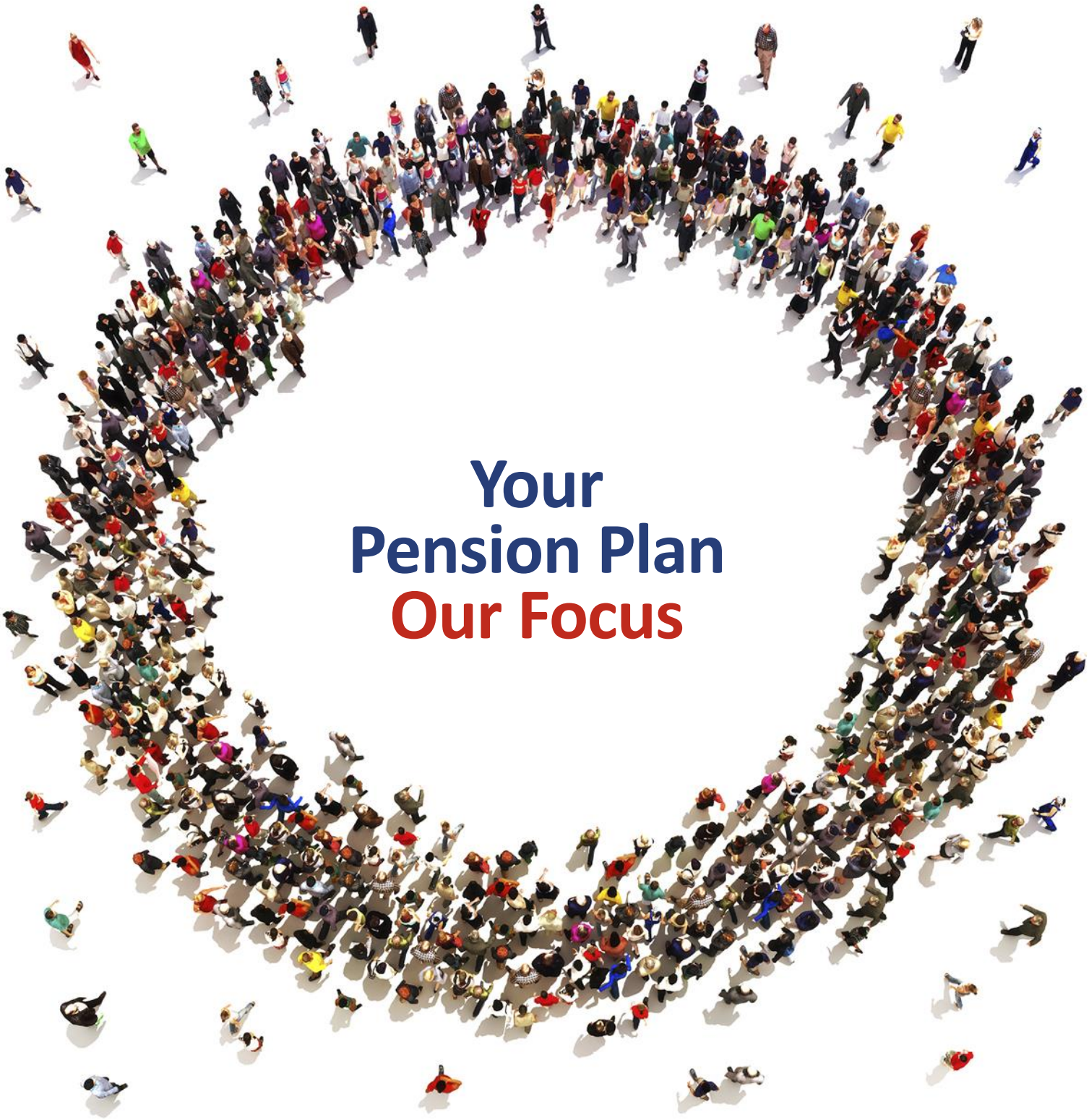
CBC Pension Plan

CBC Radio-Canada



Your Pension Plan Our Focus

2018

CBC Pension Plan Annual Report

The CBC Pension Board of Trustees understands the trust that is placed on them to focus and deliver a secure and reliable long-term benefit to our members.

We are committed to ensuring you receive the pension benefits you've worked hard for and earned. In the report that follows, you will find details about the Pension Plan's 2018 activities and performance. We hope it provides reassurance that the plan is secure and stable. We want you to understand and feel confident that your pension will be there when you need it.

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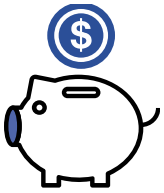
This annual report is available online at
www.cbc-radio-canada-pension.ca

CBC Pension Plan

2018 FINANCIAL HIGHLIGHTS



GOING CONCERN*

Funding Surplus

+$1.98

BILLION

Funding Ratio

139.4%

SOLVENCY*

Funding Surplus

+$79.4

MILLION

Funding Ratio

101.1%

$7.01

BILLION

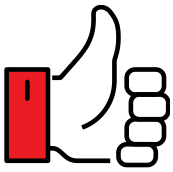
Net Assets

2.2%

2018 Rate of Return

7.1%

4-year Annualized Rate of Return



96%

Member Service Satisfaction Level

19,188

Total Membership

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

CBC Pension Plan

2018 ACTIVITY HIGHLIGHTS

Achieved · Underway · Incomplete

STRATEGIC GOALS	KEY PERFORMANCE INDICATOR (KPI) as at December 31, 2018	STATUS	2018 ACTIVITIES as at December 31, 2018	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 0.50%. • 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 0.50% net of costs. • Transition to the new asset mix policy. • Review benchmarks for the strategic asset class. • Review and enhance the in-house currency management program. • Review ESG guidelines for market developments.	✓ ✓ ✓ ✓ ✓	• 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 by Morneau to meet Service Level Agreements • Undertake a RFP for pension administration and actuarial services. • Review shared resource allocations with Sponsor. • Explore the development of a PAC policies and procedures guide.	✓ ✓ ✓ ✓	• 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 roll out of the communication / branding strategy. • Complete annual presentations to stakeholders.	✓ ✓	• 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.	✓ ✓ ✓ ✓ ✓	• Undertake review of strategic investments team structure. • Conduct 2017 and pre-2018 actuarial valuations. • Evaluate processes for managing external service providers. • Undertake Biennial Risk Register update. • Undertake annual Succession Planning Review. • Complete documentation of accounting controls and procedures. • Prepare for upcoming changes to FlexPen.	✓ ✓ ✓ ✓ ✓ ✓ ✓	• Organization is well resourced with competent Trustees and management team capable to manage the organization into the future.
5 Be a continuous learning organization	• Continuing education items are regularly offered	✓	• Review Trustee orientation and onboarding process. • Provide for orientation of incoming Trustee(s). • Provide Trustee continuing education items. • Review investment research access and providers.	✓ ✓ ✓ ✓	• 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) is a contributory defined benefit pension plan covering substantially all the CBC/Radio-Canada employees and was established on September 1, 1961. 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).

