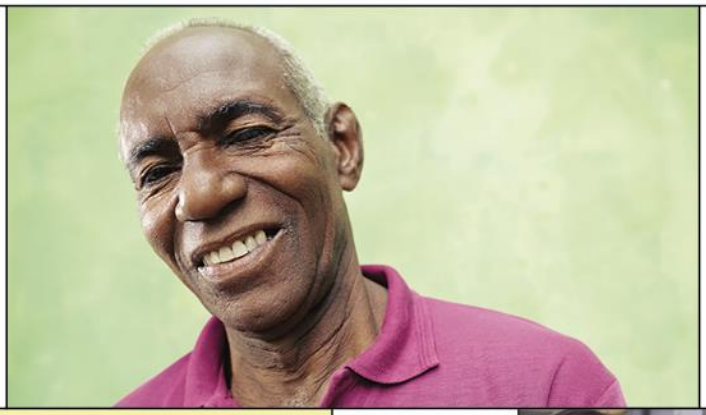
CBC Radio-Canada

CBC Pension Plan



TRUST

RELIABLE

Ready when you are

CBC Pension Plan
Annual Report
2017

SECURE

The CBC Pension Board of Trustees understands the TRUST that is placed on them to deliver a SECURE and RELIABLE long-term benefit to the members.

READY WHEN YOU ARE

We are committed to the pension promise by ensuring you receive the pension benefits you've worked hard for and earned. In the report that follows, you will find details about 2017's Pension Plan activities and performance. We hope it provides reassurance that the plan is secure and reliable. We want you to understand and feel confident that your pension will be there when you need it.

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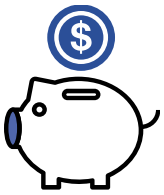
This annual report is available online at
www.cbc-radio-canada-pension.ca

CBC Pension Plan

2017 FINANCIAL HIGHLIGHTS



GOING CONCERN*

Funding Surplus

+$2.15

BILLION

Funding Ratio

143.4%

SOLVENCY*

Funding Deficit

-$10.62

MILLION

Funding Ratio

99.9%

$7.11

BILLION

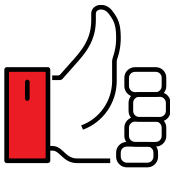
Net Assets

11.2%

2017 Rate of Return

11.4%

4-year Annualized Rate of Return



96%

Member Service Satisfaction Level

18,944

Total Membership

*Description of terms can be found in the Glossary at the end of this document.

CBC Pension Plan

2017 ACTIVITY HIGHLIGHTS

Achieved · Underway · Incomplete

STRATEGIC GOALS	KEY PERFORMANCE INDICATOR (KPI) as at December 31, 2017	STATUS	2017 ACTIVITIES as at December 31, 2017	STATUS	DESIRED OUTCOME BY 2020
1 Deliver risk-adjusted net returns to support the financial viability and liquidity needs of the pension plan	• 4-year Fund return to exceed benchmark portfolio by 50 bps. • 4-year Fund return to equal or exceed actuarial required return. • Surplus-at-Risk (SAR) volatility trades within Risk tolerance expectations.	✓ ✓ ✓	• Invest in a way to exceed the reference benchmark portfolio by 50 bps net of costs. • Undertake an Asset / Liability modelling study. • Monitor developments in the annuity market/regulatory framework. • Give consideration to new investment oportunites.	✓ ✓ ✓ ✓	• Plan reaches fully funded status.
2 Provide pension administration services pursuant to the Plan Text on a timely and cost-efficient basis	• Make Pension payments on time. • Member experience survey results of 80% or higher. • Provide pension admin service consistent within targets.	✓ ✓ ✓	• Manage and monitor the provision of pension administration services to meet Service Level Agreements. • Seek improvements to PAC website. • Review internal pension administration services and requisite resource requirements. • Identify areas for cost savings within Pension and Fund administration.	✓ ✓ ✓ ✓	• Service levels meet achievable expectations. • Web usage by membership increases resulting in lower and fewer call centre services required.
3 Communicate effectively with members and stakeholders	• Annual assessment of relationship with Pension Plan Sponsor. • Provide timely, comprehensive and clear communications to members.	✓ ✓	• Continue the rollout of the communication / branding strategy. • Develop and send pension statements to inactive members as per new regulatory requirements. • Work with sponsor to promote the benefits of a DB Pension Plan. • Undertake annual presentations to stakeholders. • Implement updated pension audit process.	✓ ✓ ✓ ✓ ✓	• Branding exercise completed. • More formalized collaborative discussions with Sponsor established.
4 Maintain effective governance and organizational structures to meet fiduciary obligations and business requirements	• Meet all regulatory requirements. • Obtain an unqualified audit opinion free of any material adjustments. • Trustee meetings and education evaluation grades of Good or higher. • Costs equal or less than benchmark. • Trustee Self-Assessment rating of Satisfactory.	✓ ✓ ✓ ✓ ✓	• Complete 4 Controlled Self Assessments based on risk priorities identified in the Risk Register review. • Pursue enhanced vendor monitoring process. • Research options to introduce a new financial reporting system. • Streamline monthly/quarterly reports to focus on strategy execution. • Conduct 2016 and pre-2017 actuarial valuations to meet required timelines.	✓ ✓ ✓ ✓ ✓	• Organization is well resourced with competent Trustees and management team capable to manage the organization into the future. • Cost effectiveness reviews likely lead to more assets managed in-house.
5 Be a continuous learning organization	• Continuing education items are regularly offered	✓	• Provide orientation and assist integration of new Trustees. • Provide Trustee continuing education items with priority to areas where competency shortfalls exist. • Provide staff development / training opportunities. • Continue to pursue technology and analytical advancements that embolden/support/streamline initiatives.	✓ ✓ ✓ ✓	• An adaptive organization willing to assess innovative theses and practises including continual review of the LDI stategy.

PENSION PLAN PROFILE

The Canadian Broadcasting Corporation Pension Plan (the Plan) was established by the 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 the CBC/Radio-Canada employees. 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 pension benefit through optional tax-deductible contributions. The Plan is federally regulated and is governed by the provisions of the *Pension Benefits Standards Act*, *1985* (the Act), and the Regulations thereof.

The primary purpose of the Plan is to provide defined pension benefits for its members in accordance with the CBC Pension Plan text (and other documents), describing the Plan. The pension benefits received by its members are financed by the assets (and investment earnings) of the Plan and the contributions of CBC/Radio-Canada and the participating employees.

CONTRIBUTIONS

Contributions are based on the salary and the Yearly Maximum Pensionable Earnings (YMPE).

	2017	2016
YMPE	$55,300	$54,900

Contribution Rates	Employer		Employee (Full Time)	
	Before July 2017	After June 2017	Before July 2017	After June 2017
Salary up to YMPE	9.90%	9.10%	7.68%	8.37%
Salary above YMPE*	9.90%	9.10%	10.10%	11.00%

* Subject to a maximum salary allowed under the Income Tax Act

PENSION BENEFITS

Pension benefit payments are adjusted each January 1st for inflation up to a maximum of 2.7% a year. This is called the annual indexation rate adjustment.

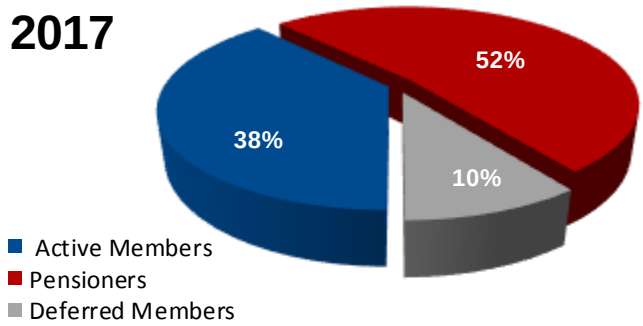
All pension benefit payments are determined using a formula based on pensionable salary, pensionable service and average YMPE.

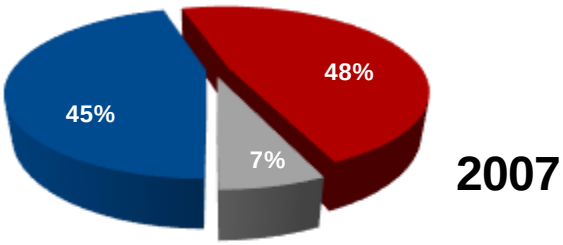
	2018	2017	2016
Indexation Rate Adjustment	1.50%	1.41%	1.27%

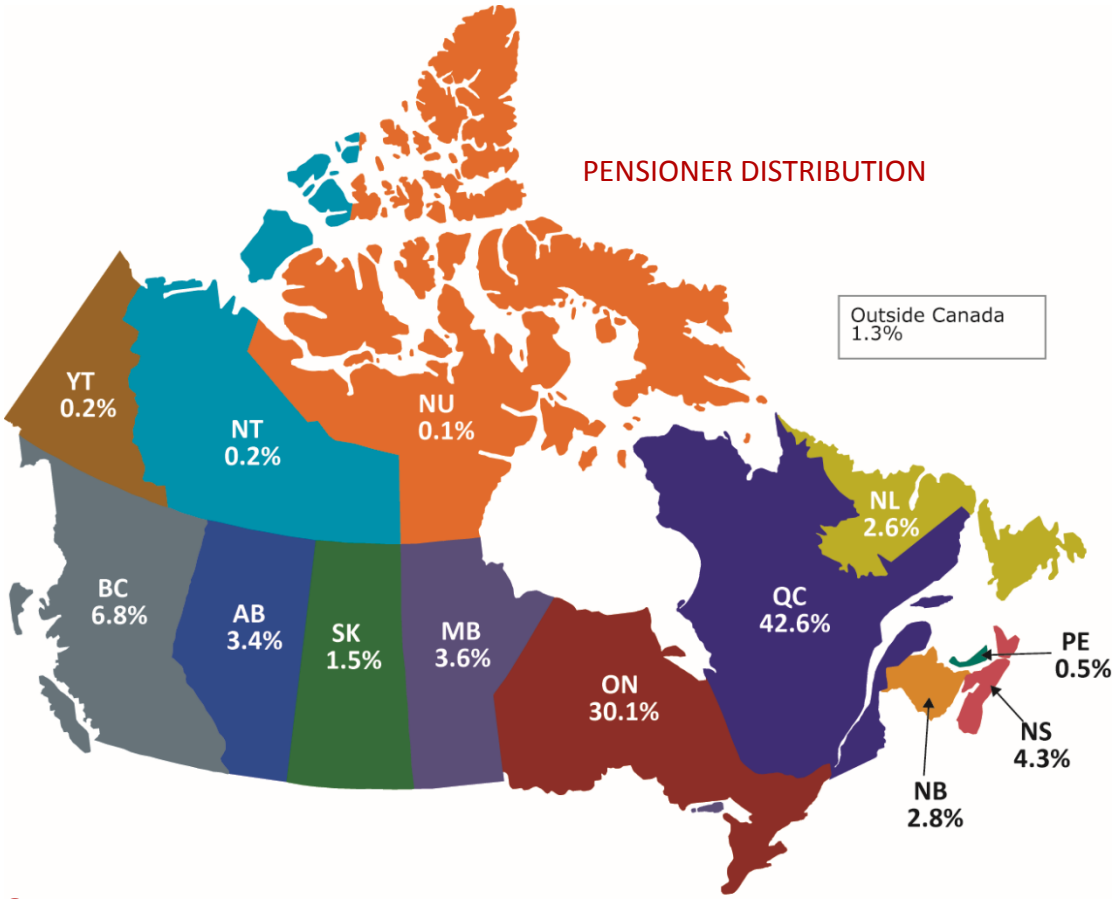
MEMBERSHIP

Over the last decade, there has been a 9% decrease in active members, a 17% increase in pensioners and an 63% increase in deferred members.

No. of Members	2017	2007
Active Members	7,243	7,937
Pensioners	9,831	8,405
Deferred Members	1,870	1,145
Total Membership	18,944	17,487

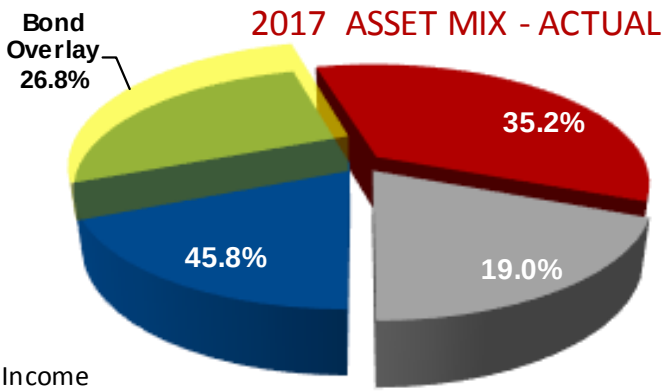






ASSET PROFILE

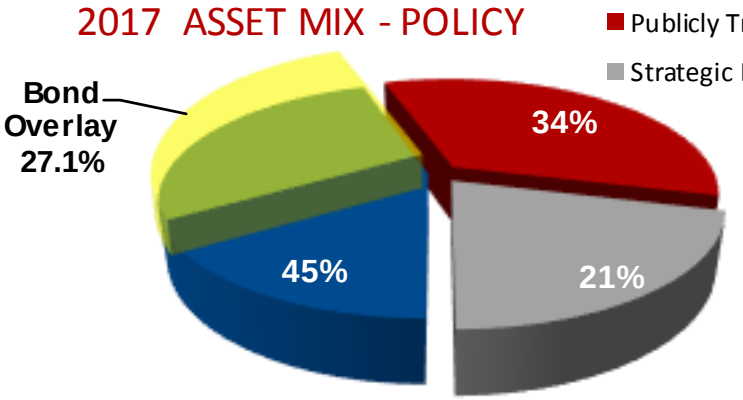
The assets of the Plan are administered by the CBC Pension Board of Trustees (the Trustees) by virtue of the Trust Deed between CBC/Radio-Canada and the Trustees. The Trustees, directly or through agents retained by it, are responsible for investing the Plan's assets and in doing so, identify and pursue investment opportunities in accordance with the Act, the Regulations and the Plan's Statement of Investment Policy and Procedures (SIP&P). The asset mix is comprised of two broad categories of assets. The first, the fixed income class (the 'matched assets'), shares the pension plan obligations' sensitivity to changes in interest rates and inflation. This also includes a "Bond Overlay" consisting of derivatives used to hedge interest rate and inflation changes. The second category includes publicly traded equities and strategic investments (the 'unmatched assets'), which provide a higher expected rate of return over the long term but are generally more volatile.



Cash & Fixed Income

Publicly Traded Securities

Strategic Investments



The Plan is actively managed by a group of internal and external portfolio managers under the guidance of the Managing Director / CEO. The Plan's management objective is to generate returns after deductions for management fees and administration costs that equal the annual average increase in a benchmark portfolio plus 0.5% on a 4-year moving average basis.

TRUSTEES REPORT

The CBC Pension Plan is focused on ensuring pension benefit security for you, our plan members. Everything we do is aligned with ensuring that whether you retire today, tomorrow or in 40 years or more from now, you will receive every dollar of pension benefits that you have earned. We are committed to providing a stable and secure pension plan that you can trust.

A Year of Progress

The Plan's funded status, or the size of the Plan's assets relative to its liabilities, is one of the primary ways we assess our ability to pay pensions today and in the future. As detailed on page 1, 2017 marked another year of progress on this front. We ended the year with a going concern funded status of 143.4% and a solvency funded status of 99.9%. It is the goal of the Plan to have funded statuses at 100% or greater than, a target we are very close to achieving.

We have also continued to make solid progress on our strategic goals in 2017. A key project was a complete reassessment of the Plan's strategic asset mix, or the Plan's overall investment in stocks, bonds, real estate and other asset classes. Studies estimate that greater than 80% of a pension plan's investment returns are determined by its strategic asset mix, so getting this right is critical so the Plan avoids risks that could undermine pension benefit security. I am pleased to report that the assessment reaffirmed the overall strategic asset mix the Plan had been following, while at the same time identifying some enhancements.

Governance

We strongly believe that good governance is critical to creating a reliable, secure, sustainable pension plan that members can trust. In our pursuit of best pension plan governance practices, the Trustees undertake annual Trustee self-assessments as well as detailed governance reviews on a regular basis. In 2017 we conducted a detailed review of our Trustee training and orientation programs to ensure that Trustees were receiving the ongoing training they needed to perform their duties effectively. I am confident that the enhancements we will be implementing in 2018 will allow us to serve you even better.

