent projection of the actuarial valuation and funding position are disclosed in notes 10 and 12.

5. Real Estate Joint Venture

The Plan is invested in a 30% - 70% joint venture, Pyxis Real Estate Equities. The following amounts represent the Plan's 30% proportionate interest in Pyxis at fair value before consolidation. Promissory notes are payable to the Plan.

(in thousands of dollars)	2008	2007
Assets		
Cash and Short-term Investments	$ 2,463	$ 4,652
Accounts Receivable	3,150	2,336
Property	62,344	59,936
Mortgages	-	-
Liabilities		
Accounts Payable	$ 2,335	$ 3,516
Promissory Notes	23,619	25,138
Mortgages Payable	29,538	25,994
Earnings		
Revenue	$ 12,137	$ 9,164
Expenses	(12,612)	(8,283)
Net Earnings from Continuing Operations	(475)	881
Net Loss from Discontinued Operations	-	(1,486)
Net Loss	**$ (475)**	**$ (605)**

6. Accounts Receivable

(in thousands of dollars)	2008	2007
Property	$ 4,222	$ 4,186
Other	376	298
	$ 4,598	**$ 4,484**

7. Contributions

The following are the contributions for the year:

(in thousands of dollars)	2008	2007
Employee		
Current Service	$ 29,123	$ 27,038
Past Service	5,151	12,951
Net Transfers	49	741
FlexPen (Note 8)	717	830
Employer	16,757	13,069
	$ 51,797	$ 54,629

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

(in thousands of dollars)	2008	2007
Employee Contribution	$ 5,296	$ 4,396
Employer	9,229	-
Reciprocal Transfer Receivable	41	281
	$ 14,566	$ 4,677

8. Flexible Pension (FlexPen)

The Plan includes a flexible component, FlexPen, under which members can make additional contributions to the Plan, up to limits within the *ITA*. 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 appreciation or depreciation thereon less purchases of additional pension benefits and transfers. This portion of the Plan benefits is funded entirely by members.

(in thousands of dollars)	2008	2007
Investment Beginning of Year	$ 8,212	$ 8,206
Contributions and Interest	717	830
Capital Appreciation (Depreciation)	(1,599)	338
	(882)	1,168
Purchase of Additional Pension Benefits and Transfers	921	1,162
Investment End of Year	$ 6,409	$ 8,212

9. Accounts Payable

(in thousands of dollars)	2008	2007
Investment Related	$ 2,985	$ 4,349
Benefits	1,141	1,902
Other	3,117	3,422
	$ 7,243	$ 9,673

10. Accrued Pension Benefits

a) Actuarial valuations are required at least every three years under the PBSA. The latest actuarial valuation was performed at December 31, 2006 by Mercer (Canada) Ltd. 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 reflect the Board's best estimates of expected economic trends and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality, withdrawal and retirement rates. The primary economic assumptions include the asset rate of return, salary escalation rate and inflation rate, which were as follows:

	Long term assumptions	
	2008	2007
Asset rate of return	6.25%	6.25%
Salary escalation rate[1]	3.25%	3.25%
Inflation rate	2.50%	2.50%

[1] *excluding merit and promotional salary increases*

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

In 2008, there were net experience losses of $14.9 million ($12.8 million in 2007) with respect to salary, indexation and post-retirement mortality compared to the assumptions used in the actuarial valuation conducted as at December 31, 2006. There were no changes in the actuarial assumptions in 2008 or 2007.

The PBSA requires that the Plan also be valued on a solvency basis, which simulates a plan wind-up. As of December 31, 2006, the date of the last actuarial valuation, the Plan's solvency liabilities were estimated at $4,232.1 million. Such liabilities were projected to be $3,970.0 million as at December 31, 2008.

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 fair value. Under this method, the fair 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.