	2018	2017
YMPE	$55,900	$55,300

Contribution Rates	Employer	Employee
	2018	2018
Salary up to YMPE	9.10%	8.37%
Salary above YMPE*	9.10%	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.

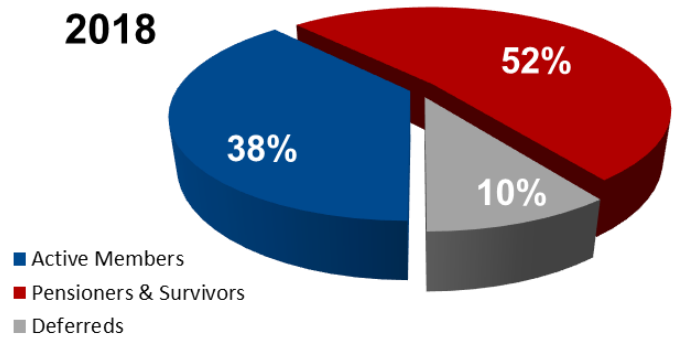
All pension benefit payments are determined using a formula based on pensionable salary, pensionable service and average YMPE.

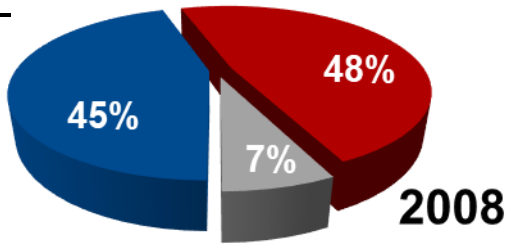
	2019	2018	2017
Indexation Rate Adjustment	2.21%	1.50%	1.41%

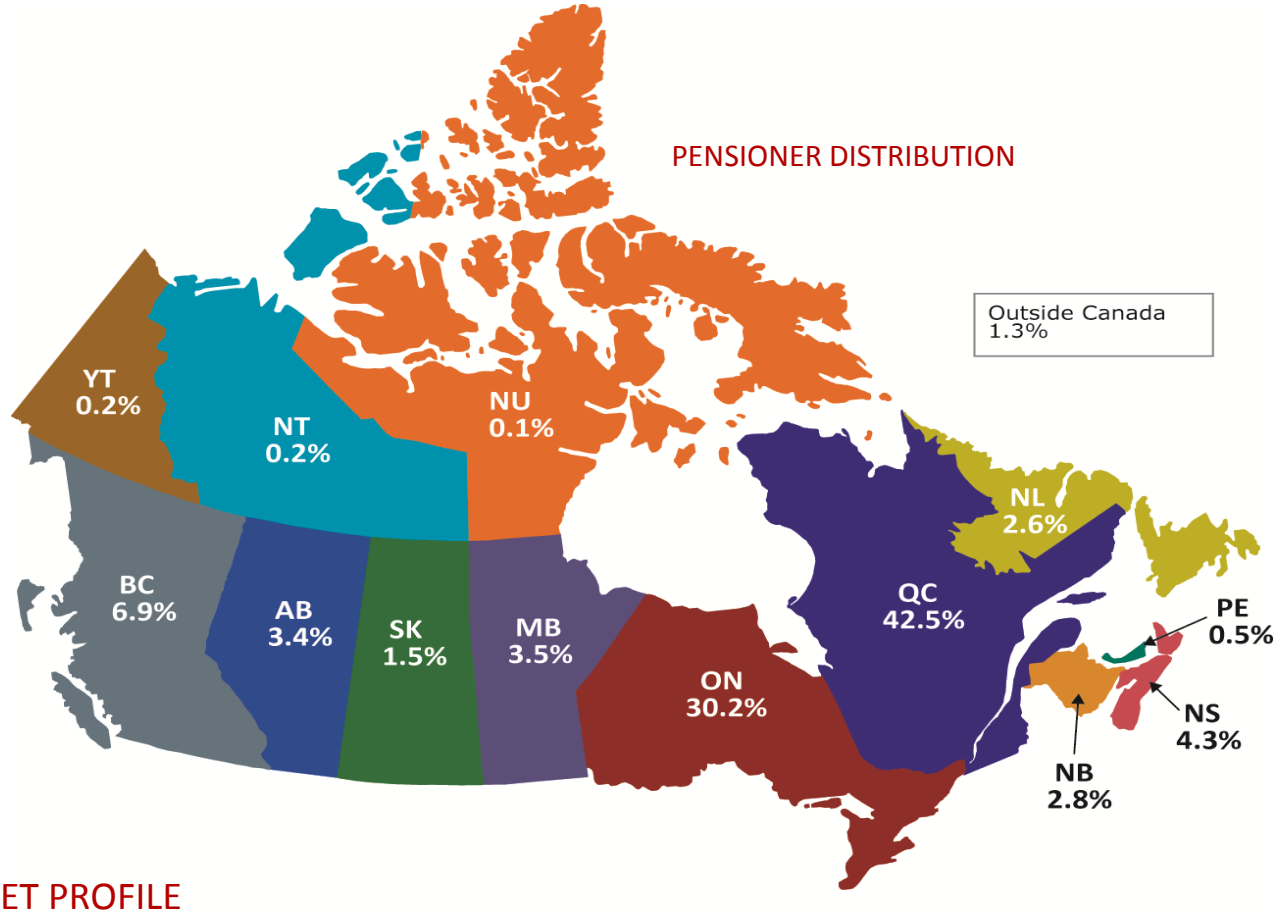
MEMBERSHIP

Over the last decade, there has been a 10% decrease in active members, a 17% increase in pensioners and a 62% increase in deferred members.

No. of Members	2018	2008
Active Members	7,321	8,115
Pensioners & Survivors	9,938	8,516
Deferred Members	1,929	1,190
Total Membership	19,188	17,821





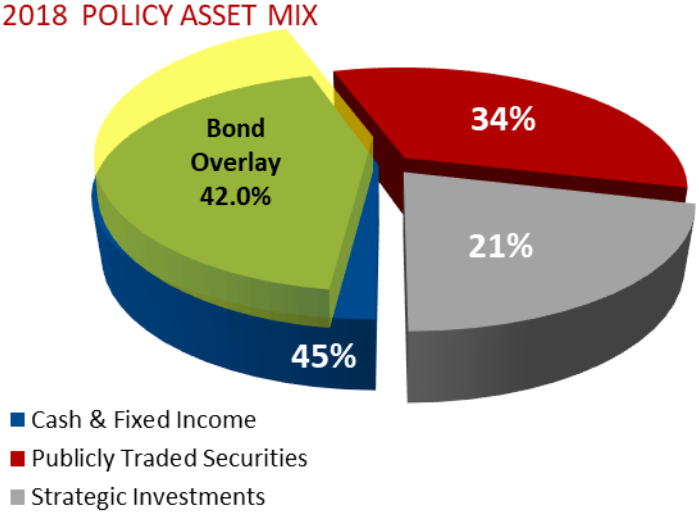


ASSET PROFILE

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.

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.