In 2017 the Board of Trustees bid farewell to Ms. Isabelle Doyon who left the Board at the end March after four years of service. I would personally like to thank Ms. Doyon for her service and contribution in making the CBC Pension Plan the organization it is today. Joining the CBC Pension Board of Trustees during the year were Mr. Alain Pineau and Ms. Marie-Andrée Charron. We look forward to their insight, knowledge and experience on the Board.

Thank You

While things may change around us, members can rest assured that the Board of Trustees remains committed to pension benefit security for members and to building a secure pension plan that members can rely upon. On behalf of the entire Board of Trustees, I would like to thank all pension plan members for the trust that they have placed in us.

On behalf of the CBC Pension Board of Trustees.

Maureen McCaw
Chair
CBC Pension Board of Trustees
February 16, 2018

MANAGING DIRECTOR / CEO REPORT

Are you retirement ready? Various surveys find that many Canadians are not financially ready for retirement. How you respond to this question may be a function of your age. The further away you are from retirement, the less important this may seem but the closer you are to retirement age, the more critical this readiness becomes. We understand that the financial focus of our younger members may be on starting a family or saving for a first home. For our mid-career members your focus may be on paying for children's university tuition. But eventually, (trust me, it comes sooner than you think) your focus will turn to retirement. Getting retirement ready is a long-term plan. You are a member of a defined benefit pension plan which is a powerful first step in being retirement ready. As a member of the CBC Pension Plan there is comfort in knowing that while you are working you are also accruing pension benefits that are predictable and secure.

I encourage you to read your annual pension statement, it lays out your retirement trajectory and can help you to have a better sense of your retirement readiness. The Pension Projection Tool on the Pension Administration Centre (PAC) website allows you to estimate your pension income from the Plan at various retirement ages. We continue to enhance the website so that you get the answers that you need. Our self-service options are available 24/7 and we encourage you to use the website (www.pensionadmin-cbc-src.ca) whenever possible.

Contributions from both members and CBC/Radio-Canada are submitted monthly to the Pension Plan towards this retirement goal. One of our key roles at the Board of Trustees is to invest these contributions in order to generate an investment return that, over time, will grow the assets sufficiently to pay the long-term pension benefit payments earned by Plan members. In 2017, our investment approach generated returns of 11.2% bringing our 4-year annualized return to 11.4%, both in excess of that required to support the long-term sustainability of the Plan. As a result, the Plan's going-concern funded ratio at year end further improved to 143.4% and the going concern surplus in excess of liabilities now rests at $2.15 billion. This positive position indicates that the Plan continues to hold more than sufficient assets to meet all of the long-term obligations of the Plan. This provides peace of mind knowing that your pension benefits are secure and reliable. More information on the Plan's funded status on a going concern, as well as on a solvency basis can be found on page 15.

2017 was also a productive year allowing us to accomplish strategic goals and annual activities. Our infographic on page 2 provides a snapshot of these achievements. To accomplish these results, I am surrounded by a great team, dedicated to the careful management and oversight of the assets and pension benefits administration. We in turn are overseen and challenged by a Board of Trustees who understand the importance of their fiduciary responsibilities to you.

I have recently announced my retirement and so this will be my last annual report letter. I have been at this organization for twenty-one years including eleven years as Managing Director / CEO. It has truly been a privilege working here. I thank everyone who has supported me over the years and to those who placed their trust in my abilities. Although it will be hard saying goodbye, the decision to retire was facilitated by knowing that I am retirement ready. Whether you are close or far away from retirement age, having this knowledge is powerful because the CBC Pension Plan is here for you, ready when you are.

Sincerely,

Debra Alves
Managing Director / CEO

MANAGEMENT DISCUSSION & ANALYSIS

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

MEMBER SERVICES

PENSION BENEFIT ADMINISTRATION

The CBC Pension Board of Trustees is responsible for the administration of the Plan, which includes the payment of pension benefits from the Plan to those who have retired or resigned and to survivors of those whose death occurred in service or after retirement. The CBC Pension Plan also includes an additional contributory component providing employees with the flexibility to enhance their pension benefit through tax-deductible contributions. This component, which does not entail additional costs to the Plan, is commonly known as FlexPen.

Since January 2013, the firm of Morneau Shepell Ltd (Morneau) has provided pension benefit administration services for CBC/Radio-Canada 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 responsibilities noted above as well as other varied functions in pension related activities such as:

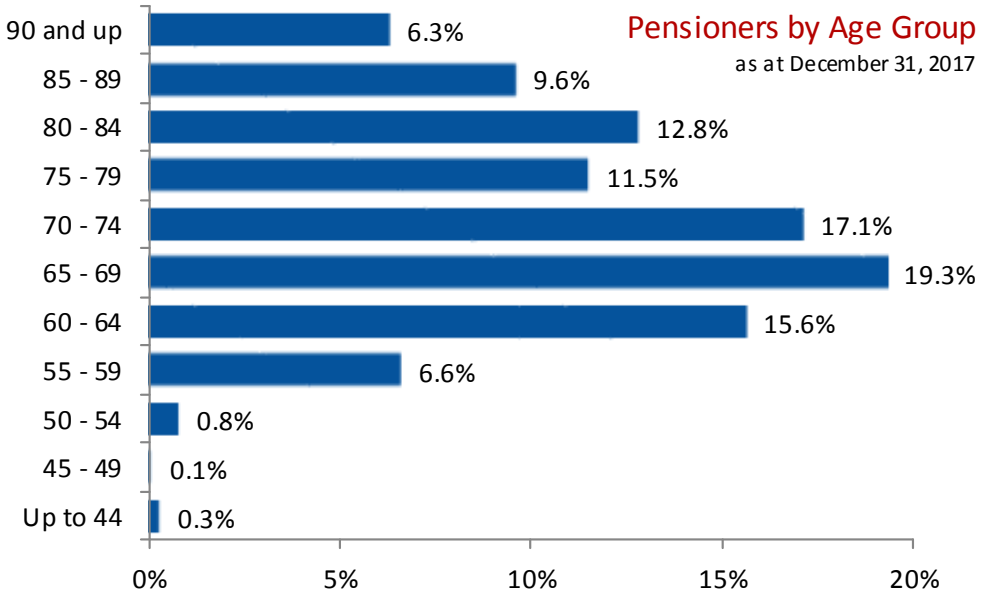
The table below shows the increasing number of pensions being paid from the Plan at year end. In 2017, there was an increase of 75 in the number of pensions being paid, compared to 2016. Over a 4-year period, the total number of pensions being paid increased by 4.0% from 9,450 in 2013 to 9,831 in 2017.

- 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;
- processing pension benefit adjustments related to indexation, ad hoc adjustments, retroactive salary adjustments, etc.;
- on-line access, through a secure website, to pension information, pension projection and buy-back cost estimation tools and pension forms; further, this on-line feature provides an information request capability;
- a toll-free call centre; and
- customer service representatives capable of answering pension related questions, putting clients in touch with outside providers and mailing forms related to various life changes.

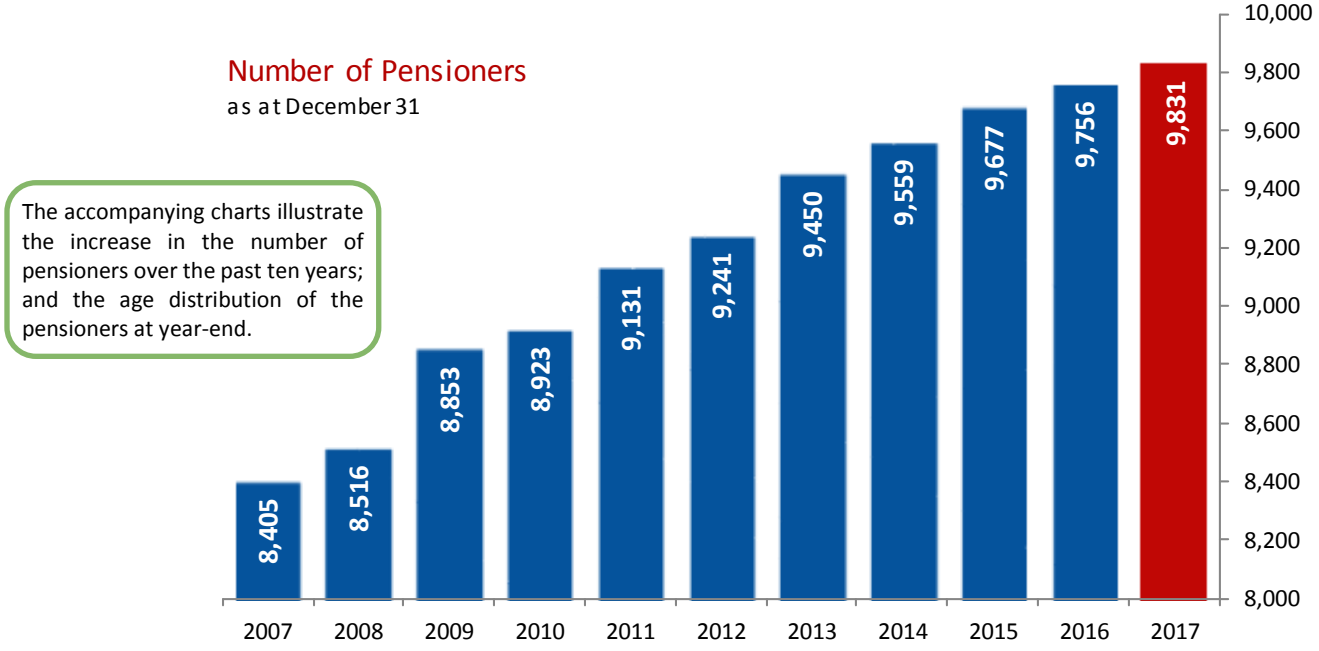
Year-ending December 31	**2017**	2016	2015	2014	2013
Pensions being paid					
To retirees	**7,961**	7,875	7,812	7,691	7,615
To spouses of deceased employees and retirees	**1,769**	1,772	1,755	1,771	1,735
To former spouses due to division of pension credits	**81**	85	84	75	76
To children of deceased employees and retirees	**20**	24	26	22	24
Total pensions being paid	**9,831**	9,756	9,677	9,559	9,450

The fifth year of operation of the Pension Administration Centre (PAC) by the new service provider was once more considered successful based upon service levels achieved, satisfaction survey results and utilization volumes. The PAC handled over 3,000 transactions related to retirement, termination, death and buy-back events. Member satisfaction among callers to the PAC was strong at 96% in 2017, up from 95% in 2016.

In 2017, the Plan welcomed over 600 new employees and 300 newly retirees. The Plan's members are encouraged to use the PAC website for all their pension-related needs. The website, which includes pension projection and buyback cost estimation tools, pension plan information and general communications to name a few, remains the most efficient and cost-effective method for employees and retirees to access their personal pension information.



Statistics on general website usage show that in 2017 the total number of log-ins, including multiple log-ins, was 14,692 for employees and 4,489 for pensioners. In total, there were 10,256 employees and retirees who visited the website. The website provides Plan members with convenient and flexible access to information, tools and personalized calculations, and is highly cost-effective for the Plan. The PAC call center received 5,771 calls in 2017, of which 4,171 were from employees and 1,600 from pensioners and inactive members. Overall PAC volumes in 2017 were lower than in 2016, reflecting a decrease in call volumes.



The accompanying charts illustrate the increase in the number of pensioners over the past ten years; and the age distribution of the pensioners at year-end.

PENSION PLAN GOVERNANCE

OVERVIEW

Pension plan governance denotes the processes and structures adopted by the CBC Pension Board of Trustees to direct and manage the Plan in order to achieve its strategic objectives. This includes the division of responsibilities among the Board of Trustees, Plan management and the Plan members. The impact of decisions on other stakeholders such as CBC/Radio-Canada (the Corporation) and its Board of Directors is also taken in to account. Following good governance practices allows the Trustees to fulfill their fiduciary obligations and supports the primary objective of delivering the pension promise to members. 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 Plan's assets and the calculation and payment of pension benefits.

In discharging their fiduciary responsibilities, the Trustees must exercise the care, diligence and skill in the administration and investment of the Plan 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 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. Through its ongoing commitment to good governance practices, the Board of Trustees has adopted the Canadian Association of Pension Supervisory Authorities (CAPSA) Pension Plan Governance Guidelines as its governance framework**.** The Plan's Bylaws include a Plan Responsibility Chart, which defines the responsibilities of the participants in the governance, management and operations of the Plan.

BOARD OF TRUSTEES COMPOSITION & STRUCTURE

The Trust Deed defines that the Board of Trustees be comprised of seven members. Two Trustees are designated senior officers of CBC/Radio-Canada. The five remaining Trustees must be appointed by the CBC/Radio-Canada Board of Directors of which two must hold office as Directors or be officers of CBC/Radio-Canada and three are general appointments. Currently, the five appointed Trustees include two members of the CBC/Radio-Canada Board of Directors, and the three general appointments include two employees and a retired member. The Board of Trustees functions as a single general committee which addresses all subject matters including benefit administration, investment management, risk management and, financial and regulatory reporting.

INDEPENDENCE OF THE BOARD

The Board of Trustees is required to act independently and not as representatives of any interest, whether CBC/Radio-Canada, active employees, or pensioners. The Board of Trustees administers the Plan as a trustee for the employer, the members of the Plan, former members, and any other persons entitled to pension benefits or refunds under the Plan. 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.

COMMUNICATION

The Board of Trustees is responsible for providing disclosure on the Plan's activities to members, as well as to CBC/Radio-Canada as the Plan sponsor. The Board of Trustees disclosure and reporting practices include the distribution of the CBC Pension Plan Annual Report Highlights document to 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 Board of Trustees also issues quarterly Communiqués which provides information on Plan performance and progress on key strategic objectives.

EFFECTIVENESS OF THE BOARD

In their 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 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 Board of Trustees also has a continuing education program which is designed to enhance the Trustees' knowledge base required to properly discharge their fiduciary duties.

The 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 which includes conflict of interest, personal trading, confidentiality, business conduct and gifts and other benefits guidelines. In addition, the Plan's Code of Ethics and Standards of Professional Conduct and Employee Personal Investment Guidelines apply to designated investment employees of the organization. The Board of Trustees met five times in 2017.

ROLE OF MANAGEMENT

The Board of Trustees has defined management responsibility for the planning, operating, and reporting activities of the Plan. These responsibilities, which include the investment management of the Plan, 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 ensures that service quality standards to the Plan members are met.

MANAGEMENT PERFORMANCE

The Plan's 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 investment objective of the Plan. This objective is defined in relation to its liabilities and aims to maintain stable funding ratios on both a going concern and solvency basis. The SIP&P identifies performance benchmarks for the individual asset classes and the total Plan. Management is assessed on their effectiveness in achieving annual and strategic goals as well as their performance in exceeding SIP&P defined investment performance benchmarks. Management regularly reports to the Trustees regarding compliance with applicable policies.

GOVERNANCE REVIEW

The Trustees conduct an annual governance self-assessment which is focused on governance best practices. It is designed to enhance Board performance and identify both strengths as well as areas for improvement in the effectiveness of the Board's operations. Every few years the Plan also conducts in-depth governance reviews which lead 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. The Plan's latest governance review found that overall the Plan had an robust governance framework for the size and complexity of the plan.

FINANCIAL OVERVIEW

PLAN OBJECTIVE

The CBC Pension Plan (the "Plan") is required to provide defined pension benefits for its members in accordance with the Plan Text, the Trust Deed and other documents. 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 the 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).

USE OF ESTIMATES

Under Canadian accounting standards for pension plans, 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 valuation and classification of investments as well as assumptions used in the calculation of the pension obligations. 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, the salary escalation rate and the rate of inflation. The non-economic assumptions include mortality, terminations/departures 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.

CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS

The Plan's net assets available for benefits increased by $492.6 million to $7,110.7 million at December 31, 2017 up from $6,618.1 million at December 31, 2016.

Investment Income

Investment income increased to $262.5 million in 2017 from $218.4 million in 2016. Investment income includes interest and dividends earned during the year as well as distributions from the Plan's Strategic investments. Interest income earned in 2017 was $63.0 million, roughly in-line with the prior year's investment income as the Plan's allocation to fixed income was relatively stable during the year. Dividend income in 2017 was $57.4 million, $5.7 million less than 2016 as distributions earned from the Plan's pooled funds decreased in 2017. Distributions from Strategic investments are a significant source of investment income increasing to 2017, $142.0 million in 2017, up from $92.4 million in 2016. Maintaining a steady source of cash flows from investment income is an important component of the Plan's ability to match the cash flows of monthly benefit payments.

CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS (cont'd)

Contributions

The ongoing cost to provide a defined benefit pension plan to current employees is defined as the "normal cost" (i.e. the amount of contributions required to fund estimated future benefits earned in the current year). This cost is shared between CBC/Radio-Canada as the sponsor and provider of the Plan and the employees (active members). The normal costs rose from 17.9% in 2016 to 18.2% of payroll in 2017. Contribution rates for employees increased on July 1, 2017 to a 50%/50% cost sharing ratio with CBC/Radio-Canada. Total contributions to the Plan increased to $104.1 million in 2017 from $96.2 million in 2016. Employee contributions rose to $44.8 million in 2017 after the final increase in the sharing ratio was implemented July 1, 2017, and the employer contributions decreased to $49.4 million. Past service contributions increased to $7.7 million in 2017 from $7.4 million in 2016. Transfers to the Plan from other plans totalled $2.0 million.

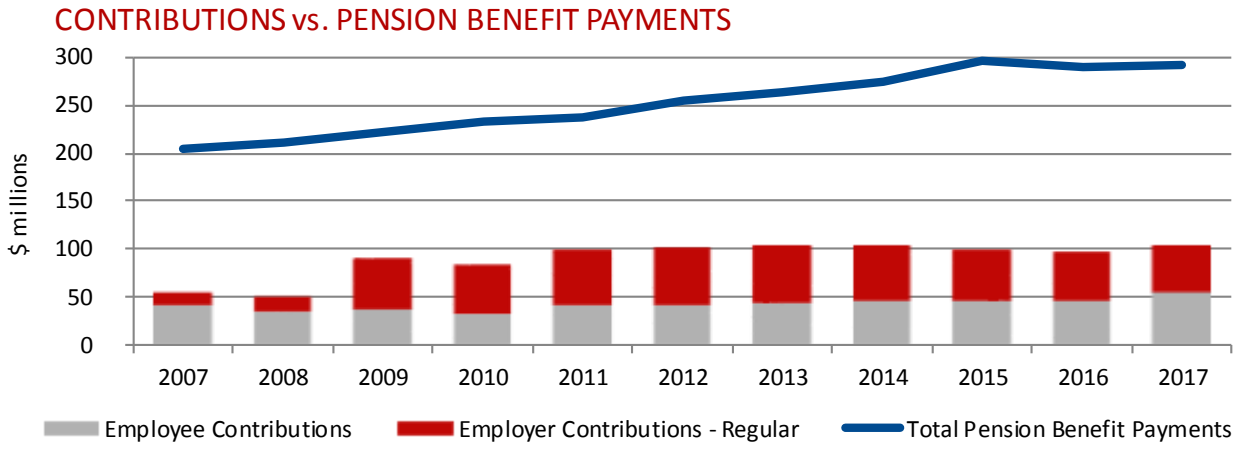
Change in Fair Value of Investments

The Plan's investment returns were positive in 2017, with global equity and private equity producing the strongest returns in 2017. The Plan's Liability-Driven Investment strategy also provided strong returns and cash flows to the Plan in 2017. The fair value of investments increased in 2017 by $466.8 million versus an increase of $141.8 million in 2016. The Plan's Bond Overlay portfolio (bond forwards and total return swaps), which is a significant component of the Liability-Driven Investment strategy gained $93.4 million and the Fixed Income portfolios gained $102.7 million for a total $196.2 million from inflation and interest rate sensitive assets. Equity portfolios were also positive in 2017 with Canadian equities gaining $22.2 million and Global equities gaining $196.8 million. The Strategic portfolio (made up of real estate, private equity and hedge funds) experienced mostly positive performance in 2017 with an overall gain of $38.7 million. These values all reflect both realized and unrealized gains and losses during the year.

Pension Benefits Paid

The Plan paid a total of $291.2 million in benefits during 2017, an increase of $2.1 million from the $289.1 million paid in 2016. Retirement benefit payments rose by $3.3 million in 2017 to $245.3 million as a result of the cost of living adjustment for 2017 of 1.41% and an additional 75 pensions being paid at the end of 2017 as compared to 2016. At December 31, 2017, there were a total of 9,831 (2016 – 9,756) pensioners. The Plan's cost of living adjustment for pension payments uses an averaging method which is slightly different than the year-over-year rate of inflation. Transfers and refunds of contributions increased to $12.8 million and death benefit payments decreased to $32.2 million. Pension benefits purchased through FlexPen withdrawals decreased slightly in 2017 to a total of $0.9 million.

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



CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS (cont'd)

Administrative Expenses

In accordance with the Trust Deed, the total operating expenses relating to the Plan and pension benefit administration are paid by the Plan. Administrative expenses for 2017 totaled $49.9 million, an increase of $5.6 million over the previous year. Total administrative expenses represented a cost of 73.1 cents per $100 of average assets under management in 2017, compared to 67.1 cents per $100 of average assets in 2016.

The increase in administrative expenses in 2017 is mostly a result of performance fees paid to asset managers for earning strong returns above benchmark returns. Performance fees are used in the investment industry to align the interests of asset managers with a pension plan's objectives. Traditional performance fee arrangements allow for the asset manager to share in the profits earned on invested assets above minimum returns that are usually based on comparable benchmarks plus certain outperformance targets. Other operational expenses within the Plan were marginally different from 2016 with some costs experiencing minor increases (salaries, data processing/technology cost) and other experiencing minor decreases (custodial fees and transaction cost, Harmonized Sales Tax).

The Plan 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 2016 financial year. The Plan's actual 2016 costs under the study were 45.2 cents per $100 of average assets under management while the benchmark operating costs for a fund of our size, asset mix and nationality were 55.7 cents (2015: 104.7 cents*) indicating that administrative expenses for the management of the Plan compares very favourably against the industry. The equivalent actual costs for the Plan in 2017 are estimated at 47.8 cents (2016: 44.6 cents) per $100 of average assets under management.

A summary of all the Plan's administrative expenses can be seen in Note 11 in the Financial Statements.

* The benchmarking survey adjusted the Plan's comparable benchmarking basis in 2016 which resulted in a more representative benchmark cost. The Plan's actual costs are still more favourable than the new lower benchmark costs.

PENSION OBLIGATIONS

The Plan's assets are managed to provide a rate of return over the long-term sufficient to cover the Plan's pension obligations. An actuarial valuation is used to estimate the Plan's pension obligations. Actuarial valuations are prepared on an annual basis at each year end. The actuarial valuation determines the pension obligations under two different scenarios: 1) a Going Concern basis and 2) a Solvency basis. If the results of a valuation indicate that the net assets available for benefits are greater than the pension obligations, the Plan has a funding surplus. If the pension obligations are greater than the net assets available for benefits, then this results in the Plan having a funding deficit. As the methodology to determine the pension obligations under each scenario is different, the valuation can result in the Plan having a funding surplus under one scenario and a deficit under the other scenario. The valuation results and the reasons for calculating the pension obligations under different scenarios are outlined further below. The results from the valuation are used by CBC/Radio-Canada to determine the contribution rates (for both the employer and employee portions) required to cover the future pension obligations.

The methodology and key assumptions underlying the actuarial valuation and projections are described in Note 8 to the Financial Statements. The primary long-term economic assumptions used in the 2017 projection are similar to those used in the 2016 actuarial valuation.

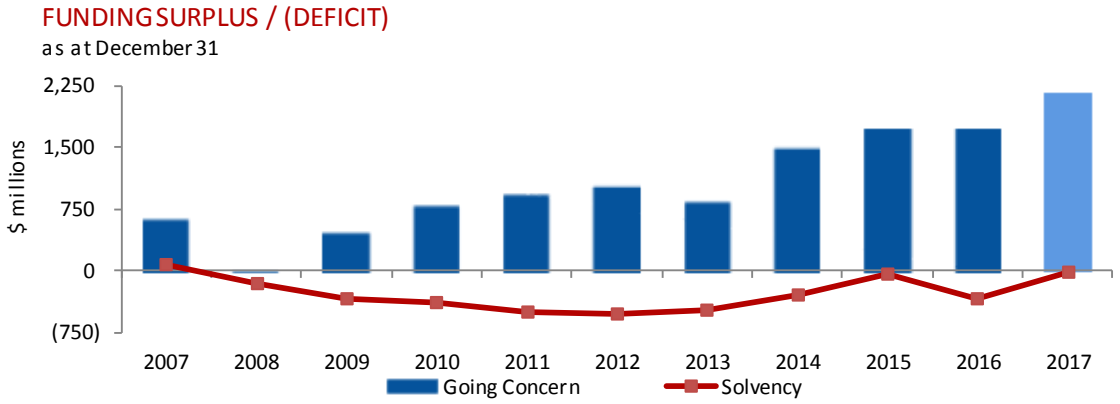
Going Concern

The going concern valuation is used to estimate the pension obligations under the assumption that the Plan will continue as a going concern (i.e. will continue to operate into the future). It is based on long-term assumed rates of return for each asset class. The going concern valuation is used in preparing our financial statements and is presented as Pension Obligations on the statement of Financial Position. As at December 31, 2017, the Plan's going concern pension obligations were projected at $4.96 billion, an increase of $72.1 million from the previous year's total of $4.89 billion. The going-concern funding surplus increased by $422.5 million to $2.15 billion at year-end (2016: $1.73 billion). The going concern funding surplus increased significantly in 2017 as the Plan's assets generated strong returns for the year, equaling 11.18%, higher than the assumed long-term rate of return of 5.80% which is the discount rate used to estimate the going concern pension obligations.

Solvency

The solvency valuation is used to estimate the pension obligations under the assumption that the Plan will wind-up and simulates the creation of annuities to be able to pay all future benefits that all members are entitled to. The solvency valuation is required under the Pension Benefits Standards Act (PBSA) and for reporting purposes to OSFI. The estimated pension obligations under this method are $7.11 billion and project a funding deficit of $10.6 million as at December 31, 2017. This deficit decreased in 2017 by $327.6 million from a funding deficit as at December 31, 2016 of $338.2 million. There were no significant changes in assumptions used in determining the solvency position; the primary reason for the decrease in the solvency funding deficit was again due to strong performance by the Plan, generating investment returns of $729.6 million (before expenses).

For regulatory purposes, the Plan's funding position is determined based on the lower of the going concern funding position or the solvency funding position as determined in the latest actuarial valuation.



INVESTMENT OVERVIEW

INVESTMENT CONSTRAINTS

In accordance with the PBSA, the Trustees and management must exercise the care, diligence and skills in the administration and investment of the 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 Plan's funding and solvency. Permitted investments and restrictions, which are appropriate to the needs and objectives of the Plan, are identified in the SIP&P.

INVESTMENT OBJECTIVES

The long-term objective of the Plan (Plan Objective) is expressed as a function of the Plan liabilities and is designed to replicate the Plan's solvency liability's sensitivity to changes in interest rates and inflation. The long-term Plan objective is derived from the results of the actuarial valuation. The Plan follows a liability driven investment (LDI) strategy that is intended to outperform increases in the Plan's pension obligations and to mitigate the risk of a large funding deficit. Over the past 4 years the Plan's annual rate of return averaged 11.4% and over the past 10 years averaged 9.0% annually. The overall long-term Plan Objective was 8.1% over the past 4 years and 7.1% over the past 10 years.

The Plan's investment manager's objective (Asset Objective) is to generate net returns that exceed the annual average change of a benchmark portfolio by 50 basis points (0.5%) on a 4-year moving average basis. The benchmark portfolio return is calculated by combining the return of the asset class benchmark indices in the proportion in which they are represented in the Plan's asset mix policy. On a 4-year moving average, the Plan's annual rate of return of 11.4% exceeded the Asset Objective of 9.7% and over a 10-year period the Plan's average annual return of 9.0% exceeded the Asset Objective of 8.3%.

INVESTMENT MANAGEMENT APPROACH

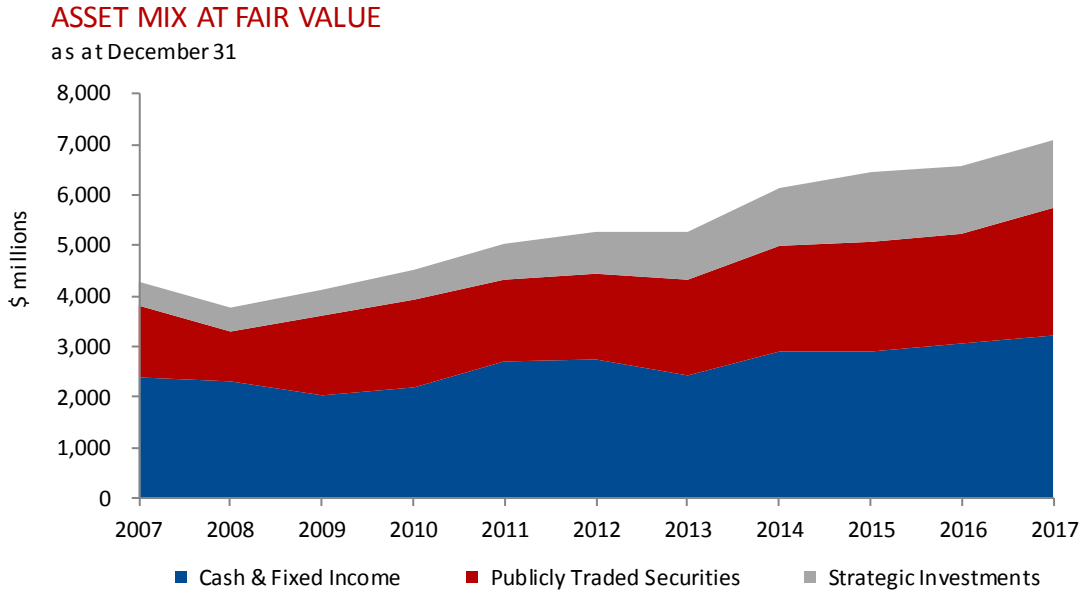
The Plan is actively managed by a group consisting of the Managing Director/CEO, the Secretary/Treasurer, internal and external portfolio managers. The Managing Director/CEO provides the general direction on asset mix objectives in response to current market conditions and economic forecasts. Internally, the portfolio managers are responsible for the individual buy or sell decisions within their respective portfolios as are the external managers within their mandates. The internal portfolio managers, with the aid of portfolio analysts, perform their research in-house by accessing a range of company data, investment dealer research, industry publications, economic indicators, market data and through company site visits. External managers are selected following the establishment of investment objectives, mandates and constraints, determination of selection criteria and a 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 Plan. As a mature pension plan paying out significantly more in benefit payments than it receives in pension contributions, the Plan relies on investment income to pay current and future pension benefits.

ASSET MIX AND INVESTMENT STRATEGY

The long-term policy asset mix target of the Plan as defined in the SIP&P is 45% fixed income, 34% public equities and 21% strategic investments (which includes property, private equity and hedge funds). The long-term target asset mix also provides for hedging a portion of the Plan's interest rate and inflation risks, through the use of derivative fixed income instruments.

The objective of the long-term asset mix is to ensure the Plan's assets will meet the pension obligations. The investment policy allows for the Plan to make tactical calls that vary the weighting of the asset classes within an operational range around the long-term asset mix targets. The purpose is to enhance the performance of the Plan by taking advantage of market movements. These tactical calls are normally done on a quarterly basis, based on expectations of asset class performance. The Plan may increase its weighting of those asset classes expected to perform well and reduce the weights of those asset classes that are expected to underperform.



RISK MANAGEMENT

The Plan has a Risk Management Policy and a comprehensive risk management program in place to help manage key Plan risks. A risk register of key Plan risks is maintained and updated on a biennial basis. Risks are assessed based on their potential impact and likelihood of occurrence and are organized into five broad categories that reflect organizational objectives. The categories are strategic, operational, investment, 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. The Plan's Liability Driven Investment (LDI) strategy is designed to manage its investment risk. The primary objective of the LDI strategy is to reduce the fluctuations in the Plan's solvency funded position while also earning a robust long-term rate of return.

Relative to a traditional pension plan asset mix, which consists of a 60% allocation to equities and a 40% allocation to bonds, an LDI strategy is designed to hedge interest rate and inflation risks and reduces solvency funded status volatility through:

a) holding a higher proportion of bonds within the asset mix;
b) holding bonds with a longer term to maturity (duration); and
c) holding a portfolio of financial derivatives that provide synthetic fixed income exposure.