11. Benefits

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

(in thousands of dollars)	2008	2007
Pensions	$ 201,251	$ 194,040
Refunds and Related Interest	7,938	1,630
Net Transfer of Contributions and Related Interest	1,144	7,324
FlexPen - Purchase of Additional Pension Benefits	921	1,162
	$ 211,254	$ 204,156

12. Funding Position

The last actuarial valuation of the Plan was performed as at December 31, 2006 and determined that the Plan had a funding excess of $433.0 million on a going-concern basis and a funding excess of $131.1 million on a solvency basis. The actuarial report was submitted to the Plan sponsor, as required under the Trust Deed, and to the Office of the Superintendent of Financial Institutions (OSFI). It is estimated that Plan had a going-concern surplus of $14.1 million and a solvency deficit of $163.9 million at the end of 2008.

Under the *ITA*, because the going-concern funding ratio was greater than 110% as at December 31, 2006, the Plan sponsor could not contribute to the Plan until the going-concern funding excess, as determined at the time of the 2006 actuarial valuation, had been reduced by $77.0 million. Contributions from the Plan sponsor were suspended in April 2007 and resumed in October 2008.

13. 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:

(in thousands of dollars)	2008	2007
Fund Administration		
Internal Management		
Salaries and employment cost	$ 2,772	$ 2,974
Professional fees	245	221
Data processing	961	908
Custodial fees and transaction costs	668	654
Office rent	359	325
Other	91	120
Total Internal Management	5,096	5,202
External Investment Management		
Management fees	5,729	7,384
Custodial fees and transaction costs	815	1,025
Property management	669	467
Total External Management	7,213	8,876
Total Fund Administration	12,309	14,078
Pension Benefit Administration		
External Administration	1,052	1,345
Salaries and employment cost	318	315
Professional fees	41	35
Data processing	30	-
Other	218	181
	1,659	1,876
Board of Trustees Expenses		
Professional Fees	226	456
Other	53	60
	279	516
GST	487	693
Total Administrative Expenses	$ 14,734	$ 17,163

14. 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, 2008, these potential commitments totaled $199.4 million (2007 - $168.1 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.

15. 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.

16. Comparative Figures

Certain of the 2007 comparative figures have been reclassified to conform to the current year's presentation.

Supplementary Financial Information

INVESTMENTS GREATER THAN $20,000,000
AS AT DECEMBER 31, 2008

ISSUER	COUPON	MATURITY DATE	FAIR VALUE (in million $)
NOMINAL BONDS			
TD Quant Emerald Canadian Broad Bond Fund			414.31
Barclays Global Investors CorePlus			344.43
Government of Canada	5.750%	Jun 01, 2033	42.19
Province of Quebec	6.250%	Jun 01, 2032	32.45
Province of British Columbia	5.700%	Jun 18, 2029	32.30
Government of Canada	5.720%	Jun 01, 2029	31.60
Province of Quebec	5.750%	Dec 01, 2036	30.68
Royal Office Finance LP	5.209%	Nov 12, 2032	23.71
Province of Ontario	4.700%	Jun 02, 2037	22.53
Government of Canada	9.000%	Jun 01, 2025	21.98
Quebec Hydro	6.000%	Feb 15, 2040	21.63
REAL RETURN BONDS			
Government of Canada	4.000%	Dec 01, 2031	167.74
Government of Canada	4.250%	Dec 01, 2026	84.01
Province of Quebec	4.250%	Dec 01, 2031	66.53
Government of Canada	3.000%	Dec 01, 2036	59.87
Province of Ontario	2.000%	Dec 01, 2036	41.16
Government of Canada	4.250%	Dec 01, 2021	33.70
Government of Canada	2.000%	Dec 01, 2041	25.38

ISSUER	FAIR VALUE (in million $)
CANADIAN EQUITIES	
Barclays Global Investors Enhanced Canadian Index Fund	135.12
GLOBAL EQUITIES	
TD Quant Emerald Synthetics International Equity Fund	84.61
Mellon Capital Multicurrency Class Global Opportunities Fund	34.20
U.S. EQUITIES	
TD Quant Emerald Hedged US Fund	129.88
S&P 500 Depository Receipts	43.42
PROPERTY	
Pyxis Real Estate Equities - Ogilvy Building,, Montreal	40.08
Morguard Investment Ltd. Res. Prop. (1) Inc. Pooled	34.79
Morguard Investment Ltd. Industrial Prop. (1) Pooled	34.59
Tonko Development - Westhill Equity	27.82
PRIVATE PLACEMENTS	
Macquarie Infrastructure LP, European Fund	29.06
Alinda Infrastructure Limited Partner Fund	21.93
TCW Energy Fund	21.26

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as at December 31

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Global Equities

Robert VandenBygaart, CFA
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Global Equities

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

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Glossary

ACTIVE MANAGEMENT - An investment management style that aims to achieve returns above a chosen benchmark or market index. It is the opposite of passive management.