2018 POLICY ASSET MIX



TRUSTEES REPORT

The CBC Pension Board of Trustees understands the importance of long-term benefit security.

Your Pension is **Our Focus**.

We have a responsibility to administer the CBC Pension Plan to pay pension benefits today and in the many years to come.

We are pleased with the progress that has been made over the years to deliver a secure plan to our members. Sound fund-management practices and a commitment to continuous improvement have delivered positive long-term results. This year, we are especially pleased to report that the Plan reached fully funded status on both a going concern basis and a solvency basis, two key measures that are used to gauge the Plan's health.

The Plan's funding ratios, i.e. the size of the Plan's assets relative to its liabilities are calculated on a going concern basis and a solvency basis, (both are explained further on page 15). At the end of 2018, the Plan's going concern funding ratio was 139.4% which represents a surplus of $1.98 billion. On a solvency basis, the ratio was 101.1% which equates to a surplus of $79.4 million. This is the first time since before the 2008 financial crisis that both funding scenarios are above 100%. This is a significant achievement. However, we must continue our focus to maintain a strong, secure Plan for the future.

Strategic Execution & Governance

Maintaining a strong, secure pension plan also requires a robust strategic plan. The Plan has implemented five strategic goals which help drive its short and long-term directions. These goals are outlined on page 2 of the Annual Report.

Some of the key activities completed in 2018 were the transition of the Plan's investments to the new asset mix policy as set out in the 2017 study; a carbon footprint analysis for its key portfolios to ensure it is managing its environmental risk exposure appropriately; an RFP (request for proposal) for the Plan's pension administration and actuarial services for contract renewal in 2020.

Thank You

In 2018 the Board of Trustees bid farewell to two members: Ms. Maureen McCaw and Mr. Jonathan Soper. On behalf of the Plan, I would like to personally thank them for their service and dedication to the members. Joining the Board of Trustees during the year were Mr. Calum McLeod and Mr. François R. Roy. We welcome them and look forward to their vision, knowledge and contribution.

The Board of Trustees would also like to sincerely thank Ms. Debra Alves for her service and devotion to the Plan as the Managing Director / CEO for the past 11 years not to mention a total of over 21 years with the Plan. Ms. Alves retired from the Plan in September 2018 and we would like to wish her the best as she moves into this new chapter of her life.

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.

Sincerely,

Rob Jeffery
Chair
CBC Pension Board of Trustees
February 16, 2019

MANAGING DIRECTOR / CEO REPORT

Our core purpose is to ensure that you, our plan members, receive the pension benefits that you have earned. Increasing life expectancies mean that the Plan needs to be ready to make pension payments over the next 80 years. So, as you can see, managing a pension is a very long-term endeavour. As stewards of the Plan, we need to take this in to account and manage the Plan with a long-term focus. We need to provide current retired members with their pensions and we also need to get ready to pay our members who will retire in the future. No matter whether you are retired or will retire far in the future, we want to ensure that the Plan will be able to pay you the pension benefits you have earned.

Our investment strategy, which we have refined over the years, is designed to meet the needs of all members. It is also designed to accommodate the various ups and downs in the equity markets, like we experienced in late 2018. These fluctuations are a normal part of investing in equity markets and do not have any significant impact on our ability to meet our obligations to members. In fact, the Plan frequently takes advantage of short-term fluctuations in equity markets to increase its investment exposures at discounted prices. Members can rest assured that their pension is secure.

The Plan's solvency and going concern funded statuses are the primary way that we assess the Plan's overall financial health. Funding ratios greater than 100% indicate that the Plan holds more than enough assets to meet the long-term obligations of the Plan. I am pleased to report that the Plan ended 2018 with a going concern funded status of 139.4% and a solvency funded status of 101.1%. This is the first year since 2007 that the Plan has had both of its funded statuses above 100%. Getting the solvency funded ratio above 100% has been an extremely difficult challenge for pension plans due to the ultra-low interest rate environment that we have been in.

Another key measure of the Plan's strength is its ability to earn strong rates of return over the longer term. While the Plan's 2018 return of 2.2% was lower than our longer-term average due to weak equity market returns, the Plan's 4-year return of 7.1% continues to be very strong and exceeds its key return objectives. Total assets in the Plan dropped slightly in 2018 to $7.01 billion from $7.11 billion the prior year. The Plan paid out $300 million to members. More information on the Plan's funded status and rates of return can be found on page 15 and 21 respectively.

2018 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. These results were accomplished through the hard work and dedication of the entire pension plan team who are dedicated to the careful management and oversight of the investments and pension benefits administration. I look forward to reporting to you again next year on our continual progress on providing a secure pension benefit to members.

Sincerely,

Duncan Burrill
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.

Our objective is to provide members with a high quality of service in a cost-effective manner. We do this by partnering with the firm of Morneau Shepell Ltd (Morneau) who deliver 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:

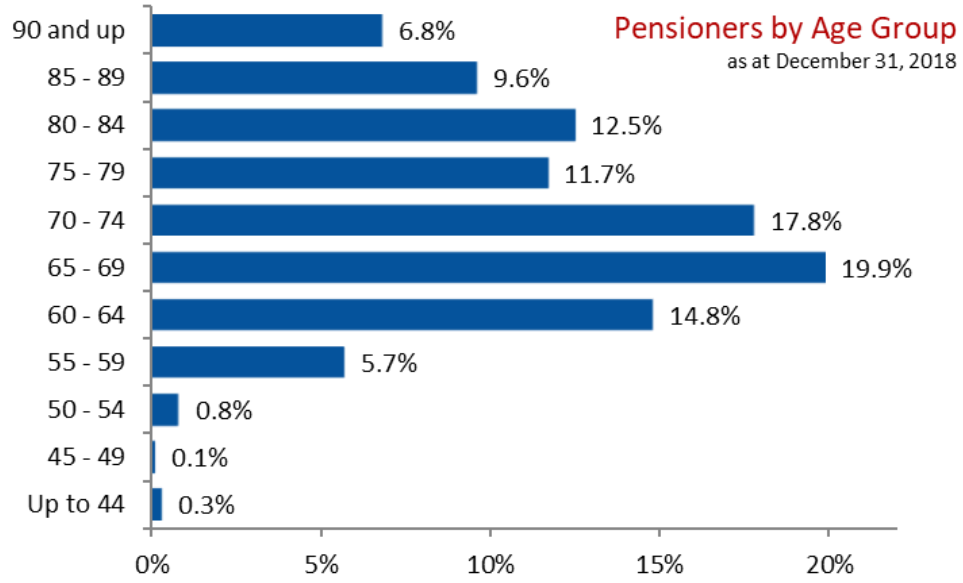
The table below shows the increasing number of pensions being paid from the Plan at year end. In 2018, there was an increase of 107 in the number of pensions being paid, compared to 2017. Over a 4-year period, the total number of pensions being paid increased by 4.0% from 9,559 in 2014 to 9,938 in 2018.