The use of financial derivatives within the Plan's LDI strategy is tightly managed and controlled as it can have the effect of increasing other risks such as liquidity and credit risk.

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 Plan's target exposure to each asset class. Each asset class has different levels of risk associated with it (e.g. equities are higher risk than government bonds). The asset model utilized by the Plan 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 pension obligations 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 Plan are identified in Note 3 to the Financial Statements.

RISK MANAGEMENT (cont'd)

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 Section 16 of the Plan. The Plan conducts asset/liability studies on a periodic basis 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 (pension obligations).

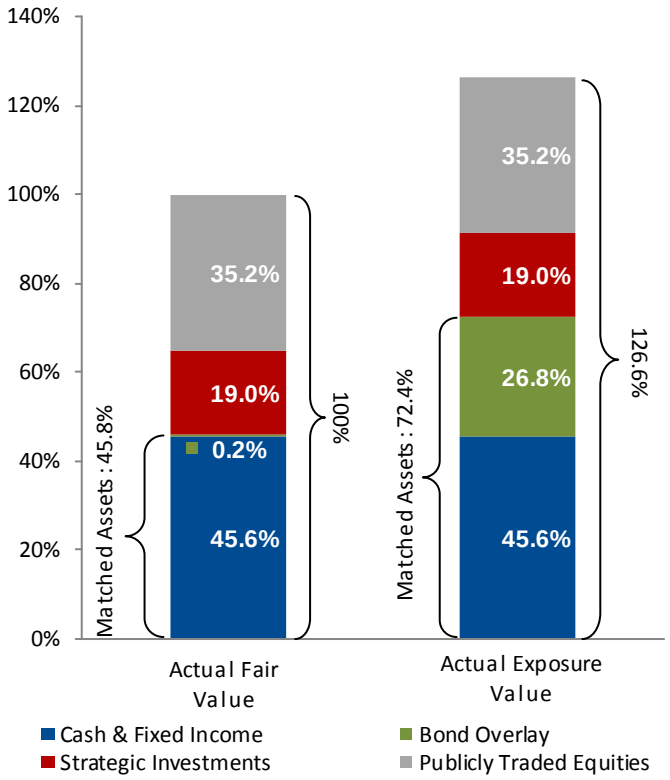
The most recent asset/liability study, which was completed in 2017, reconfirmed the Plan's LDI strategy and existing asset mix policy, while also identifying additional enhancements. It showed that an LDI strategy continues to provide the Plan with the optimal balance between funded status stability and expected rate of return. The 2017 asset/liability study introduced a fixed income alternatives asset class into the Plan's asset mix and increased the target interest rate hedge ratio within the glide path. The glide path adjusts the Plan's interest rate hedge ratio based on the level of interest rates.

The Plan's objective is to select eligible investments that produce acceptable rates of return to meet the future obligations of the Plan. If the Plan's investment portfolio were risk free, the rates of return would be stable but low and would require significantly higher contributions. If the Plan's investment portfolio were aggressive, for instance, primarily invested in equities, the rates of return would be potentially higher but far more volatile due to the increased investment 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.

Exposure Value refers to the total amount of the Plan's assets available to generate returns. The Plan's use of derivatives in the Bond Overlay program allows the Plan to increase its exposure to Fixed Income securities (Matched Assets) without extending additional capital. This created an additional 26.6% of asset value exposure at December 31, 2017 to generate returns.

ASSET MIX

as at December 31, 2017



RISK MANAGEMENT (cont'd)

Interest Rate Volatility Risk

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

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 Plan's LDI investment strategy seeks to mitigate the impact of sensitivities to interest rates inherent in the Plan's pension obligations, as well as the inflation risk created by the partial indexation of Plan benefits. Thus, a decrease in interest rates that would increase the Plan's pension obligations would also be expected to increase the matched (fixed income) portion of the Plan's asset values.

Financial Market Volatility Risk

The Plan's total assets at December 31, 2017, were $7.1 billion at fair value. Of this total, $2.5 billion was in publicly traded equity investments. This substantial amount exposes the Plan to domestic and foreign market volatility. This volatility is managed by diversifying across industry sectors, market capitalizations and international equity markets. The long-term performance expectation for publicly-listed equities outweighs the risks of short-term cyclical volatility. The Plan further mitigates this risk by investing in alternative assets such as real estate and private equity, including infrastructure projects, which have longer-term investment horizons. Diversification across various asset classes, investment strategies and investment managers continues to be an important management tool used in reducing volatility and risk. Note 3 e) ii) c) to the Financial Statements provides more information on the management of this risk.

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 Plan makes an investment in a fixed income security 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 Plan'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 Financial Statements provides more detail on this subject.

RISK MANAGEMENT (cont'd)

Liquidity Risk

Liquidity relates to the Plan's ability to sell investments to meet its pension payments, operating costs, mark to market gains and losses on derivative positions and other long-term capital commitments. Liquidity risk refers to the risk that the Plan will be unable to meet its financial obligations as they fall due. In 2017, benefit payments from the Plan and administration costs totaled $341.1 million. These payments were partially offset by employee contributions to the Plan of $54.8 million, and employer contributions of $49.4 million. The cash flow requirement for the balance of benefit payments was generated through investment income of $262.5 million and proceeds from the sale of assets. The Plan maintains a portfolio of highly liquid short-term notes that allows it to meet the Plan's short-term liquidity requirements. The management of liquidity risk is further described in Note 3 e) iv) to the Financial Statements.

Foreign Currency Exposure Risk

The Plan invests in non-Canadian securities for which the fair value may fluctuate due to variations in the market price of the security as well as the relative value of the Canadian dollar. Foreign currency exposure risk is the risk that the value of the Plan's foreign holdings decline due to a change (i.e. decline) in the value of the Canadian dollar relative to other currencies. Occasionally, the Plan invests in forward currency contracts 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 Plan's investments in the hedged foreign currency at the time the hedge was placed. Note 3 e) ii) a) to the Financial Statements provides more information on the management of foreign currency exposure risk.

INVESTMENT PERFORMANCE

Consistent with modest to strong growth in the global economy, both equity and fixed income markets delivered modest gains in Canadian dollar terms in 2017. The Plan's total rate of return in 2017 was 11.2%, which was 2.0% higher than the Plan asset reference portfolio benchmark of 9.2%. Comparatively, in 2016, the Plan's 5.8% total rate of return was 0.1% higher than the reference asset portfolio benchmark return of 5.7%.

The Plan's overall 2.0% overachievement of the asset benchmark in 2017 reflected mixed performance against benchmarks amongst the asset classes. On a 4-year basis, the total fund return of 11.4% was higher than the overall reference asset portfolio benchmark return of 9.3%. The Plan's solvency fund objective measures the impact of movements in interest rates and inflation on its estimated solvency funding liabilities. In 2017, the Plan exceeded its solvency fund objective return of 5.1%.

SUMMARY OF BENCHMARKS USED TO MEASURE ASSET PERFORMANCE

Asset Categories	Benchmarks
Cash & Short-Term Investments	FTSE TMX 91 Day T-Bill Index
Fixed Income & Bond Overlay	FTSE TMX Canada Long Term Corporate Bond Index FTSE TMX Canada Long Term Overall Bond Index FTSE TMX Canada Real Return Bond Index FTSE TMX Canada Long Term Provincial Bond Index
Canadian Equities	S&P/TSX Capped Composite Index
Global Equities	MSCI ACWI ex-Canada Index MSCI ACWI Index S&P 500 Index Russell 3000 Index S&P Developed SmallCap Index
Strategic	FTSE TMX 91 Day T-Bill Index + spread

INVESTMENT PERFORMANCE BY ASSET CATEGORY VS BENCHMARK

Annualized Compounded Rates		1-Year Returns		4-Year Returns	
Asset Categories	Category as a % of Total Investments	Asset Returns	Benchmark Returns	Asset Returns	Benchmark Returns
Fixed Income:					
Cash & Short-Term Investments	4.7%	1.2%	0.6%	1.1%	0.7%
Nominal Bonds	29.0	8.0	7.4	7.5	7.2
Real Return Bonds	11.8	1.2	1.2	5.0	5.0
Publicly Traded Securities:					
Canadian Equities	10.5	8.2	9.1	6.6	7.6
Global Equities	24.8	15.4	16.1	15.4	13.0
Strategic Investments:					
Property	9.2	7.0	4.0	8.6	4.1
Private Equity	9.2	24.9	4.0	19.4	4.1
Hedge Fund	0.6	4.6	4.0	4.6	4.1
Bond Overlay*	0.2	5.7	5.4	6.3	5.9
Total / Weighted Average	100.0%	11.2%	9.2%	11.4%	9.3%

* Bond Overlay total exposure is 26.8%.

THE ECONOMIC ENVIRONMENT

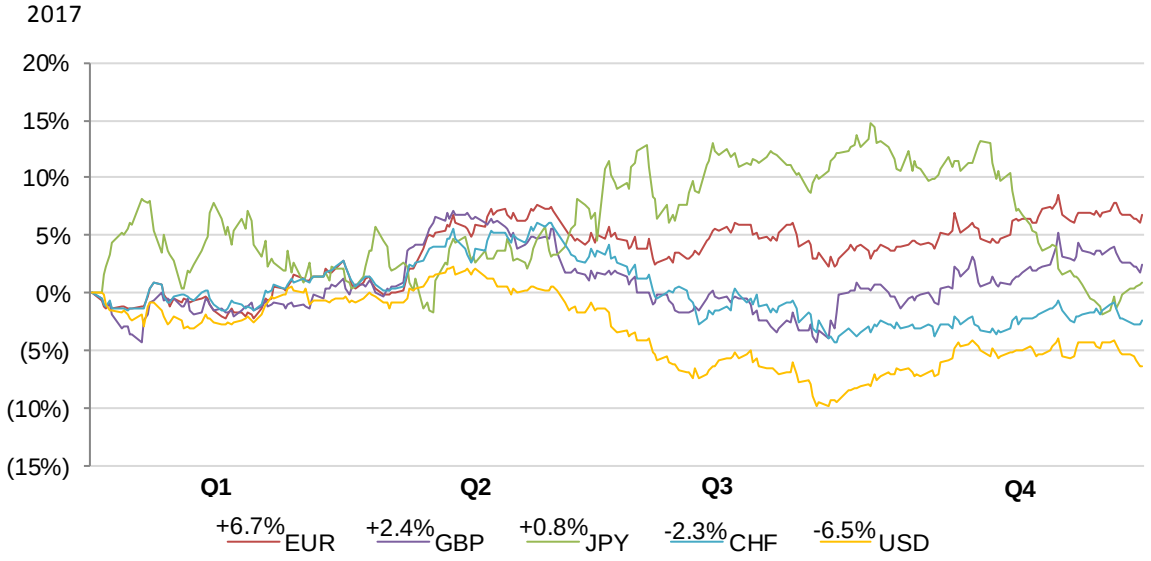
There were two dominant economic themes for 2017. First, there was a continuation of very low interest rates, a trend that has been evident for a few years. Second, there was positive economic growth across most of the major regions of the world. This is something that has not been seen for several years. For 2017, financial markets performed strongly under a situation of low interest rates and decent global economic growth.

What about the political and geopolitical events that occurred in 2017? These events have to be put in context. The global economy is worth some USD $80 trillion a year. For any event to have a meaningful economic impact on the world, the consequence of such an event would have to be in the trillion-dollar range. None of the political and geopolitical events that occurred in 2017 met this threshold (they rarely do).

One number that did have an impact is the cumulative US $11 trillion that central banks have pumped into their national economies via various monetary stimulus programs. The U.S., Europe and Japan have been leading this charge. The outcome of this action (over the last several years) has been unprecedented ultra-low interest rates in much of the developed world, including in countries like Canada. However, as the global economy continues to strengthen, the need for ultra-low interest rates diminishes. This is likely to be a major theme in 2018.

How strong is the global economy? Starting with the U.S., it has lagged for several years, but now it is showing decent economic growth. It grew an estimated 3.0% in the second half of 2017. The unemployment rate has also continued to drop steadily from a high of 9.9% at the end of 2009 to 4.1% at the end of 2017. The last time the United States has experienced such low unemployment was during the dot-com era in the late 1990s. Until recently, such low unemployment has not translated into increased wages for most Americans. This is starting to change. Walmart, for example, America's largest private-sector employer, just announced in early January 2018 that it would apply a minimum wage to all their employees going forward. Concerned about full employment and future inflation, the US Federal Reserve has already started to raise overnight interest rates (three times in 2017), with further rate increases expected in 2018.

FOREIGN CURRENCY PERFORMANCE vs CANADIAN DOLLAR



THE ECONOMIC ENVIRONMENT (cont`d)

Canada's economic growth strengthened in 2017 with GDP growth of 3.3% in 2017 and a year-end unemployment rate of 5.7%, down from 6.9% at the beginning of the year. The recovery in oil prices helped, as did Canada's strong housing market. Some would argue that Canada's housing market is too strong, particularly in the gateway cities of Vancouver and Toronto, which attract international investors. The Bank of Canada increased interest rates twice in 2017 and once in early 2018. Going forward, they are likely to match interest rate increases coming out of the United States given the tight economic integration between the two countries.

Two major economic challenges for Canada on the horizon are the uncertainty surrounding NAFTA and the issue of overindebted Canadian households. Some Canadians unfortunately have become too dependant on low interest rates. These low rates are not likely to last. Households that have excessive debt through high mortgages and personal lines of credit will feel the impact. Savers, on the other hand, who have struggled with low interest rates will benefit when rates rise.

Looking at the rest of the world, one surprising economic performer in 2017 was the Eurozone. The Eurozone managed to generate GDP growth of 2.7% in 2017. Several of the perennial laggards (Greece, Spain, Portugal and Italy for example) actually managed to generate decent economic performance during the year.

Even Japan managed to do well in 2017. The country produced GDP growth of 1.7% in spite of their ever-increasing debt burden and rapidly aging population. China also did well in 2017. Its economy grew at a rate of 6.8% for the year, which was faster than the government's target of 6.5%. To put this in perspective, economically China is growing at two to three times the pace of most developed countries. Already the world's second largest economy (after the United States), the country however is likely to experience a slowdown going forward as the working age population is expected to peak in the early 2020s.

Rounding out the world, India had a strong year in 2017. Given the structure of its economy, the relatively young age of its work force and government's commitment to streamlining the economy, India is the country most likely to grow at a rate of 6% plus for the next several years. Brazil is another country that appears to have turned the corner economically in 2017. After having experienced one of the deepest recessions in recent history (driven partly by political corruption issues), the country is now starting to see decent economic growth.

It has been several years since the major economic regions of the world have all achieved positive economic growth at the same time. Many commentators have noted, however, that the economic expansion in the United States has now reached the second longest in history. Although true, this observation only tells part of the story. The current economic recovery in the United States has been much slower and shallower than most previous recoveries. When measuring this economic recovery in terms of its impact on GDP, historically it falls roughly into the middle of the pack. Bottom line: the economy recovery could continue for a while.

This positive economic backdrop created a very good environment for investment assets.

PLAN ASSET PERFORMANCE

FIXED INCOME

Fixed income investments are comprised of cash, short-term investments and bonds. Most of the fixed income assets held by the Plan are invested in Canadian dollars. Fixed income assets provide returns in the form of periodic interest payments and the repayment of principal at maturity.

CASH & SHORT-TERM INVESTMENTS

Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	1.2%	0.6%
4-Yrs	1.1%	0.7%

The Plan's cash is invested in high quality and very liquid short-term money market investments and primarily invested in the one to two-month maturity term. This activity contributes to maximizing returns on total available funds and accommodating the flexibility required to manage the cash demands related to the Plan's investments, the Plan's pension benefit payments and total administration expenses. In 2017, the Plan had on average approximately $358.5 million or 5.3% of assets in cash and short-term investments compared to $295 million or 4.5% of assets in 2016. At December 31, 2017, cash and short-term investments represented 4.7% of the Plan's investments.

For the first time in seven years, the Bank of Canada increased its target interest rate in 2017 by 0.5% to 1%, essentially reversing the interest rate cuts of 2015. Canada is the first major central bank to follow the Federal Reserve in removing monetary policy accommodation. It is expected that the Bank will continue to cautiously lower the level of monetary policy accommodation depending on how the economy progresses going forward.