ACTUARIAL VALUATION - An analysis of the financial condition of a pension plan which calculates the liabilities of the plan and costs of providing plan benefits. An actuary prepares the valuation and the pension plan must file the valuation with its pension regulator at least once every three years.

ACTUARY - A business professional who is a member of the Canadian Institute of Actuaries (CIA) and is responsible for preparing and signing actuarial valuations.

ASSETS - Plan assets refer to the property of the pension fund, primarily comprised of the fair value of its investments.

ASSET MIX - The percentage of a portfolio or fund that is invested in each of the main asset types (i.e. short –term notes, fixed income, Canadian equity, international equity and alternatives).

BASIS POINT - One one-hundredth of a percentage point (0.01 percentage point). For example, if the target for the overnight interest rate is raised from 2.75 % to 3.00 %, it has been increased by 25 basis points.

BENCHMARK - A standard against which the performance or characteristics of a portfolio or investment is evaluated. The S&P/TSX equity index and the DEX Universe Bond index are widely used Canadian equity and Canadian fixed income benchmarks respectively.

BETA -A quantitative measure of the sensitivity of an equity security or an equity portfolio to changes in its related benchmark index.

BOND FORWARDS - Contracts between two counterparties where one counterparty agrees to buy a bond and the other agrees to sell a bond at an agreed future date, but at a price established at the start of the contract.

BOND OVERLAY PORTFOLIO -
A portfolio of fixed income derivative instruments that are designed to hedge the Plan's interest rate and inflation risks without changing the Plan's physical asset mix. It is a key part of the Plan's Liability Driven Investment strategy.

CAPSA - Canadian Association of Pension Supervisory Authorities (CAPSA) is a national inter-jurisdictional association of pension supervisory authorities whose mission is to facilitate an efficient and effective pension regulatory system in Canada. It discusses pension regulatory issues of common interest and develops policies to further the simplification and harmonization of pension law across Canada.

CONSUMER PRICE INDEX (CPI) - An inflation measure computed by Statistics Canada which calculates the change in prices of a fixed basket of goods and services purchased by a typical Canadian consumer each month. The Consumer Price Index is used to calculate annual cost of living increases for pension benefits, also referred to as Indexing.

CONTRIBUTION HOLIDAY - A period when the contributions to a pension plan are put on hold, the most common reason for this being a situation of surplus.

CONVEXITY - Is a measure of the sensitivity of the duration of a bond to changes in interest rates.

DEFICIT - A deficit exists in a pension plan when the actuarial valuation determines that the value of the plan's assets are less than its liabilities.

DEFINED BENEFIT PENSION PLAN - The pension received is determined by a defined formula usually, but not always, based on a combination of earnings and years of Pensionable Service. The CBC Pension Plan is a Defined Benefit Plan.

DERIVATIVES - Derivatives are financial contracts, or financial instruments, whose values are derived from the value of something else (known as the underlying). The underlying on which a derivative is based can be an asset, (e.g. equities, bonds), an index (e.g. exchange rates, stock market indices) or other items. The main types of derivatives are: forwards (which if traded on an exchange are known as futures); options; and swaps. Derivatives can be used to hedge the risk of economic loss arising from changes in the value of the underlying.

DURATION - Is the weighted average term to payment of the cash flows on a bond.

FAIR VALUE - Is an estimate of 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.

FIDUCIARY - An individual or institution occupying a position of trust. An executor, administrator or trustee responsible for the assets belonging to another person.