- 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	**2018**	2017	2016	2015	2014
Pensions being paid					
To retirees	**8,056**	7,961	7,875	7,812	7,691
To spouses of deceased employees and retirees	**1,781**	1,769	1,772	1,755	1,771
To former spouses due to division of pension credits	**79**	81	85	84	75
To children of deceased employees and retirees	**22**	20	24	26	22
Total pensions being paid	**9,938**	9,831	9,756	9,677	9,559

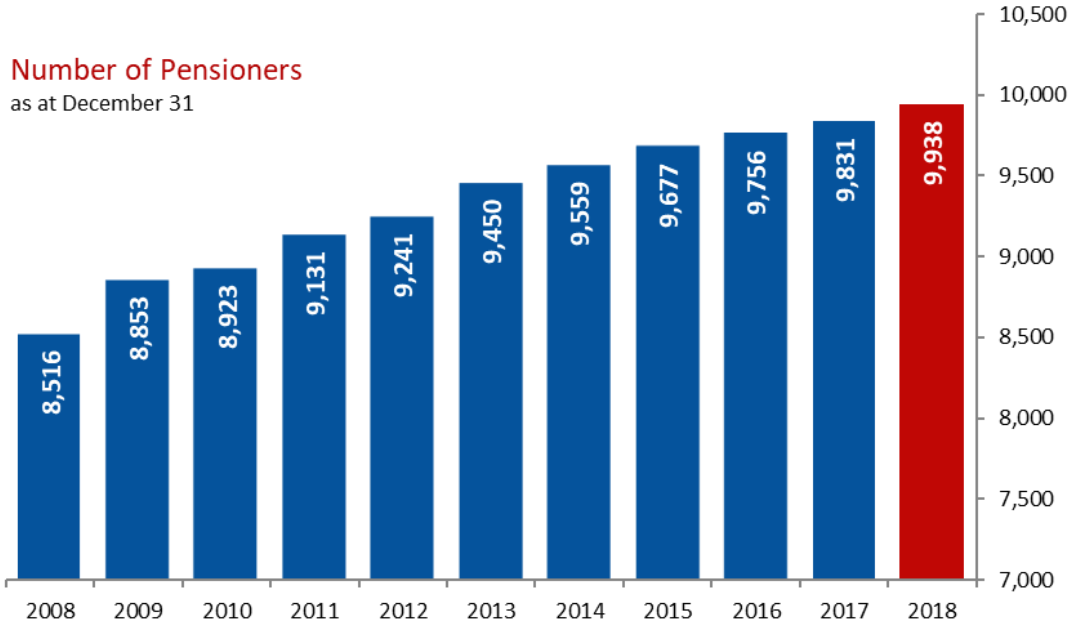
The PAC handled over 3,000 transactions related to retirement, termination, death and buy-back events. Member satisfaction among callers to the PAC remained strong at 96% in 2018 equal to 2017 satisfaction levels.

In 2018, the Plan welcomed over 650 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.



In 2018 the total number of log-ins, including multiple website log-ins, was 16,666 for employees and 3,644 for pensioners. In total, there were 11,293 employees and retirees who visited the website. The PAC call center received 5,839 calls in 2018, of which 3,472 were from employees and 2,367 from pensioners and inactive members. Overall PAC volumes in 2018 were higher than in 2017, reflecting an increase 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 benefits 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 provide 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 seven times in 2018.

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 a 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 Plan 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 decreased by $97.4 million to $7,013.3 million at December 31, 2018 down from $7,110.7 million at December 31, 2017.

Investment Income

Investment income increased to $349.8 million in 2018 from $262.5 million in 2017. Investment income includes interest and dividends earned during the year as well as distributions from the Plan's Strategic investments. Interest income earned in 2018 was $83.3 million, $20 million more than the prior year as growth in inflation increased the interest rate base for the Plan real return bonds. Dividend income in 2018 was $67.0 million, $9.6 million more than 2017 as the equity markets experienced a general increase in dividend rates. Distributions from Strategic investments continue to be a significant source of investment income increasing to $199.5 million in 2018, up from $141.9 million in 2017 as this portfolio continues to experience strong returns. 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 remained steady at 18.2% of payroll in 2018. Contribution rates are shared equally 50%/50% between the employees and CBC/Radio-Canada. Total contributions to the Plan increased to $105.8 million in 2018 from $104.1 million in 2017. Employee current service contributions rose to $48.7 million in 2018 as the equal sharing of contributions with CBC/Radio was in effect for the full year. The employer contributions decreased to $48.9 million. Past service contributions decreased to $6.7 million in 2018 from $7.7 million in 2017. Transfers to the Plan from other plans totalled $1.1 million.

Change in Fair Value of Investments

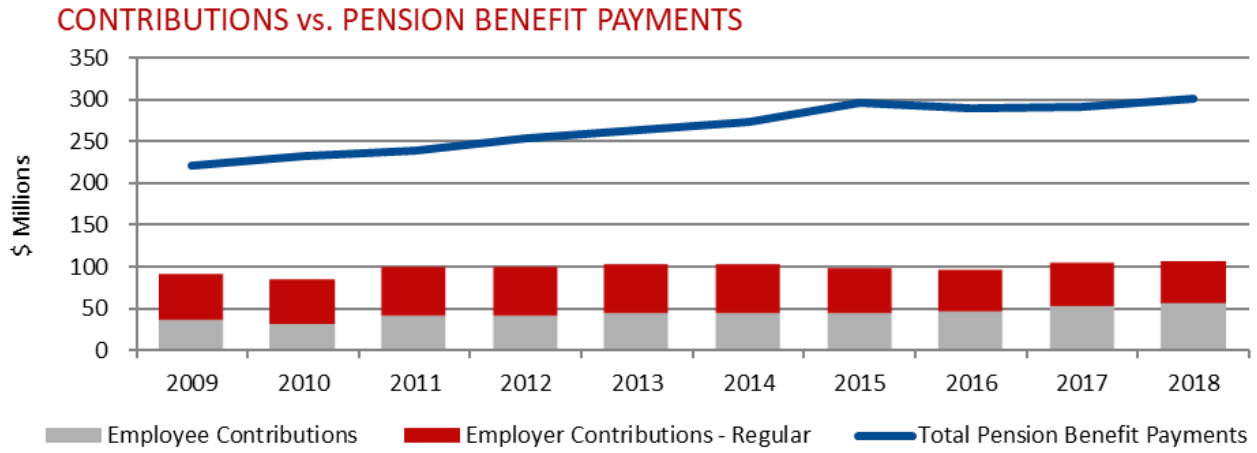
The Plan's investment returns remained positive in 2018 despite the difficulties in some of the equity markets. Canadian equity was the worst performing market for the Plan and global equity was mildly positive on the back-bone of a weaker Canadian dollar and continued strength in the U.S. markets. Private equity produced the strongest returns again in 2018. The Plan's fixed income investments had negative returns in 2018.