BONDS

Annualized Compound Rates of Return

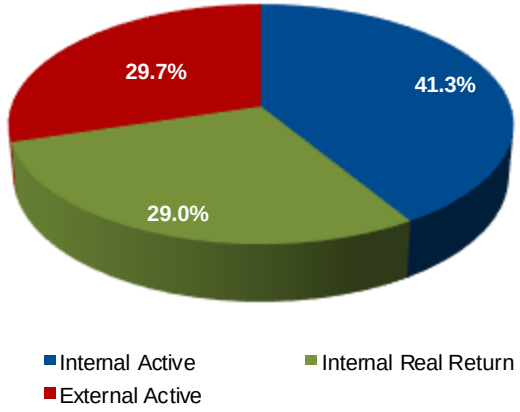
Nominal Bonds	Plan Assets	Asset Benchmark
1-Yr	8.0%	7.4%
4-Yrs	7.5%	7.2%
Real Return Bonds[1]		
1-Yr	1.2%	1.2%
4-Yrs	5.0%	5.0%

[1] The Real Return Bond benchmark is equal to the actual return of the Plan's real return bond portfolio.

Global central bank monetary policy diverged in 2017. In North America, monetary policy accommodation was slowly but surely being removed compared to Europe and Japan, where monetary stimulus continued at the same pace. In Canada, the Bank of Canada increased rates twice while in the US, the Federal Reserve hiked rates three times and officially began to very gradually reduce the level of Treasury and agency bonds held on its balance sheet in the fourth quarter. Conversely, the European Central Bank and the Bank of Japan maintained negative target interest rates and continued implementing their respective quantitative easing/bond buying programs with no indication of when the end date may be given the lack of inflation. The European Central Bank did however signal that starting in January 2018, the pace of its quantitative easing program would be reduced by half until September or beyond if necessary. German and Japanese government bonds with maturities of less than 7 years had negative yields as at the end of 2017 reflecting the degree to which monetary policy accommodation remained higher in those markets compared to Canada and the US.

Market Value of Bonds

as at December 31, 2017
$2,885.2 million



A persistent theme in Canada and the U.S. fixed income markets was how the shape of the government yield curves shifted in 2017. Shorter-term rates moved higher because of central bank rate hikes while longer-term bond yields fell as inflationary pressures remained low and demand remained strong. This resulted in a flatter yield curve with the difference in yield between long and short government bonds narrowing. For example, the yield of the Canadian 2-year bond rose by 75 basis points while the yield of the 30-year government bond fell by 7 basis points in 2017.

Solid economic growth and strong equity markets resulted in credit bonds benefiting from spread compression with the returns of provincial and investment-grade corporate bonds significantly outperforming government of Canada bonds. The return of real return government of Canada bonds was lower than nominal government bonds mainly due to the benign consumer price inflation environment throughout the year.

BOND OVERLAY

Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	5.7%	5.4%
4-Yrs	6.3%	5.9%

As part of its Liability Driven Investment strategy, the Plan utilizes a Bond Overlay that consists of fixed income financial derivatives. This helps reduce funded status volatility while at the same time allowing for enhanced returns relative to an all fixed income portfolio. Although fixed income instruments provide a better match to Plan liabilities, their long-term expected return is lower than many other asset classes, which makes a 100% bond portfolio less than optimal. The use of a Bond Overlay allows for return generating assets with higher return potential, such as equities, private equity 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 Plan returns which more closely mirror the movement in the Plan's pension obligations, while producing an enhanced return over that of an all-bond portfolio.

EQUITY

Equity investments represent ownership interests in publicly-traded Canadian and international companies. In addition to providing diversity to the Plan, equities are expected to provide a higher return than fixed income investments over the long term.

CANADIAN EQUITY

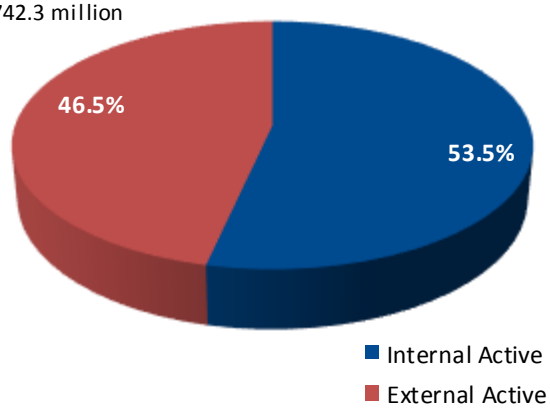
Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	8.2%	9.1%
4-Yrs	6.6%	7.6%

Market Value of Canadian Equity

as at December 31, 2017

$742.3 million

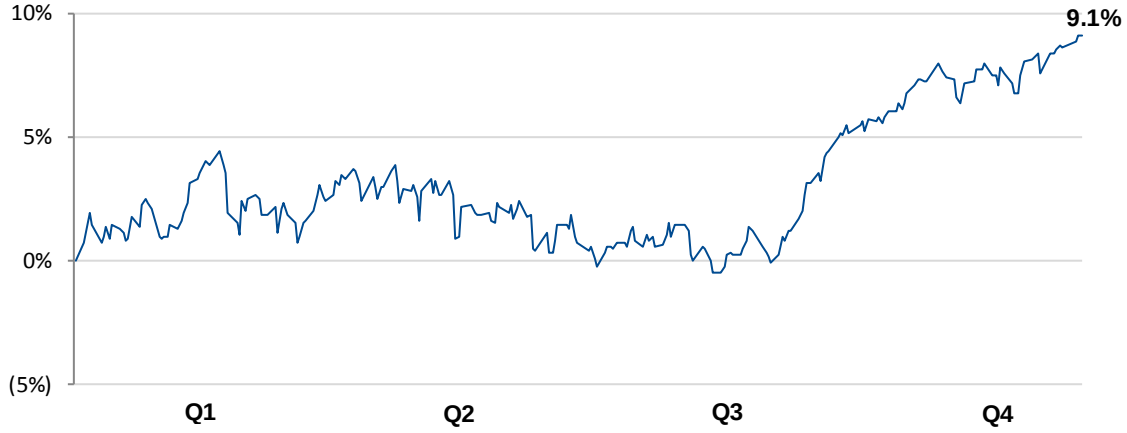


Optimism for a strengthening global economy and positive investor sentiment lifted the Canadian equity market 9.1% in 2017, to all-time highs. After falling to $42.40 in June, oil rebounded sharply, rising 12.5% to close the year at a 2-year high of $60.42 USD per barrel. Other commodity prices were also strong, with metal and lumber prices hitting multi-year highs in 2017.

Market gains were broad based with 8 out of 11 sectors outperforming the market. Leading the market higher was the Healthcare sector up 34.2%, rebounding from heavy losses the prior 3 years, Consumer discretionary up 22.8%, Industrials up 19.7% and Information Technology up 16.8%. Despite a strong rally in commodity prices, resource sectors struggled in 2017 with the Energy sector down 7%. Also underperforming the market was the Materials sector up 7.5% and Consumer Staples sector up 7.8%.

S&P/TSX Capped Composite index

2017



GLOBAL EQUITY

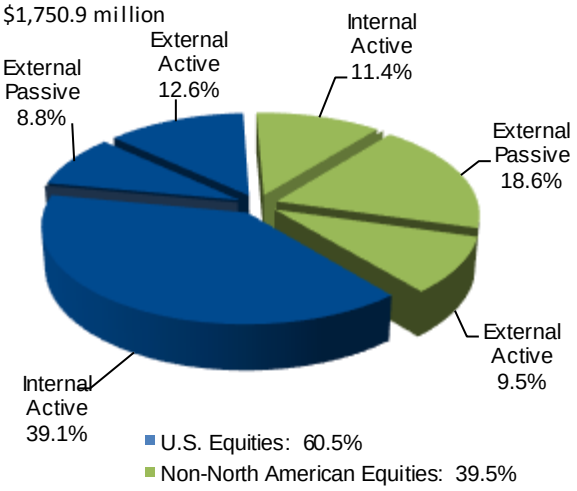
Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	15.4%	16.1%
4-Yrs	15.4%	13.0%

Market Value of Global Equity

as at December 31, 2017

$1,750.9 million



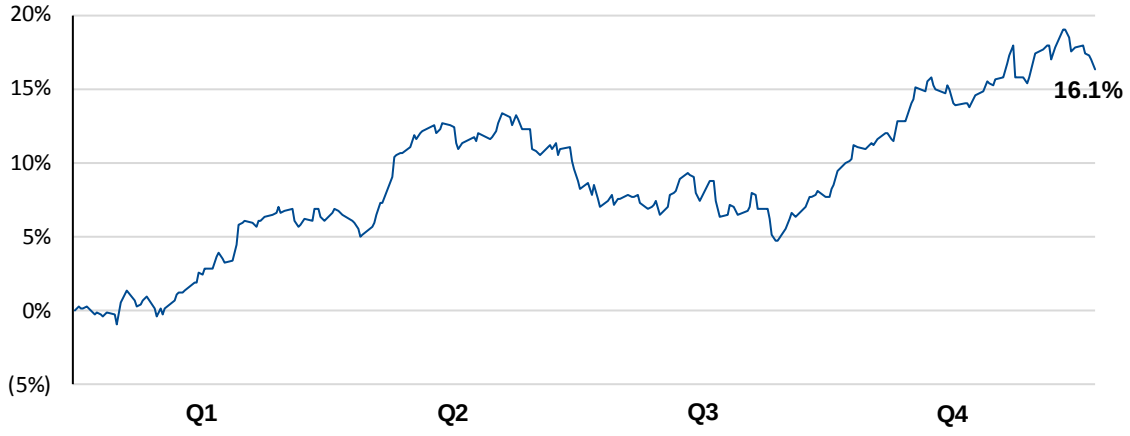
Global equities enjoyed very strong returns in 2017, with the MSCI All-Country World ex-Canada Index rising 16.1% in Canadian dollar terms (including dividends). The combination of a synchronized global economic expansion, benign inflation, accommodative monetary conditions and accelerating corporate earnings created a near-perfect backdrop for equities in 2017. The passing of the US corporate tax bill toward the end of the year provided an additional lift, with optimism running high that lower corporate tax rates would provide a significant boost to earnings in 2018. 2017 was characterized by exceptionally low volatility, with momentum and growth stocks dramatically outperforming value. For the second straight year, emerging markets outperformed developed markets, bolstered by a weaker US dollar and a rebound in earnings.

From a regional perspective, while overall returns were broad-based, Asia (emerging and developed) and Europe outperformed the broader equity indices. Emerging Asia led the way, fueled by strong returns in technology stocks and a re-acceleration in China's growth. European equities also benefited from a strong economic expansion, favorable political developments and a surging euro. On the weaker end of the spectrum, softer oil prices negatively impacted markets like Russia, leading to the underperformance of emerging European equities. A weak US dollar also constrained relative returns in the US, while UK equities underperformed on concerns about the impact of Brexit.

From a sector perspective, 2017 was all about the strength of the technology sector. Technology stocks generated returns of close to 33% in Canadian dollar terms, dramatically outperforming all other areas of the market. The improving global economic backdrop also helped fuel strong returns in cyclical sectors such as materials and industrials. Within the consumer discretionary sector, market disruptors such as Amazon and Netflix surged, driving strong relative returns. Financials were also in favor as beneficiaries of rising yields and easing regulations. Defensive sectors such as telecoms, utilities and consumer staples lagged, while energy stocks were also held back by ongoing concerns about oversupplied oil markets

MSCI ACWI ex-Canada Index

Return (CAD) - 2017



U.S. Market

It was another good year for US equities in 2017. The S&P 500 returned 13.5% (CAD) for the year as corporate earnings continued to recover from the dip in 2014-2016 while interest rates remained comparably low. At the sector level, Technology led the way gaining 29.3%. Reflecting exciting areas of growth such as artificial intelligence (AI) and augmented reality (AR), semiconductor stocks rallied significantly as the demand for chip manufacturing and the continuous growth in mobile requires increased microchip usage. Financial stocks were also strong mostly due to higher interest rates that tend to improve bank operating earnings. Interest-rate sensitive sectors such as Real Estate, Utilities and Telecoms were laggards for the year. In the end, US equities had the least volatile 12-month stretch on record.

EAFE Markets

The EAFE region (developed European and Asian equities) rallied with a total return of close to 17% in Canadian dollar terms in 2017. European equities had a strong first half of the year, as relief over the victories of centrist parties in France and the Netherlands, coupled with signs of broad-based economic momentum and improving business sentiment drove robust returns. Japan also enjoyed solid returns, propelled by strong performances in the industrial and technology sectors which are strongly leveraged to the global recovery. Among the EAFE markets, the strongest returns were seen in Austria (+49%), Hong Kong (+27%), Singapore (+27%) and Denmark (+27%), while markets such as Israel (-4%), New Zealand (+5%) and Ireland (+11%) underperformed.

Emerging Markets

Emerging markets had a massive run in 2017, with the MSCI Emerging Market Index rising over 28% in Canadian dollar terms. Emerging market outperformance was supported by US dollar weakness, corporate earnings finally rebounding in 2017 (after many years of decelerating trends), a re-acceleration in Chinese economic growth, surging Chinese Internet stocks and inflation in commodity prices. While returns within the emerging markets were relatively broad-based, the strongest returns were seen in Poland (+45%), China (+44%), South Korea (+37%) and Chile (+34%), while Middle Eastern markets like Pakistan (-31%), Qatar (-17%), UAE (-4%) and Egypt (-2%) underperformed, impacted by weakness in energy markets and geopolitical concerns.

STRATEGIC INVESTMENTS

Strategic Investments are comprised of three separate components: Property, Private Equity and a Hedge Fund. Property consists of investments in real estate and mortgages. Private Equity includes investments in infrastructure, growth capital, mezzanine financing, buyout funds, secondary funds and venture capital. The hedge fund is a managed futures hedge fund. The Strategic Investments diversify the Plan's sources of return and have the potential to earn high returns.

PROPERTY

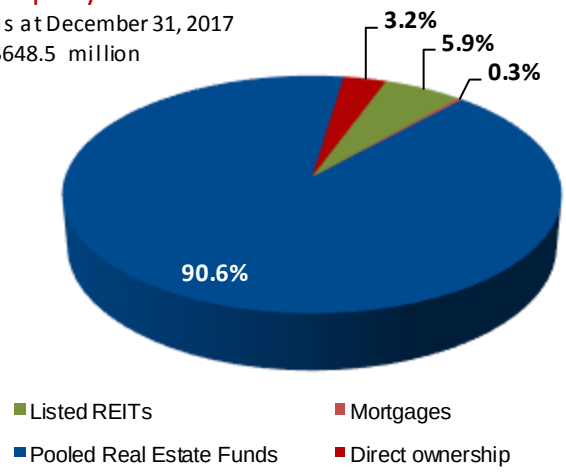
Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	7.0%	4.0%
4-Yrs	8.6%	4.1%

Property Mix

as at December 31, 2017

$648.5 million



The Canadian commercial real estate market set a record for volume of transactions in 2017. Despite higher interest rates brought on by the Bank of Canada, demand for property investments drove down capitalization rates in many subsectors to new lows. Vancouver and Toronto remain hot markets, but others such as Montreal and Kitchener are heating up. Alberta remains a challenge but is generally showing some stability. Overall returns were solid, but similar to last year, lacking the strong capital gains that investors have enjoyed over much of the past ten years.

The office market is generally steady. Suburban office has been benefiting from the strength in downtown Toronto and Vancouver as tenants seek cheaper accommodations. The Alberta office market appears to be stabilizing, although net rents continue to weaken. The Montreal market was the only urban office market to experience capital rate compression in 2017 due to solid demand. The industrial sector has been the strongest in Canada over the past couple of years, posting record low vacancy and generally upward pressure on rents combined with lower capitalization rates. The sector benefits from the increased demand for warehouse space due to the expanding e-commerce market. The retail sector also continues to evolve with the advent of e-commerce. Overall retail sales are good, but some properties, generally the smaller community and strip malls, struggle with the loss of prime tenants while the larger regional malls thrive. To survive, some will need to reinvent themselves, including adding multi-residential development. The multi-residential sector remains firm. Strong economic growth combined with high immigration, expensive home ownership and an aging rental stock have created ideal conditions for new development, particularly in the Toronto and Vancouver areas. The Alberta multi-residential market however, continues to suffer from over supply.

In 2017, the property portfolio bought about $75 million and disposed of about $16 million. In addition, we made commitments totalling $85 million to three new funds covering the industrial, multi-residential and office sectors that will be drawn down over the next three years. Overall, the focus for the property portfolio in 2017 was to reduce core investments in favour of core-plus and value-added strategies to provide additional return.