FUNDED RATIO - The ratio of pension plan assets to pension plan liabilities as determined by the latest actuarial valuation. The funded ratio equals 100% when the value of the pension plan's assets and liabilities are equal. Can be measured on either a "solvency" or "going concern" basis.

GOING CONCERN VALUATION - Is a pension plan valuation that looks at the plan's funded status on the basis that the plan will continue to operate indefinitely.

GOVERNANCE - Pension plan governance refers to the structure, processes and safeguards for overseeing, managing and administering the plan to ensure the fiduciary and other obligations of the plan are met.

HEDGING - Using one kind of security to protect agains unfavorable movements in the price of another kind of security. Usually hedging is accomplished by the use of derivatives such as options, forwards, swaps or futures.

INDEXING (of Pension Benefits) - The periodic cost of living adjustment of pension benefits usually based on a percentage or capped value of the Consumer Price Index.

LIABILITIES - The amount required by the plan to cover the cost of paying current and future pension benefits.

LIABILITY DRIVEN INVESTMENT (LDI) - LDI, which is also known as asset/liability matching, is an investment strategy that manages a pension plan's assets relative to its liabilities with the intent to minimize pension surplus volatility. This is done primarily through the hedging of interest rate and inflation risk. Under LDI, pension plan assets are grouped in to matched and unmatched assets. Matched assets (fixed income) have the similar interest rate and inflation sensitivities as the pension plan's liabilities. Unmatched assets (equities and alternative investments) do not have the same interest rate and inflation sensitivities as the pension plan's liabilities.

MANAGEMENT FEE - A charge levied by an investment manager for managing an investment fund. The management fee is intended to compensate the managers for their costs and expertise.

MATURE PENSION PLAN - Is a pension plan where the number of retired members and employees near retirement is significantly greater than the number of younger plan members. Mature plans usually pay out more to retirees than they receive from members who are still working.

OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS (OSFI) - Is a federal agency established in 1987 under the Office of the Superintendent of Financial Institutions Act whose mandate is to supervise all federally regulated financial institutions and pension plans.

PASSIVE MANAGEMENT - An investment management style that seeks to achieve returns equal to the market or index returns. Is also known as "indexing". It is the opposite of active management.

PENSION BENEFITS STANDARDS ACT - (1985), Managed by the Office of the Superintendent of Financial Institutions Canada, outlines the rules regarding the registration, administration and benefits of pension plans in Canada.

PENSION FUND - A pension fund is a pool of assets forming an independent legal entity that are bought with the contributions to a pension plan for the exclusive purpose of financing pension plan benefits.

PERFORMANCE ATTRIBUTION - The identification of the sources of portfolio return relative to the portfolio's benchmark. Helps explain why a portfolio over or underperformed its benchmark.

PLAN SPONSOR - The organization or individual that establishes a pension plan.

PRIVATE PLACEMENTS - The sale of equity or fixed income securities directly to institutional investors such as banks, insurance companies, hedge funds and pension funds. As the sale is to institutional investors only, the securities registration and information disclosure requirements are reduced relative to publically traded securities.

REPO RATE - The Repo rate is the discount rate at which a central bank repurchases government securities from the commercial banks.

RISK METRICS - Are statistical measures that quantify the degree of uncertainty as to the realization of expected returns. They assist organizations in understanding the amount of risk they are currently taking or are planning to take.

SOLVENCY BASIS VALUATION - Is a pension plan valuation that assumes that the plan suddenly stops operating as of the valuation date. It is intended to test whether the plan has sufficient assets to provide an immediate payout of all benefits that have been earned to that date.

SURPLUS - A surplus exists in a pension plan when the actuarial valuation determines that the assets available exceed the accrued benefit payments (liabilities) to be paid out.

TOTAL RETURN SWAPS - Are contracts between two parties where one agrees to pay the total return (interest payments and any capital gains or losses) from a specified reference asset and the other counterparty agrees to pay a specified fixed or floating cash flow.

U.S. FED - Created in 1913, The Federal Reserve System (also the Federal Reserve; informally The Fed) is the central banking system of the United States.

YIELD CURVE - The yield curve is the relation between the interest rate (rate of borrowing) and the time to maturity of the debt for a given borrower in a given currency.