The fair value of investments decreased in 2018 by $181.0 million versus an increase of $466.8 million in 2017. The Plan's fixed income portfolios, including the Bond Overlay portfolio (bond forwards and total return swaps) lost a total of $124.5 million in 2018 as increasing fixed income yields pushed down bond prices during the year. Equity portfolios were mixed in 2018 with Canadian equities losing $107.9 million and Global equities gaining only $2.4 million. The Strategic portfolio (made up of real estate, private equity and hedge funds) experienced mostly positive performance in 2018 with an overall gain of $45.8 million. These values all reflect both realized and unrealized gains and losses during the year.

Pension Benefits Paid

The Plan paid a total of $301.0 million in benefits during 2018, an increase of $9.8 million from the $291.2 million paid in 2017. Retirement benefit payments rose by $6.6 million in 2018 to $251.9 million as a result of the cost of living adjustment for 2018 of 1.50% and an additional 107 pensions being paid at the end of 2018 as compared to 2017. At December 31, 2018, there were a total of 9,938 (2017 – 9,831) 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 $15.7 million and death benefit payments were relatively flat at $32.5 million. Pension benefits purchased through FlexPen withdrawals were the same in 2018 at $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 expenses related to operating the Plan and pension benefit administration are paid by the Plan. The administrative expenses for 2018 totaled $71.2 million, an increase of $21.3 million over the previous year. Total administrative expenses represented a cost of 100.5 cents per $100 of average assets under management in 2018, compared to 73.1 cents per $100 of average assets in 2017.

The increase in administrative expenses in 2018 is a result of a significant increase in performance fees paid to asset managers, specifically for the private equity portfolio, 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. In 2018 performance fees made up 48.3 cents of the 100.5 cents (48%) where as in 2017 performance fees were 20.2 cents of the 73.1 cents (28%). Other operational expenses within the Plan were marginally different from 2017 with some costs experiencing minor increases (salaries, data processing/technology cost) and other experiencing minor decreases (custodial fees and transaction cost).

The Plan participates in an annual external benchmarking study that covers the asset management portion of its administrative expenses, with the latest study being undertaken for the 2017 financial year. The Plan's actual 2017 costs under the study were 50.5 cents per $100 of average assets under management while the benchmark operating costs for a fund of our size, asset mix and nationality were 52.0 cents (2016: 55.7 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 2018 are estimated at 45.8 cents (2017: 47.8 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.

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 2018 projection are similar to those used in the 2017 actuarial valuation.

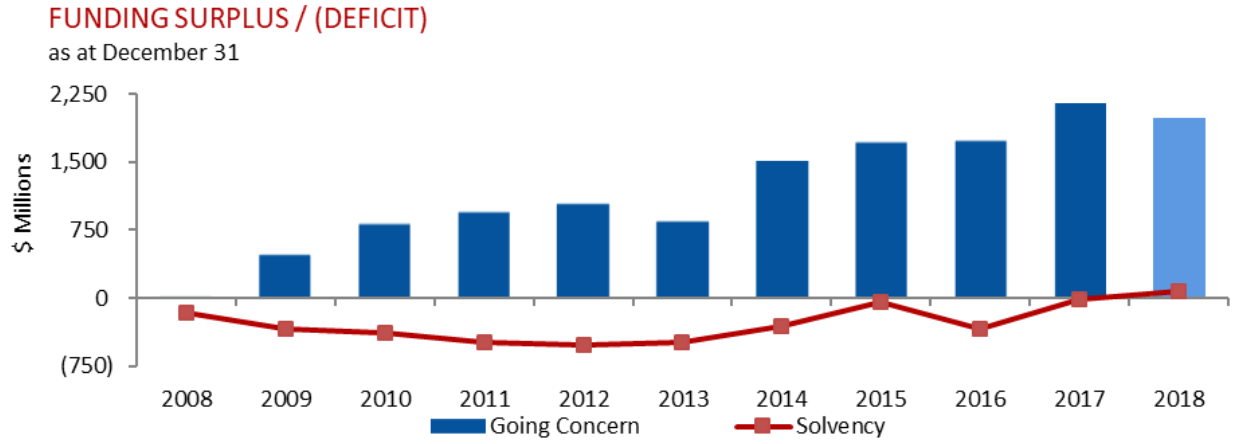
Going Concern

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 the long-term assumed rates of return for each of the Plan's investment asset classes. 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, 2018, the Plan's going concern pension obligations were projected at $5.03 billion, an increase of $73.5 million from the previous year's total of $4.96 billion. The going-concern funding surplus decreased by $170.9 million to $1.98 billion at year-end (2017: $2.15 billion). This decrease is a result of the Plan's 2.21% return for the year which was lower 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 $6.93 billion and project a solvency surplus of $79.4 million as at December 31, 2018. The Plan has not had a solvency surplus since 2007. The net solvency position improved by $90.0 million in 2018 from a deficit of $10.6 million at the end of 2017.The reason for the improvement in the solvency position is due to the increase in market bond yields during the year, increasing the expected long-term return on Plan assets to meet the pension benefit obligations.

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 Plan manages its investments with two main long-term objectives; one based on the movement of the Plan's liabilities and one based on the movement of the underlying investment markets.

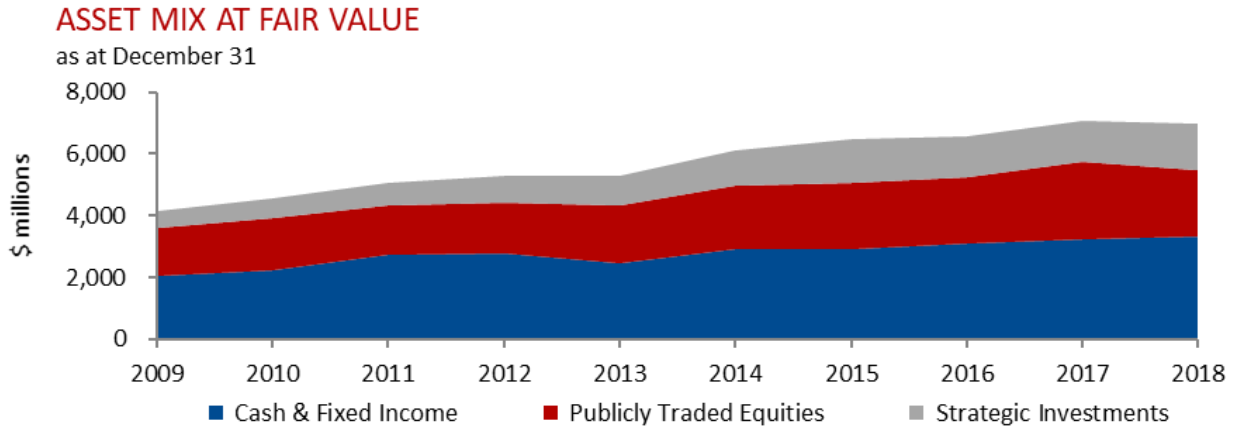
The primary objective ("Plan Objective") is focused on ensuring the assets (investments) of the Plan exceed the growth in the Plan's Solvency and Going Concern liabilities (pension obligations). The Plan follows a liability driven investment (LDI) strategy that is intended to outperform increases in 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 7.1% and over the past 10 years averaged 10.1% annually. The overall long-term Plan Objective was 4.6% over the past 4 years and 6.6% over the past 10 years.