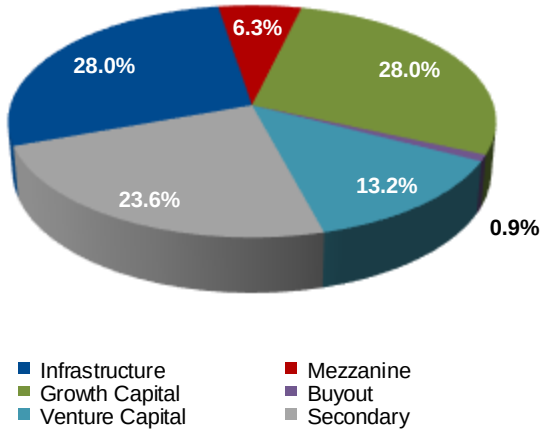
PRIVATE EQUITY

Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	24.9%	4.0%
4-Yrs	19.4%	4.1%

Private Equity Allocations

as at December 31, 2017
$649.3 million



Many of the private equity investments involve buying and running small to medium size enterprises through limited partnership structures. These enterprises typically have targeted products and services. If well managed on a portfolio basis, these investments provide the opportunity to offer high returns over the long term. Investors who can afford to be patient with such illiquid investments typically receive a premium compared to publicly listed companies. The Private Equity portfolio also helps to diversify the Plan into countries and segments of the global economy that are not well represented by public equity markets or fixed income holdings.

The allocation of the portfolio at year end was 28.0% infrastructure, 28.0% growth capital, 23.6% secondary investments, 13.2% venture capital, 6.3% mezzanine and 0.9% buyout. The Private Equity portfolio is a diversified global portfolio with a geographic allocation that roughly matches global GDP (with an overweight towards Canada). The current geographic allocation of the portfolio is 29% Europe, 28% Asia, 27% United States, 10% Canada and 6% South America.

Four new commitments were made by the Private Equity portfolio in 2017. One investment was in a large global secondary partnership. A second investment was in a global tactical mezzanine partnership. The third investment was in a timberland and farmland partnership. Our fourth investment was in a private equity partnership specifically devoted to Sub Sahara Africa. The focus of this partnership is on retail and small business enterprises in Africa (it does not invest in mining or commodities). This is the first time that we have made a private equity investment specifically targeted towards Africa.

HEDGE FUNDS

Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	4.6%	4.0%
4-Yrs	4.6%	4.1%

The Plan was invested in two externally managed hedge funds in 2017. One was a global macro hedge fund where the three main investment strategies are based on the relative value among G-10 country stock and bond markets, relative value among global currencies and value among commodities. Due to the poor performance of this portfolio the decision was made to exit this fund during the second quarter of 2017.

The second hedge fund is a managed futures fund that provides diversification into various markets and introduces some medium-term trend momentum to the Plan. It seeks to exploit the existence of persistent, multi-month trends in a wide range of highly liquid listed futures and currency markets. Performance in 2017 was 4.6%, dominated by its stock indices sector strategy.

SUMMARY OF ASSET ALLOCATION

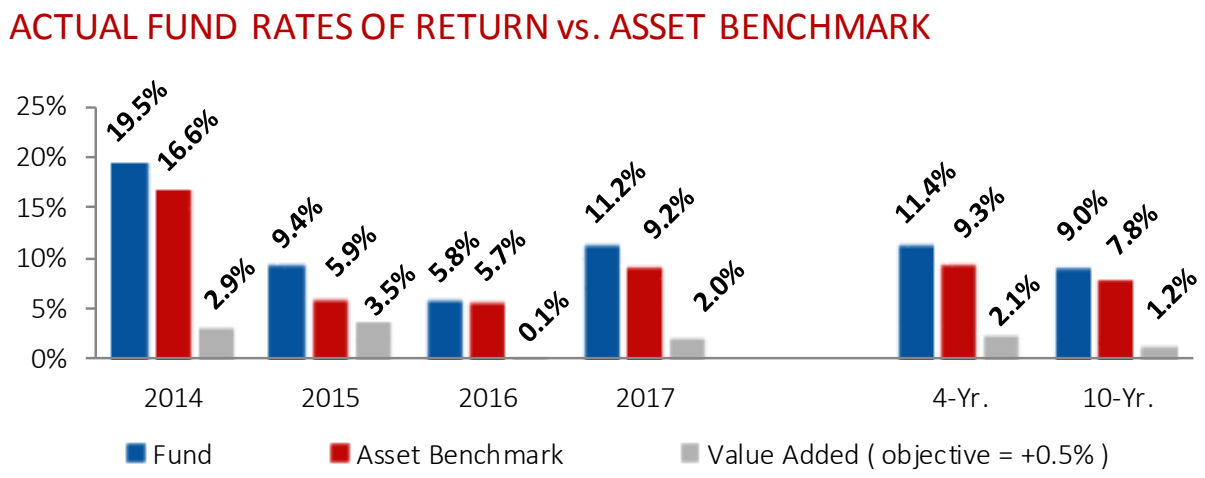
The investment policy allows for the Plan to make tactical calls that vary the weighting of the asset classes from the policy allocation of 45% Canadian fixed income, 34% public equity and 21% strategic (real estate, private equity and hedge funds). Tactical calls are normally done on a quarterly basis, although they can be done more frequently depending on market conditions. Value-added to the overall Plan is achieved by a combination of these tactical calls at the Plan level and manager selection at the individual portfolio level.

Concern over the prospect for higher interest rates in Canada led the Plan to underweight Canadian fixed income for much of 2017. Canadian equity was also underweighted for much of the year primarily over commodity price concerns. The funds from these two underweight positions were redeployed into US equity and global equity, where the Plan held an overweight position.

As expected, the Bank of Canada raised rates twice during the year. Although Canadian fixed income did produce a decent return in 2017, it produced less than the average for all the asset classes of the Plan. Similarly, Canadian equity produced decent returns in 2017, but the returns were less than US equity and global equity. The net result was that the tactical call added value in 2017.

The termination in 2017 of one of the Plan's hedge fund investments was a factor in the underweight in strategic assets during the year. The funds from this underweight position were redeployed into US equity and global equity.

As of December 31, 2017, the actual asset mix of the Pension Plan was 45.8% Canadian fixed income (of which 4.7% was in cash-equivalent instruments), 35.2% public equity and 19.0% strategic.



FINANCIAL REPORT

Management Responsibility for Financial Reporting

The financial statements of the CBC Pension Plan 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 accounting standards for pension plans.

Management of the Plan 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 provide 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 auditors 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 Morneau Shepell, consulting actuaries, conducts a formal actuarial valuation of the obligations for pension benefits as is required under the Pension Benefits Standards Act.

Deloitte LLP, the Plan's external auditor 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 it considers necessary to express the opinion in its report to the CBC Pension Board of Trustees. The external auditor has full and unrestricted access to the Board to discuss its 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

Duncan Burrill
Secretary/Treasurer
CBC Pension Board of Trustees

March 27, 2018

Actuary's Opinion

Morneau Shepell Limited was retained by the CBC Pension Board of Trustees (the "Board") to calculate the going concern and solvency obligations of the CBC Pension Plan (the "Plan") as at December 31, 2017, for inclusion in the Plan's financial statements.

The Plan's obligations under the going concern basis as at December 31, 2017 are based on the results of the actuarial valuation as at December 31, 2017, and take into account:

- membership data provided by CBC/Radio-Canada as at December 31, 2017;
- methods prescribed under Section 4600 of the Chartered Professional Accountants of Canada Assurance Handbook for pension plan financial statements; and
- assumptions about future events, such as future rate of inflation and future rates of return on the Plan, which have been communicated to us as the Board's best estimate of these events.

The assumptions that form the going concern basis were reasonable at the time the valuation was prepared. Further information on the data, methods and assumptions used under both the going concern and solvency bases are described in our actuarial valuation report as at December 31, 2017.

Actuarial valuation results are only estimates. Emerging experience may differ, perhaps significantly, from the assumptions used to perform the valuation. These differences will result in gains or losses to be revealed in future valuations, and will affect the future financial position of the Plan and contribution levels.

In our opinion, with respect to the actuarial valuation of the Plan as at December 31, 2017:

- The membership data on which the valuation is based are sufficient and reliable for the purposes of the valuation.
- The assumptions are appropriate for the purposes of the valuation.
- The methods employed in the valuation are appropriate for the purposes of the valuation.

This valuation has been prepared, and our opinion given, in accordance with accepted actuarial practice in Canada.

Denis Dupont
Fellow of the Canadian Institute of Actuaries

Francine Pell
Fellow of the Canadian Institute of Actuaries

Morneau Shepell Ltd.

March 27, 2018
Ottawa, Ontario

Independent Auditor's Report

To the Members of the CBC Pension Board of Trustees

We have audited the accompanying financial statements of CBC Pension Plan, which comprise the statement of financial position as at December 31, 2017, and the statements of changes in net assets available for benefits, changes in pension obligations and changes in funding surplus for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CBC Pension Plan as at December 31, 2017, and the changes in its net assets available for benefits, changes in its pension obligations and changes in its funding surplus for the year then ended in accordance with Canadian accounting standards for pension plans.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

March 27, 2018
Ottawa, Ontario

Statement of Financial Position

(Canadian $ thousands) As at December 31	**2017**	2016
ASSETS		
Investments *(Note 3)*	**$ 7,073,010**	$ 6,573,056
Accrued investment income	**32,699**	44,781
Contributions receivable		
- Employee	**4,600**	3,993
- Employer	**4,552**	4,583
FlexPen investments *(Note 6)*	**5,129**	5,448
Due from brokers	**360**	993
Other assets	**571**	455
	7,120,921	6,633,309
LIABILITIES		
Accounts payable and accrued liabilities *(Note 7)*	**8,412**	9,676
Due to brokers	**1,801**	5,495
	10,213	15,171
NET ASSETS AVAILABLE FOR BENEFITS	**7,110,708**	6,618,138
PENSION OBLIGATIONS *(Note 8)*	**4,958,935**	4,886,841
FUNDING SURPLUS *(Note 10)*	**$ 2,151,773**	$ 1,731,297

The accompanying notes are an integral part of the financial statements

Approved by the Board of Trustees

Trustee

Trustee

Approved by Management

Managing Director / CEO

Secretary / Treasurer

Statement of Changes in Net Assets Available for Benefits

(Canadian $ thousands) Year ended December 31	**2017**	2016 *(Note 14)*
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	**$ 6,618,138**	$ 6,494,137
Investment Activities		
Investment income *(Note 3)*	**262,453**	218,355
Change in fair value of:		
- Investments *(Note 3)*	**466,806**	141,812
- FlexPen investments *(Note 6)*	**324**	340
Net investment activities	**729,583**	360,507
Member Service Activities		
Contributions *(Note 5)*		
- Employee	**52,737**	47,334
- Employer	**49,373**	49,789
- Transfers	**2,009**	(295)
	104,119	96,828
Benefits *(Note 9)*		
- Pensions	**(277,534)**	(277,242)
- Refunds and transfers	**(13,701)**	(11,811)
	(291,235)	(289,053)
Net member service activities	**(187,116)**	(192,225)
Administrative Expenses *(Note 11)*	**(49,897)**	(44,281)
Increase in Net Assets Available For Benefits	**492,570**	124,001
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**$ 7,110,708**	$ 6,618,138

The accompanying notes are an integral part of the financial statements

Statement of Changes in Pension Obligations

(Canadian $ thousands) Year ended December 31	**2017**	2016
PENSION OBLIGATIONS, BEGINNING OF YEAR	**$ 4,886,841**	$ 4,774,032
Increase in Pension Obligations		
Interest on pension obligations	**283,437**	276,894
Changes in actuarial assumptions	**(19,825)**	46,154
Benefits earned	**104,762**	96,488
FlexPen investments *(Note 6)*	**538**	680
	368,912	420,216
Decrease in Pension Obligations		
Benefits *(Note 9)*	**291,235**	289,053
Net experience gains	**5,583**	18,354
	296,818	307,407
Net Increase in Pension Obligations	**72,094**	112,809
PENSION OBLIGATIONS, END OF YEAR	**$ 4,958,935**	$ 4,886,841

Statement of Changes in Funding Surplus

(Canadian $ thousands) Year ended December 31	**2017**	2016
FUNDING SURPLUS, BEGINNING OF YEAR	**$ 1,731,297**	$ 1,720,105
Increase in Net Assets Available for Benefits	**492,570**	124,001
Net Increase in Pension Obligations	**(72,094)**	(112,809)
FUNDING SURPLUS, END OF YEAR *(Note 10)*	**$ 2,151,773**	$ 1,731,297

The accompanying notes are an integral part of the financial statements

1. DESCRIPTION OF PLAN

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

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 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 Office of the Superintendent of Financial Institutions (OSFI) is 0055144.

b) Benefits

The Corporation guarantees the payment of the pensions (other than the flexible pension provision (see Note 6)), and other benefits payable under the terms of this Plan. A member who is a full-time 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 increase in 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 on an annual basis. Employees are required to contribute to the Plan a percentage of their pensionable salary. The contribution rate for full-time employees from January 1, 2017 to June 30, 2017 was 7.68% (6.98% in 2016) of earnings up to the maximum public pension plan earnings of $55,300 ($54,900 in 2016) and 10.10% (9.18% in 2016) of earnings in excess of such maximum. The employee contribution rate was increased to 8.37% (7.68% in 2016) of earnings up to the maximum public pension plan earnings and 11.00% (10.10% in 2016) in excess of such maximum from July 1, 2017 to December 31, 2017. 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, 2017.

d) Income tax status

The Plan is a Registered Pension Trust as defined in the Federal Income Tax Act (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 Accounting Standards for Pension Plans (ASPP) in Part IV of the CPA Canada Handbook (the "Handbook"), on a going concern basis and present the financial position of the Plan as a separate financial reporting entity independent of the CBC/Radio-Canada (Plan 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.

In accordance with Chartered Professional Accountants of Canada (CPA Canada) Section 4600, *Pension Plans*, which provide specific accounting guidance on investments and pension obligations, the Plan adopted Accounting Standards for Private Enterprises (ASPE) in Part II of the Handbook for accounting policies that are not covered in Part IV of the Handbook.

b) Investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

c) Accrual of income

Investment income has been accrued to the year-end date.

d) Fair Value Measurement

The Plan is following International Financial Reporting Standards (IFRS) 13, Fair Value Measurement to determine the fair value of its investment portfolio. The Plan's financial statement disclosures with regards to its investment portfolio are based on the provisions of Section 4600 which includes compliance with the disclosure requirements of IFRS 7, Financial Instruments: Disclosures.

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) Pension obligations

Pension obligations 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. The value of the pension obligations is based on the results of the formal valuation completed for December 31, 2017 (see Note 8). Accrued pension benefits related to the flexible pension provisions are reported at the fair value of the investments associated with the contributions.

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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.

h) Foreign currency translation and forward currency agreements

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 ASPP 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 the valuation and classification of investments particularly those classified as Level 3 in Note 3 f) as well as assumptions used in the calculation of the pension obligations. Actual results could differ from those estimates.

j) Securities lending

The Plan may enter into securities lending transactions. These securities lending activities are fully collateralized by securities, and the securities loaned continue to be accounted for as investments on the Statement of Financial Position. Lending fees earned by the Plan on these transactions are included in investment income.

k) Future changes in accounting policies

IFRS 9 Financial Instruments

The new standard replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. The mandatory effective date for the new standard has been set for annual periods commencing on or after January 1, 2018. The impact on the financial statements of adopting IFRS 9 will not be material.

3. INVESTMENTS

a) Schedule of investments

The tables below 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. 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.