The secondary objective of the Plan ("Asset Objective") is to generate net returns after all costs and fees that exceed an annual average change of a benchmark portfolio by 50 basis points (0.5%) over 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 7.1% exceeded the Asset Objective of 5.4% and over a 10- year period the Plan's average annual return of 10.1% exceeded the Asset Objective of 9.1%.

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 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 primary measure of success for the Plan is ensuring the ability to pay pension benefits by maintaining an adequate funding status with limited volatility. The key driver of this success requires that the Plan's liabilities be the influence for the Plan's asset mix construction and allocation. Therefore, the Plan uses a Liability Driven Investment (LDI) strategy designed to manage its investment risk by focusing on the liabilities as a starting point in developing the Plan's investment strategy. 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. This strategy makes it possible for us to manage our investments in a way that prioritizes the long term while reducing funding volatility over the short term. 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 hedges 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.

Asset/Liability Management

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 asset/liability management process is designed to improve the sustainability and soundness of the Plan. The most recent asset/liability study was completed in 2017.

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.

Risk Appetite

The Plan's risk appetite statements in both qualitative and quantitative terms, are based on our organization's risk philosophy and attitude towards risk taking. To this end, we have quantified our investment risk appetite via a risk budget at a total fund level. We measure our funding risk against the risk appetite level.

Funding risk, or the likelihood that the market value of assets is insufficient to cover the present value of liabilities, is the key measure of pension fund risk that is to be mitigated while maintaining costs at a reasonable level. It should be noted that funding risk also translates into contribution risk for the Plan Sponsor. The Plan manages its funding risk and pension costs by hedging its liability related economic risks, while selectively seeking diversified sources of incremental return. CBC/Radio-Canada guarantees pensions and other benefits payable under the terms of the CBC Pension Plan except for the flexible pension provisions in Section 16 of the Plan

RISK MANAGEMENT (cont'd)

Risk Governance and Oversight Structure

Strong governance and risk management are critical components of a high performing pension plan. Risk governance defines the accountability, authorities, information flow, and roles and responsibilities among various constituent groups involved in the Plan's risk management efforts. The Board of Trustees is responsible for the oversight of the risk management framework; management is responsible for its implementation and staff at all levels of the organization are responsible for managing the day-to-day risks that arise in the context of their mandate.

The SIP&P defines the investment policies, principles and eligible investments which are appropriate to the needs and objectives of the Plan including the strategic 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 Plan's strategic asset model 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.

1st Line of Defence *Risk Owners*	2nd Line of Defence *Risk Oversight*	3rd Line of Defence *Independent Assurance*

• Investment and Operational functions within the Plan
• Accountable for:
  • Identification;
  • Assessment;
  • Mitigation;
  • Monitoring; and
  • Reporting of risk against approved policies and appetite.
	• Risk Management and Compliance;
	• Establishes risk management practices and provides risk guidance;
	• Provides oversight of the effectiveness of 1st Line risk management practices;
	• Monitors and independently reports on the level of risk against established Plan level risk appetite.
		• Independent assurance and advisory to the Board and management on the effectiveness of risk management practices.

Risk Categories and Risk Management Strategies

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, investment, operational, compliance & regulatory, and reporting 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.

Strategic Risk

Strategic risk is the risk that the Plan will make inappropriate strategic choices or will be unable to successfully implement selected strategies. It is the risk associated with decision making for the long-term strategic direction of the CBC Pension Plan. The Plan manages its strategic risk through a number of processes including: the development of a 5-year Strategic Plan; annual review and Board approval process of the SIP&P; external Asset-Liability Modeling studies that establish and validate asset mix policy; a liability focused investment strategy and management of funding volatility within a risk appetite level; management and the Board meet quarterly to review and discuss Plan progress and the risks related to achieving the approved strategic goals.

RISK MANAGEMENT (cont'd)

Investment Risk

Investment risk is the risk associated with ineffective management of plan assets and includes market, credit and liquidity risks.

Market Risk

This is the risk of a significant decline in the value of investments (equity, fixed income, private equity and hedge funds) arising from movements in market prices. The Plan manages market risk through the setting of its strategic asset mix that enables investment across a wide spectrum of asset classes and investment strategies to earn a diversified set of risk premiums over the long term at the total Plan level. This is based on risk limits as prescribed in the SIP&P. The types of market risk facing the Plan include interest rate, volatility and currency risks, and are described below.

a) *Interest Rate 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 mitigates the impact of changes in interest rates as well as the inflation risk created by the partial indexation of Plan benefits, through its LDI investment strategy. Thus, a decrease in interest rates that would increase the Plan's pension obligations would also be expected to increase the value of the Plan's fixed income investments.

b) *Volatility Risk*

The Plan's total assets at December 31, 2018, were $7.0 billion at fair value. Of this total, $2.2 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 continue 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.

c) *Currency 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. Currency risk is the risk that the value of the Plan's foreign holdings declines due to a change (i.e. rise) 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. Except for 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.

RISK MANAGEMENT (cont'd)

Credit Risk

This 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. We mitigate credit risk exposure related to our investments through limits on the amount of low quality issuers that can be held, deep credit analysis, diversification and collateral management. 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.

Liquidity Risk

Liquidity relates to the Plan's ability to sell investments to meet its pension payments, operating costs, mark to market 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 2018, benefit payments from the Plan and administration costs totaled $372.2 million. These payments were partially offset by employee contributions to the Plan of $56.8 million, and employer contributions of $48.9 million. The cash flow requirement for the balance of benefit payments was generated through investment income of $349.8 million and proceeds from the sale of assets. To mitigate its liquidity risk, the Plan maintains a portfolio of highly liquid short-term notes that allows it to meet the Plan's short-term liquidity requirements. Liquidity risk is managed and monitored according to the Plan's Liquidity Management Guideline. The management of liquidity risk is further described in Note 3 e) iv) to the Financial Statements.

Operational Risk

This is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people or systems or from external events. Operational risk comprises a broad range of risks, including those associated with: loss of key management capabilities and experience; inadequate internal controls that result in fraud or financial loss; employee misconduct causing illegal or unethical practices; information technology and cybersecurity; business interruptions and service disruptions due to natural or other disasters. The Plan manages its operational risks through controls that are subject to internal reviews and external assurance and follows our three lines of defence risk management structure. The Plan also has established continuity plans for potential business interruptions and processes to manage information security risks.

Compliance & Regulatory Risk

This is the risk of loss due to non-compliance with applicable laws, regulations, rules and mandatory industry practices. Failure to comply could result in financial penalties or portfolio losses and damage to our reputation. To mitigate compliance and regulatory risk, the Plan has well developed compliance processes. It also monitors emerging legal and regulatory issues and proposed regulatory changes and actively participates in discussions with and seeks input from external consultants and the regulatory bodies.

Reporting Risk

This is the risk that the financial statements and regulatory reports are incomplete, inaccurate or untimely. It is also the risk that internal performance, attribution and risk information is not sufficient to support decision-making. We manage reporting risk through our access to and verification of our internal models and reporting against independent results produced by expert external service providers. Reporting risk is also managed through external assurance reviews and annual external audit.

INVESTMENT PERFORMANCE

Equity and fixed income markets delivered negative to low returns in Canadian dollar terms in 2018. The Plan's total rate of return in 2018 was 2.2%, which was 3.2% higher than the Plan asset reference portfolio benchmark of -1.0%. Comparatively, in 2017, the Plan's 11.2% total rate of return was 2.0% higher than the reference asset portfolio benchmark return of 9.2%.

The Plan's overall 3.2% overachievement of the asset benchmark in 2018 reflected mixed performance against benchmarks amongst the asset classes. On a 4-year basis, the total Plan return of 7.1% was higher than the overall reference asset portfolio benchmark return of 4.9%. The Plan's solvency objective measures the impact of movements in interest rates and inflation on its estimated solvency liabilities. In 2018, the Plan exceeded its solvency objective return of 0.46%.

SUMMARY OF BENCHMARKS USED TO MEASURE ASSET PERFORMANCE

Asset Categories	Benchmarks
Cash & Short-Term Investments	FTSE 91 Day T-Bill Index
Fixed Income & Bond Overlay	FTSE Canada Long Term Corporate Bond Index FTSE Canada Long Term Overall Bond Index FTSE Canada Real Return Bond Index FTSE 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 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	6.6%	1.9%	1.4%	1.3%	0.8%
Nominal Bonds	30.6	(0.4)	0.2	3.7	3.6
Real Return Bonds	10.0	(0.1)	(0.1)	1.8	1.8
Alternatives	0.2	5.1	3.7	5.1	3.7
Publicly Traded Securities:					
Canadian Equities	9.6	(9.9)	(8.9)	1.7	2.5
Global Equities	21.2	1.6	(1.0)	10.9	8.9
Strategic Investments:					
Real Estate	9.9	14.3	4.8	9.7	4.2
Private Equity	10.7	26.7	4.8	20.0	4.2
Hedge Fund	0.6	(15.1)	4.8	(2.1)	4.2
Bond Overlay**	0.6	(2.1)	(2.9)	1.9	1.5
Total / Weighted Average	100.0%	2.2%	(1.0)%	7.1%	4.9%

* If Asset Categories are less than 4 years old then the 4-Year Returns are inception-to-date returns.

** Bond Overlay total exposure is 41.6%.

THE ECONOMIC ENVIRONMENT

In 2018, the global economy started strong and then tapered off as the year progressed. A confluence of factors and events led to the steady erosion of economic growth in Canada and much of the rest of the world. Rising interest rates, a trade war between the US and China, political uncertainty in the United States and Brexit concerns weighted heavily on economies and financial markets.

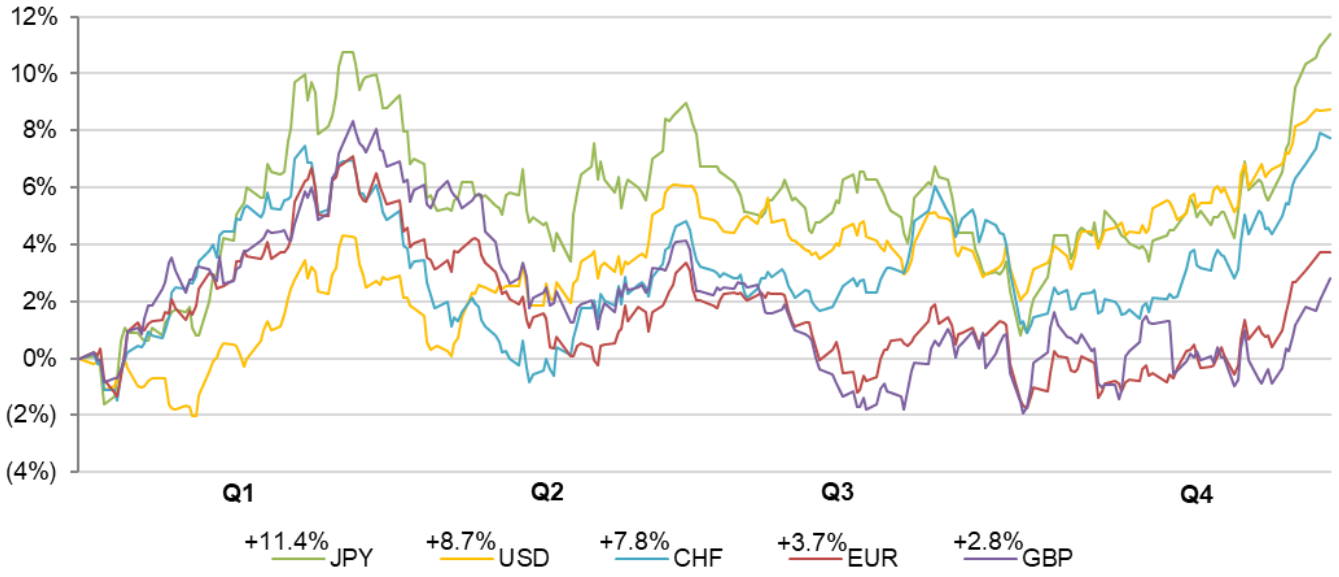
In many ways, 2018 was a transition year for the global economy. After almost ten years of ultra-low interest rates, central banks in several countries began raising rates. The Bank of Canada for example increased overnight interest rates from 1.00% at the beginning of 2018 to 1.75% at the end of the year.

Higher interest rates combined with tighter mortgage eligibility rules and restrictions on foreign home buyers had a noticeable negative impact on the Canadian housing market. Vancouver and Toronto (which tend to attract the most international real estate buyers) were particularly hard hit. This became more evident near the end of 2018, and it is likely to be a major influence on these markets well into 2019. Meanwhile, Western Canada continued to be hit by ongoing low oil prices.

Overall, the Canadian economy managed just 1.1% GDP growth in 2018. With the Canadian consumer largely tapped out due high debt loads, going forward the Canadian economy will become more dependant on business investment and exports for growth.

The United States fared better than Canada in 2018 despite the almost constant political drama. GDP growth for the United States in 2018 came in at a respectable 3.0%. This was fueled in part by large corporate tax cuts which took effect during the year. In 2018, the US Federal Reserve actively raised rates, ending the year with an overnight interest rate close to 2.50%. Unemployment in the US also hit a multi-year low of 3.9% near the end of the year.

FOREIGN CURRENCY PERFORMANCE vs CANADIAN DOLLAR
2018



THE ECONOMIC ENVIRONMENT (cont`d)

With a strong economy and almost full unemployment, the United States (the world's largest economy) launched a trade war against China (the world's second largest economy) by imposing tariffs on Chinese goods imported into the United States. China exports about $500 billion a year to the US, mainly in the form of relatively low-value products like consumer electronics, appliances, clothing, footwear, furniture and toys. The US, however, only sends about $150 billion of exports back to China every year mainly in agricultural products and high-tech gear such as Boeing airplanes.