2017 INVESTMENTS

(Canadian $ thousands)	Fair Value	Cost	Change in Fair Value of Investments[1]	Investment Income	Total Return
Fixed Income					
Cash and short-term investments	$ 333,943	$ 333,870	$ (329)	$ 3,567	$ 3,238
Canadian bonds	2,885,244	2,255,407	103,071	59,399	162,470
	3,219,187	2,589,277	102,742	62,966	165,708
Equities					
Canadian	742,344	724,382	22,153	25,181	47,334
Global	1,750,949	1,207,068	196,778	32,267	229,045
	2,493,293	1,931,450	218,931	57,448	276,379
Strategic					
Property	648,502	462,245	8,732	33,715	42,447
Private investments	649,329	489,444	31,361	107,054	138,415
Hedge funds	45,926	40,000	(1,360)	1,270	(90)
	1,343,757	991,689	38,733	142,039	180,772
Derivatives					
Bond forwards	15,308	-	64,131	-	64,131
Total return swaps	2,268	-	29,279	-	29,279
Call options - equity	(803)	(1,166)	9,754	-	9,754
Currency forwards	-	-	3,236	-	3,236
	16,773	(1,166)	106,400	-	106,400
TOTAL	**$ 7,073,010**	**$ 5,511,250**	**$ 466,806**	**$ 262,453**	**$ 729,259**

[1] *Includes $266.1 million of change in unrealized market gains and $200.7 million of realized gains.*

2016 INVESTMENTS

(Canadian $ thousands)	Fair Value	Cost	Change in Fair Value of Investments[1]	Investment Income	Total Return
Fixed Income					
Cash and short-term investments	$ 417,796	$ 417,837	$ (5,520)	$ 3,186	$ (2,334)
Canadian bonds	2,668,233	2,137,015	25,410	59,615	85,025
	3,086,029	2,554,852	19,890	62,801	82,691
Equities					
Canadian	719,782	707,880	70,957	23,676	94,633
Global	1,423,459	990,530	74,097	39,472	113,569
	2,143,241	1,698,410	145,054	63,148	208,202
Strategic					
Property	586,742	400,963	3,013	32,806	35,819
Private investments	627,795	497,806	(38,414)	57,146	18,732
Hedge funds	139,626	126,137	(17,256)	2,454	(14,802)
	1,354,163	1,024,906	(52,657)	92,406	39,749
Derivatives					
Bond forwards	(2,899)	-	13,471	-	13,471
Total return swaps	(6,726)	-	5,681	-	5,681
Call options - equity	(752)	(755)	10,373	-	10,373
	(10,377)	(755)	29,525	-	29,525
TOTAL	**$ 6,573,056**	**$ 5,277,413**	**$ 141,812**	**$ 218,355**	**$ 360,167**

[1] *Includes $178.5 million of change in unrealized market losses and $320.3 million of realized gains.*

3. INVESTMENTS *(cont'd)*

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, commercial paper and short-term bonds, are valued at cost, including accrued interest, which due to their short term to maturity approximates fair value. Cash and short-term investments also include bonds with maturity dates due within 12 months of the year end and are recorded at closing mid-market quotes.

ii) Bonds consisting of both nominal and real return are recorded at closing mid-market quotes or if not available, estimated using 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, estimated using valuation techniques as described below under Private Investments.

iv) Private Investments consisting primarily of unlisted securities are valued at prices based on the underlying investment fund managers' best estimates and are reviewed by management. Fair values are estimated using one of the following methods: earnings multiple, discounted cash flows or earnings, available market prices and price of recent investments. These methods reflect generally accepted industry valuation practices.

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.

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

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 methods 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.

3. INVESTMENTS *(cont'd)*

c) Derivative Financial Instruments

Derivative financial instruments are financial contracts whose values are derived from the value of underlying assets, indexes, interest rates or currency exchange rates. The Plan uses fixed income derivative instruments (bond forwards and total return swaps) 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 uses a covered call writing strategy for its equity portfolio to obtain additional investment income from the premiums received. The Plan may also, from time to time, manage some of its foreign currency exposure based on economic fundamentals by entering into currency forwards.

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 Plan has master netting arrangements in place for its fixed income derivative instruments. In the normal course of business the Plan settles its derivative contracts on a net basis. All the Plan's financial assets and liabilities are offset and the net amount is reported in the statement of financial position. The Plan's recognized financial instruments are presented in Note 3 a) and summarized further on the following page.

Forwards

The Plan's forward contracts are negotiated agreements between two counterparties where one counterparty agrees to buy a financial instrument, and the other agrees to sell a financial instrument at an agreed future date, but at a price established at the start of the contract. The Plan uses fixed income and currency forward contracts.

Swaps

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

Options

The Plan's call options are standardized equity contracts listed on regulated exchanges. The Plan has sold (written) contracts to a counterparty under which they have the right, but not an obligation, to buy an underlying equity instrument at a fixed price prior to a future specified date. The Plan receives a premium from the purchasing counterparty for this right.

3. INVESTMENTS *(cont'd)*

c) Derivative Financial Instruments *(cont'd)*

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

(Canadian $ thousands)

As at December 31	2017		2016	
	Notional Value	**Net Fair Value**	Notional Value	Net Fair Value
Fixed Income				
Forwards	**$ 1,279,012**	**$ 15,308**	$ 931,154	$ (2,899)
Total return swaps	**596,580**	**2,268**	449,791	(6,726)
	1,875,592	**17,576**	1,380,945	(9,625)
Equities				
Call options (written)	**(57,800)**	**(803)**	(36,290)	(752)
TOTAL	**$ 1,817,792**	**$ 16,773**	$ 1,344,655	$ (10,377)

The net fair value of derivative contracts is represented by:

(Canadian $ thousands)

As at December 31	**2017**	2016
Derivative - related receivables	**$ 25,482**	$ 10,386
Derivative - related payables	**(8,709)**	(20,763)
TOTAL	**$ 16,773**	$ (10,377)

All derivative contracts held at December 31, 2017 and 2016 have a term to maturity less than 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 non-cash collateral with a fair value equal to no less than 102% of the value of the securities lent. As of December 31, 2017, securities with an estimated fair value of $7.6 million (2016: $3.5 million) were loaned out, while securities contractually receivable as collateral had an estimated fair value of $8.1 million (2016: $4.0 million).

3. INVESTMENTS *(cont'd)*

e) Financial Risk Management

i) Overview

The 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.

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 frame work 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 is exposed to market risk through its investments in various 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 minimum and maximum exposure limits on foreign currencies are 15% and 40%, respectively, of the market value of the Plan's assets.

3. INVESTMENTS *(cont'd)*

e) Financial Risk Management *(cont'd)*

ii) Market Risk *(cont'd)*

The Plan had investment exposure to foreign currencies as set out below:

(Canadian $ thousands) As at December 31	Foreign Currency Exposure **2017**	 2016
United States dollar	**$ 1,701,685**	$ 1,568,575
Euro	**226,884**	191,197
Japanese yen	**64,993**	56,709
British pound sterling	**48,273**	42,439
Swedish krona	**23,247**	20,274
Swiss franc	**22,479**	23,312
Hong Kong SAR dollar	**22,320**	18,643
New Taiwan dollar	**9,334**	8,524
Singapore dollar	**7,749**	6,809
Indonesia rupia	**7,293**	6,708
Mexican peso	**6,496**	4,819
Thai baht	**6,110**	5,658
South Korean won	**5,650**	7,160
Australian dollar	**5,609**	4,480
Czech koruna	**3,348**	-
India rupee	**2,974**	5,753
Philippine peso	**2,240**	1,706
Danish krone	**2,031**	1,478
Other	**2,551**	2,220
TOTAL	**$ 2,171,066**	$ 1,976,464

As at December 31, 2017, a 1% increase in the Canadian dollar against all other currencies would decrease the value of the Plan's assets by $21.7 million or 0.3% (2016: $19.8 million or 0.3%). A 1% decrease in the Canadian dollar against all other currencies would increase the value of the Plan's assets by $21.7 million or 0.3% (2016: $19.8 million or 0.3%). This calculation is based on the Plan'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 obligations 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 LDI strategy is designed to manage the Plan's interest rate risk as it relates to both the Plan's assets and liabilities. 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 rates. As at December 31, 2017, 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 $729.2 million or 10.3% (2016: $600.7 million or 9.1%) of the Plan's assets. A 1% reduction in nominal interest rates would increase the value of the fixed income investments and derivatives by $729.2 million or 10.3% (2016: $600.7 million or 9.1%) of the Plan's assets. This is based on the duration of the holdings and does not include other variables such as convexity.

3. INVESTMENTS *(cont'd)*

e) Financial Risk Management *(cont'd)*

ii) Market Risk *(cont'd)*

With respect to pension obligations, as at December 31, 2017 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 obligations, which are measured on a going concern basis, of approximately 13.9% (2016: 13.6%). A 1% increase in the assumed long-term rate of return would result in a decrease in the pension obligations, which are measured on a going concern basis, of approximately 11.1% (2016: 11.1%).

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.

The overall equity market exposure limits as a percentage of Plan assets as at December 31, 2017 and 2016 were as follows:

(% of category)	**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)	**2017**		2016	
EQUITIES	**Canadian**	**Global**	Canadian	Global
Consumer Discretionary	**6.4**	**12.6**	9.7	12.7
Consumer Staples	**9.1**	**9.6**	8.7	9.8
Energy	**15.9**	**4.8**	15.2	4.8
Financials	**27.8**	**18.9**	24.9	18.5
Health Care	**0.0**	**10.5**	0.0	12.2
Industrials	**9.5**	**17.5**	8.4	16.5
Information Technology	**2.6**	**14.8**	2.9	15.5
Materials	**8.6**	**4.0**	9.4	3.3
Real Estate	**7.7**	**2.5**	7.8	2.2
Telecommunication Services	**6.5**	**2.2**	7.3	2.1
Utilities	**5.9**	**2.6**	5.7	2.4
TOTAL	**100.0**	**100.0**	100.0	100.0

3. INVESTMENTS *(cont'd)*

e) Financial Risk Management *(cont'd)*

ii) Market Risk *(cont'd)*

Price risk related to equity indices (i.e. S&P/TSX, S&P 500, MSCI EAFE, MSCI World ex-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.

(Canadian $ thousands)	**2017**	2016
Canadian Equity		
Market Value	**742,344**	719,782
+ / - 1% change in S&P/TSX	**6,580**	6,259
U.S. Equity		
Market Value	**570,528**	446,700
+ / - 1% change in S&P 500	**5,414**	4,037
Global Equity		
Market Value	**1,180,421**	976,759
+ / - 1% change in MSCI ACWI ex-Canada	**11,195**	9,013

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 receivables and its investment in debt instruments and over-the-counter derivatives, as described in Note 3 c).

The Plan's receivables are comprised of pension contributions due from employees (as deductions from payroll) and from the employer (Plan sponsor). The credit risk to the Plan arises from the possibility that the Plan sponsor fails to pay the employee salaries from which the employee contributions are deducted, and fails to pay its own portion of the contributions due. The risk of non-payment is considered low, and all amounts due at December 31, 2016 and December 31, 2017 have subsequently been remitted to the Plan.

Debt instruments include both short-term investments 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. No more than 3% of the bond portfolio can be invested in securities with a bond credit rating lower than "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. At December 31, 2017 the Plan received $56.0 million (provided in 2016: $58.1 million) of collateral in the form of Government of Canada bonds and provincial bonds from its various derivative counterparties.

3. INVESTMENTS *(cont'd)*

e) Financial Risk Management *(cont'd)*

iii) Credit Risk *(cont'd)*

The maximum credit exposure of the Plan is represented by the fair value of the investments as presented in the Statement of Financial Position.

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:

(Canadian $ thousands)	2017		2016	
CASH AND SHORT TERM INVESTMENTS	**Fair Value**	**%**	Fair Value	%
Cash	**$ 237,480**	**71.1**	$ 274,054	65.6
Short term investments				
Corporate	**96,463**	**28.9**	143,742	34.4
TOTAL	**$ 333,943**	**100.0**	$ 417,796	100.0
Cash	**$ 237,480**	**71.1**	$ 274,054	65.6
Short term investments				
R-1 (high)	**45,273**	**13.6**	95,239	22.8
R-1 (middle)	**21,497**	**6.4**	15,000	3.6
R-1 (low)	**29,693**	**8.9**	33,503	8.0
	96,463	**28.9**	143,742	34.4
TOTAL	**$ 333,943**	**100.0**	$ 417,796	100.0

(Canadian $ thousands)	2017		2016	
CANADIAN BONDS	**Fair Value**	**%**	Fair Value	%
Government of Canada	**$ 1,040,800**	**36.1**	$ 1,001,244	37.5
Provincial	**1,066,310**	**37.0**	983,833	36.9
Corporate	**778,134**	**26.9**	683,156	25.6
TOTAL	**$ 2,885,244**	**100.0**	$ 2,668,233	100.0
AAA to AA-	**$ 1,969,160**	**68.3**	$ 1,635,659	61.3
A+ to A-	**627,573**	**21.8**	770,419	28.9
BBB+ to BBB-	**288,511**	**9.9**	262,155	9.8
TOTAL	**$ 2,885,244**	**100.0**	$ 2,668,233	100.0

The above table does not include derivative or derivative counterparty exposure. The Plan's fixed income derivative exposure of $1.9 billion (2016: $1.4 billion) as at December 31, 2017 is 0.6% (2016: 12.9%) Government of Canada bonds and 99.4% (2016: 87.1%) Provincial bonds; all the underlying bonds have a minimum credit rating of "A".

3. INVESTMENTS *(cont'd)*

e) Financial Risk Management *(cont'd)*

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 pension obligations (as described in Note 8), investment commitments (as described in Note 12) and the liabilities that might arise from 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 Plan's value, which provides sufficient liquidity to meet contractual obligations as they come due. Over the medium to longer term, the Plan 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 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.

The Plan has the following financial liabilities as at December 31:

(Canadian $ thousands)

As at December 31		**Due 2018**		Due 2017
Accounts payable and accrued liabilities *(Note 7)*	**$**	**8,412**	$	9,676
Due to brokers		**1,801**		5,495
Derivatives *(Note 3 c)*		**8,709**		20,763
TOTAL	**$**	**18,922**	$	35,934

f) Fair Value Measurement Disclosure

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

3. INVESTMENTS *(cont'd)*

f) Fair Value Measurement Disclosure *(cont'd)*

The following tables present the financial instruments recorded at fair value in the Statement of Financial Position, classified using the fair value hierarchy described above as at December 31, 2017 and 2016:

2017 INVESTMENTS (Canadian $ thousands)	Level 1	Level 2	Level 3	Total
Fixed Income				
Cash and short-term investments	$ 100,771	$ 233,172	$ -	$ 333,943
Canadian bonds	-	1,998,169	887,075	2,885,244
	100,771	2,231,341	887,075	3,219,187
Equities				
Canadian	397,229	345,115	-	742,344
Global	1,424,938	326,011	-	1,750,949
	1,822,167	671,126	-	2,493,293
Strategic				
Property	37,946	-	610,556	648,502
Private investments	-	-	649,329	649,329
Hedge funds	-	-	45,926	45,926
	37,946	-	1,305,811	1,343,757
Derivatives				
Bond forwards	-	15,308	-	15,308
Total return swaps	-	2,268	-	2,268
Call options - equity	(803)	-	-	(803)
	(803)	17,576	-	16,773
TOTAL	**$ 1,960,081**	**$ 2,920,043**	**$ 2,192,886**	**$ 7,073,010**

2016 INVESTMENTS (Canadian $ thousands)	Level 1	Level 2	Level 3	Total
Fixed Income				
Cash and short-term investments	$ 175,301	$ 242,495	$ -	$ 417,796
Canadian bonds	-	1,853,607	814,626	2,668,233
	175,301	2,096,102	814,626	3,086,029
Equities				
Canadian	385,709	334,073	-	719,782
Global	1,234,317	189,142	-	1,423,459
	1,620,026	523,215	-	2,143,241
Strategic				
Property	39,022	-	547,720	586,742
Private investments	-	-	627,795	627,795
Hedge funds	-	-	139,626	139,626
	39,022	-	1,315,141	1,354,163
Derivatives				
Bond forwards	-	(2,899)	-	(2,899)
Total return swaps	-	(6,726)	-	(6,726)
Call options - equity	(752)	-	-	(752)
	(752)	(9,625)	-	(10,377)
TOTAL	**$ 1,833,597**	**$ 2,609,692**	**$ 2,129,767**	**$ 6,573,056**

During the year, there have been no transfers of amounts between Level 1, Level 2 and Level 3.

3. INVESTMENTS *(cont'd)*

f) Fair Value Measurement Disclosure *(cont'd)*

The following tables reconcile the fair value of financial instruments classified in Level 3 from the beginning balance to the ending balance:

2017 INVESTMENTS (Canadian $ thousands)	Balance at Dec 31/2016	Purchases	Sales	Realized gain/(loss)	Movement in unrealized gain/(loss)	Amortization	Balance at Dec 31/2017
Fixed Income							
Canadian bonds	$ 814,626	$ -	$ (173)	$ (16)	$ 72,654	$ (16)	$ 887,075
	814,626	-	(173)	(16)	72,654	(16)	887,075
Strategic							
Property	547,720	82,227	(29,268)	8,318	1,553	6	610,556
Private investments	627,795	95,369	(105,150)	1,418	29,897	-	649,329
Hedge funds	139,626	-	(92,340)	6,203	(7,563)	-	45,926
	1,315,141	177,596	(226,758)	15,939	23,887	6	1,305,811
TOTAL	**$ 2,129,767**	**$ 177,596**	**$ (226,931)**	**$ 15,923**	**$ 96,541**	**$ (10)**	**$ 2,192,886**

2016 INVESTMENTS (Canadian $ thousands)	Balance at Dec 31/2015	Purchases	Sales	Realized gain/(loss)	Movement in unrealized gain/(loss)	Amortization	Balance at Dec 31/2016
Fixed Income							
Canadian bonds	$ 791,903	$ -	$ (149)	$ (15)	$ 22,859	$ 28	$ 814,626
	791,903	-	(149)	(15)	22,859	28	814,626
Equities							
Canadian	176,858	-	(180,846)	101,170	(97,182)	-	-
	176,858	-	(180,846)	101,170	(97,182)	-	-
Strategic							
Property	563,706	58,162	(73,231)	12,734	(13,656)	5	547,720
Private investments	636,554	94,523	(64,842)	(6,322)	(32,118)	-	627,795
Hedge funds	156,881	-	-	-	(17,255)	-	139,626
	1,357,141	152,685	(138,073)	6,412	(63,029)	5	1,315,141
TOTAL	**$ 2,325,902**	**$ 152,685**	**$ (319,068)**	**$ 107,567**	**$ (137,352)**	**$ 33**	**$ 2,129,767**

Total net unrealized gains for Level 3 instruments held at the end of 2017 amounts to $790.9 million (2016: $694.4 million).

4. CAPITAL

The Plan's capital consists of the funding surpluses 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 annually. 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 8 and 10. There have been no major changes to the Plan's capital requirements and its overall strategy with respect to capital remains unchanged from 2016.

5. CONTRIBUTIONS

The following are the contributions for the year:

(Canadian $ thousands)		**2017**		2016
Employee				
- Current Service	**$**	**44,816**	$	39,631
- Past Service		**7,707**		7,363
- FlexPen *(Note 6)*		**214**		340
		52,737		47,334
Employer		**49,373**		49,789
Transfers / (Refunds)		**2,009**		(295)
TOTAL	**$**	**104,119**	$	96,828

6. 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.

(Canadian $ thousands)		**2017**		2016
Investment, Beginning of Year	**$**	**5,448**	$	5,650
Contributions and interest		**214**		340
Capital appreciation		**324**		340
Purchase of additional pension benefits and transfers out		**(857)**		(882)
Investment, End of Year	**$**	**5,129**	$	5,448

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following are the accounts payable and accrued liabilities at year-end:

(Canadian $ thousands)		**2017**		2016
Benefits	**$**	**3,920**	$	4,350
Administrative expenses		**4,492**		5,326
TOTAL	**$**	**8,412**	$	9,676

8. PENSION OBLIGATIONS

Under the PBSA actuarial valuations are required at least annually. The latest actuarial valuation was performed at December 31, 2017 by Morneau Shepell. Amounts reported in these financial statements are based on going concern results of this valuation. The actuarial assumptions used in determining the obligations for pension obligations reflect the Board of Trustees' 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, indexation and inflation rate, which were as follows:

	Long-term assumptions	
	2017	2016
Asset rate of return	**5.80%**	5.80%
Salary escalation rate [1]	**2.75%**	2.75%
Indexation	**1.86%**	1.86%
Inflation rate	**2.00%**	2.00%
Mortality table	CBC Pensioner Mortality (CPM-B projection scale)	CBC Pensioner Mortality (CPM-B projection scale)

[1] Excluding merit and promotional salary increases

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

In 2017, there were net experience gains of $5.6 million (2016: net experience gains of $18.4 million) with respect to plan membership, retirement and termination settlements compared to the assumptions used in the actuarial valuation conducted as at December 31, 2016.

The PBSA requires that the Plan also be valued on a solvency basis, which simulates a plan wind-up. As of December 31, 2017, the date of the last actuarial valuation, the Plan's solvency liabilities were estimated at $7,115 million (2016: $6,950 million).

9. BENEFITS

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

(Canadian $ thousands)	**2017**	2016
Retirement benefits	**$ 245,341**	$ 242,020
Death benefits	**32,193**	35,222
	277,534	277,242
Refunds and transfers to other plans	**12,844**	10,929
FlexPen – purchase of additional pension benefits and transfers out *(Note 6)*	**857**	882
	13,701	11,811
TOTAL	**$ 291,235**	$ 289,053

10. FUNDING POSITION

The last actuarial valuation of the Plan was performed as at December 31, 2017 and determined that the Plan had a funding excess of $2,151.7 million (2016: $1,731.3 million) on a going concern basis.

The PBSA also requires the actuarial valuation to determine the Plan's estimated liabilities on a solvency basis, which considers the value of the benefits earned if the Plan were to be wound up on the valuation date. The assumptions used in a solvency valuation are largely dictated by the Canadian Institute of Actuaries which requires using discount rates that are typically less than the rate of return earned by the Plan. The use of more conservative discount rates results in larger liabilities and creates a funding deficit for the Plan as at December 31, 2017 of $10.6 million (2016: deficit $338.2 million) on a solvency basis. Under the PBSA, solvency deficiencies must be funded by the Plan sponsor over a maximum of five years, either by additional cash contributions or by a Letter of Credit. In 2016 the Plan sponsor chose to use the Letter of Credit to reduce the solvency funding requirement as approved by the Minister of Finance, the Minister of Canadian Heritage and Official Languages and OSFI. The Plan sponsor intends to continue its use of a Letter of Credit as a means to reduce the funding requirement as at December 31, 2017.

The actuarial report will be submitted to the Plan sponsor, as required under the Trust Deed, and to OSFI.

11. 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 years ended December 31, were as follows:

(Canadian $ thousands)		**2017**		2016
Fund Administration				
Internal Management				
Salaries and employment costs	**$**	**5,357**	$	4,993
Professional fees		**87**		131
Data processing / technology		**1,146**		916
Custodial fees and transaction costs		**1,041**		1,088
Office rent		**365**		327
Other		**49**		47
Total Internal Management		**8,045**		7,502
External Management				
Management fees		**37,319**		31,714
Custodial fees and transactions costs		**512**		785
Total External Management		**37,831**		32,499
Total Fund Administration		**45,876**		40,001
Pension Benefit Administration				
External administration		**1,557**		1,540
Salaries and employment costs		**415**		389
Professional fees		**31**		24
Data processing / technology		**111**		41
Other		**208**		240
Total Pension Benefit Administration		**2,322**		2,234
Board of Trustees' Expenses				
Professional fees		**517**		488
Other		**147**		160
Total Board of Trustees Expenses		**664**		648
Harmonized sales tax		**1,035**		1,398
TOTAL	**$**	**49,897**	$	44,281

12. COMMITMENTS AND CONTINGENCIES

The Plan 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, 2017, these potential unfunded commitments totalled $504.7 million (2016: $539.3 million). The Plan has sufficient liquidity to meet these commitments as they come due. The Plan 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 Plan may have to provide financing on certain real estate related investments in the event of the non-availability of financing from other sources. The Plan has not been required to fund the obligations of its co-investors in the past and considers this contingent risk to be low.

13. GUARANTEES AND INDEMNIFICATIONS

The Plan provides that the Board of Trustees, 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 counter parties 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.

14. COMPARATIVE AMOUNTS

The following comparative amounts have been re-classified to conform to the current year financial statement presentation:

(Canadian $ thousands)	2016	
	As amended	As previously stated
Statement of Changes in Net Assets Available for Benefits		
Member Service Activities		
Benefits		
- Pensions	**$ 277,242**	$ 278,124
- Refunds and transfers	**11,811**	10,929
TOTAL	**$ 289,053**	$ 289,053

SUPPLEMENTARY FINANCIAL INFORMATION

INVESTMENTS GREATER THAN $20 MILLION

AS AT DECEMBER 31, 2017
(unaudited)

FIXED INCOME

Issuer	Coupon	Maturity Date	Fair Value ($ thousands)
NOMINAL BOND			
BlackRock Canada CorePlus Long Bond Fund	n/a	n/a	856,821
Government of Canada	3.50%	1-Dec-45	42,707
Government of Canada	2.75%	1-Dec-48	33,032
Province of Quebec	6.25%	1-Jun-32	28,139
Province of Ontario	2.90%	2-Dec-46	27,247
Province of Ontario	5.85%	8-Mar-33	26,889
Province of Quebec	5.75%	1-Dec-36	24,701
Hydro Quebec	6.00%	15-Feb-40	22,450
REAL RETURN BOND			
Government of Canada	4.00%	1-Dec-31	208,463
Government of Canada	1.25%	1-Dec-47	147,441
Government of Canada	3.00%	1-Dec-36	107,154
Province of Quebec	4.25%	1-Dec-31	87,879
Government of Canada	2.00%	1-Dec-41	79,544
Government of Canada	4.25%	1-Dec-26	75,958
Province of Ontario	2.00%	1-Dec-36	63,086
Government of Canada	1.50%	1-Dec-44	51,549
Government of Canada	0.50%	1-Dec-50	23,354

EQUITY

Issuer	Fair Value ($ thousands)
CANADIAN EQUITY	
TD *Emerald* Low Volatility Canadian Equity Pooled Fund	345,115
U.S. EQUITY	
SPDR S&P 500 ETF Trust Units	154,540
Berkshire Hathaway Inc. – Class B	49,672
Microsoft Corp.	32,046
Johnson & Johnson	31,511
MasterCard Inc. – Class A	30,818
Apple Inc.	27,183
UnitedHealth Group	23,479
GLOBAL EQUITY	
TD *Emerald* Low Volatility All World Pooled Fund	326,011

INVESTMENTS GREATER THAN $20 MILLION (cont'd)

AS AT DECEMBER 31, 2017
(unaudited)

STRATEGIC

Issuer	Fair Value ($ thousands)
PROPERTY	
AEW Core Property Trust	109,734
Bentall Kennedy Prime Canadian Property fund	84,582
Triovest Realty Advisors Westhills Equities	62,860
Morguard Investment Ltd. Res. Prop. (1) Inc. Pooled	53,846
Strathallen Retail Property Fund LP No. 3	51,485
Morguard Investment Ltd. Indus. Prop. (1) Common	35,355
Minto Properties Multi-Residential Income	30,919
Crown Realty II, LP	30,634
Realstar Apartment Partnership II	25,824
Crown Realty III, LP	24,430
PRIVATE EQUITY	
Global Growth Capital Fund	57,270
Global Infrastructure Fund	45,724
Global Maritime Growth Capital Fund	40,327
Asian Venture Capital Fund	38,789
European Infrastructure Fund	36,833
Secondary Fund	29,560
Asian Growth Capital Fund	25,914
Secondary Fund	25,569
Secondary Fund	24,789
Secondary Fund	23,720
Asian Venture Capital Fund	23,623
Secondary Fund	22,753
HEDGE FUND	
Aspect Diversified Fund Class L shares	45,926

TOP 10 DIRECT HOLDINGS

AS AT DECEMBER 31, 2017
(unaudited)

AS A PERCENTAGE OF NET ASSETS AVAILABLE FOR BENEFITS

Company	Sector	%
CANADIAN EQUITY		
Toronto-Dominion Bank	Financials	0.27%
BCE Inc.	Telecommunications	0.24%
Royal Bank of Canada	Financials	0.23%
Element Fleet Management Corp.	Financials	0.23%
Wheaton Precious Metals Corp.	Materials	0.22%
George Weston Ltd.	Consumer Staples	0.21%
Fairfax Financial Holdings Ltd.	Financials	0.20%
Intact Financial Corp.	Financials	0.19%
Power Financial Corp.	Financials	0.19%
Celestica Inc.	Information Technology	0.19%
	Top 10 Canadian Holdings - Total	**2.17%**
GLOBAL EQUITY		
SPDR S&P 500 ETF Trust Units	Broad Index	2.17%
Berkshire Hathaway Inc. – Class B	Financials	0.70%
Microsoft Corp.	Information Technology	0.45%
Johnson & Johnson	Health Care	0.44%
MasterCard Inc. – Class A	Financials	0.43%
Apple Inc.	Information Technology	0.38%
UnitedHealth Group	Health Care	0.33%
JPMorgan Chase & Co.	Financials	0.22%
The TJX Companies, Inc.	Consumer Discretionary	0.21%
The Coca-Cola Co.	Consumer Staples	0.19%
	Top 10 Global Holdings - Total	**5.52%**

CBC Pension Plan

BOARD OF TRUSTEES & MANAGEMENT

BOARD OF TRUSTEES

(as of December 31, 2017)

Maureen McCaw
(Chair)

Director
CBC/Radio-Canada

Judith Purves

Executive Vice-President
& CFO
CBC/Radio-Canada

Monique Marcotte

Vice-President,
People & Culture
CBC/Radio-Canada

Rob Jeffery

Director
CBC/Radio-Canada

Alain Pineau

Retiree
Representative

Jonathan Soper

Employee
Representative

Marie-Andrée Charron

Employee
Representative

MANAGEMENT

Debra Alves, CFA
Managing, Director / CEO

Duncan Burrill, CPA, CMA
Secretary / Treasurer

INVESTMENT MANAGEMENT TEAM

Timothy Cairns, CFA
Portfolio Manager
Property

Patrizia Cappelli, CFA
Portfolio Manager
Domestic Bonds

Paul Gasperetti, CFA
Portfolio Manager
Canadian Equity

Laura Hurst, CFA
Portfolio Manager
Global Equity

Nadi Tadros, CFA
Portfolio Manager
Global Equity

Robert VandenBygaart, CFA
Portfolio Manager
U.S. Equity

Miles Whittingham, CFA
Portfolio Manager
Strategic Investments

ADMINISTRATION

Francesca Adibe, CPA, CGA
Senior Manager
Risk Management
& Administration

Carole Bélanger, ASA
Director
Pension Administration

Sheldon Sullivan, CPA, CA
Senior Manager
Accounting Operations

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

Please address comments to:

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E-mail address: pension@cbcpension.ca
Internet site – general: www.cbc-radio-canada-pension.ca
Internet site – CBC staff & pensioners: www.pensionadmin-cbc-src.ca

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 annually.

ACTUARY
A business professional who is a fellow 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 investments, 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 FTSE TMX 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.

BUYOUT INVESTMENTS
Investments in controlling interests of a company.

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.

CONTRIBUTORY DEFINED BENEFIT PENSION PLAN
A type of pension plan in which an employer promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history and years of service under the plan, rather than depending on investment returns. With a defined benefit plan, investment risk is borne by the employer. In a contributory plan, members must make contributions, usually by payroll deduction, to accrue benefits.

CONTROL SELF-ASSESSMENT (CSA)
A methodology used to review key business objectives, risks involved in achieving the objectives, and internal controls designed to manage those risks. A CSA allows managers and work teams directly involved in business units, functions or processes to participate in assessing the organization's risk management and control processes.

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

CREDIT SPREAD
The difference in the yield between two different bonds, due to different credit quality. The credit spread reflects the additional net yield an investor can earn from taking incremental credit risk. It is often quoted in relation to the yield on (federal) government bonds.

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.

DERIVATIVES
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.

GLOSSARY

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

FAIR VALUE
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
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 against 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 BENCHMARK
This benchmark serves as a market proxy to estimate the change in solvency pension obligations as inflation and interest rates change.

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 into 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
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.

MEZZANINE INVESTMENTS
Investments in the subordinated debt of a company that contain an option to convert the debt to equity.

OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS (OSFI)
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.

PENSION OBLIGATIONS
The present value of the benefits payable to the members over their lifetime to which they are entitled or will be entitled to under the Plan.

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 EQUITY
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 publicly traded securities.

REIT
Real Estate Investment Trust. A security listed on a stock exchange that invests in real estate assets.

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.

GLOSSARY

SIP&P
Statement of Investment Policy and Procedures. The SIP&P defines the investment policies, principles and eligible investments which are appropriate to the needs and objectives of the Plan, in a manner conforming to the requirements of the Pension Benefits Standards Act and the Regulations thereof.

SOLVENCY BASIS VALUATION
A pension plan valuation that assumes that the plan 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.

VENTURE CAPITAL INVESTMENTS
Investments in start-up companies.