Although it was the Trump administration who launched the trade action against China, it is important to note that most developed countries (including Canada) have issues with China's trade policies. This is an issue that is likely to take years to fully resolve.

Coincidentally, China itself, after growing strongly for many years, started to see the beginning of an economic slowdown in its domestic economy during 2018. The Chinese government began to crack down on excessive leverage in the financial sector. This resulted in a reduction in lending by Chinese banks, which impacted everything from small manufacturers to the real estate sector.

Developing countries overall, however, experienced relatively decent growth in 2018 lead by India, which grew by 6.6% in 2018. A change in political control in Brazil combined with progress on reining in corruption also helped the country turn the corner and achieve growth of 1.1% in 2018 after suffering a recession the previous year.

One notable economic laggard in 2018 was the Eurozone, which only managed to achieve growth of 1.1% in 2018. Germany, which accounts for about 1/3 of the entire Eurozone economic output saw its exports drop during the year. Italy suffered yet another round of budgetary concerns and the UK ended 2018 in a position where it was incapable of agreeing to terms with the Eurozone for an orderly exit from the European economic bloc (the so-called Brexit process).

The negative economic backdrop of 2018 started to be felt by financial markets near the end of the year. For the first time in several years, financial markets started pricing in a pessimistic outlook. The year 2019 is likely to shape up as a year of higher interest rates and lower economic growth both in Canada and around the world. The oil market, the housing market and global trade issues are likely to be the major economic drivers of the Canadian economy in 2019.

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 typically 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	1.9%	1.4%
4-Yrs	1.3%	0.8%

The Plan's cash holdings outperformed the reference benchmark over the one-year period. The Plan's cash holdings are predominantly invested in high quality and very liquid short-term money market securities with a term to maturity of less than 90 days. The portfolio is largely exposed to Canadian banks and other corporate paper that earn a higher yield than the benchmark. The objective of the Plan's cash holdings is to optimize returns while remaining flexible to manage the cash demands related to the Plan's investments, the Plan's pension benefit payments and total administration expenses. In 2018, the Plan had on average approximately $398 million or 5.7% of assets in cash and short-term investments compared to $295 million or 4.5% of assets in 2017. At December 31, 2018, cash and short-term investments represented 6.6% of the Plan's investments.

The Bank of Canada increased its target interest rate by 75 basis points in 2018 to 1.75% as economic conditions improved. Going forward, it is expected that the pace of future rate increases will slow as the Bank has shifted into a more cautious stance as it now expects the economy to grow at a slower pace than earlier anticipated. Future rate hikes will depend on how the GDP growth outlook evolves, especially developments in the oil markets and the Canadian housing market.

BONDS

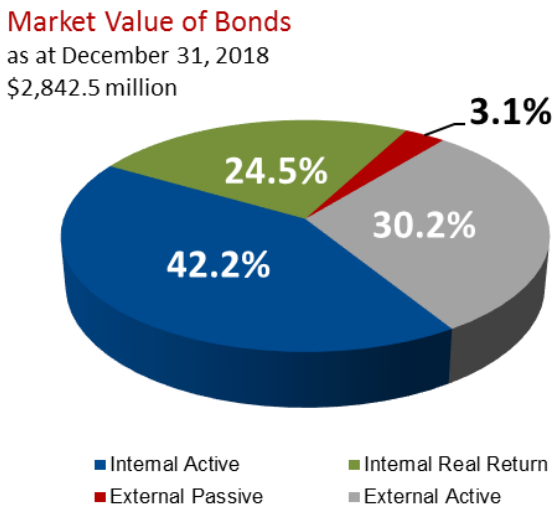
Annualized Compound Rates of Return

Nominal Bonds	Plan Assets	Asset Benchmark
1-Yr	(0.4)%	0.2%
4-Yrs	3.7%	3.6%
Real Return Bonds*		
1-Yr	(0.1)%	(0.1)%
4-Yrs	1.8%	1.8%

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

Global government bonds yields rose in the first part of the 2018 on optimism for synchronized economic growth. This trend abruptly changed in the latter part of the year as concerns of an economic slowdown and heightened political tensions took hold. This led to a sharp drop in sovereign bond yields and flattening yield curves, partially inverting in the US in the shorter part of the curve.

US economic growth outpaced other major economies due to a strong labor market and accommodative fiscal measures that included corporate tax cuts. As a result, the Federal Reserve raised overnight interest rates by 100 basis points, bringing the policy rate to 2.25%-2.50%. However, the Federal Reserve lowered its 2019 GDP projection in December and has advised that it will be patient in continuing with future hikes. The 10-year government bond yield rose by about 25 basis points in the 12-month period and ended the year at 2.68%, down from its November high of 3.26%. In Canada, the 10-year benchmark ended 2018 down about 7 basis points to 1.97% outperforming its US counterpart as the market priced in a more pronounced economic slowdown, especially in light of the 40% drop in crude prices at the end of the fourth quarter.



Economic growth in European economies remained positive although lagged the advanced economies. Ongoing political tensions and the Brexit uncertainty continue to weigh on sentiment. Although the European Central Bank ended its asset purchase program at the end of the year as expected, they maintained policy rates unchanged in hopes of stoking inflation towards the 2% target level. The 10-year German government bond yield fell by about 18 basis points to end 2018 at 0.24%.

BOND OVERLAY

Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	(2.1)%	(2.9)%
4-Yrs	1.9%	1.5%

As part of its LDI strategy, the Plan utilizes a Bond Overlay that consists of fixed income derivative instruments. 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 Bond Overlay strategy allows for return generating assets with higher return potential, such as equities, private investments 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.

FIXED INCOME ALTERNATIVES

Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	5.1%	3.7%
4-Yrs*	5.1%	3.7%

* Portfolio launched January 1st, 2018. 4-yrs returns represent inception to date.

The Fixed Income Alternatives portfolio is a new portfolio. It is designed to hold fixed-income-like assets with returns greater than typical fixed income products. Examples of assets that would go into this portfolio would be commercial mortgages, private debt and some types of real estate.

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

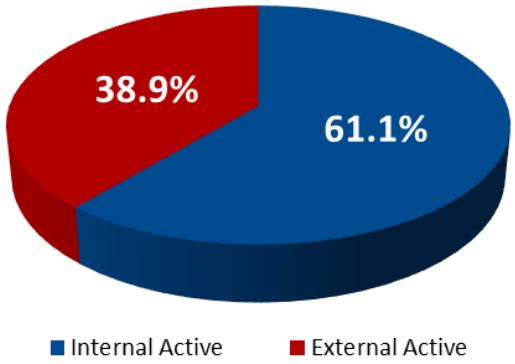
Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	(9.9)%	(8.9)%
4-Yrs	1.7%	2.5%

Increased uncertainty over global growth, continuing trade wars, and worries over high Canadian household debt drove the Canadian equity market down 8.9% in 2018. Sharply lower commodity prices were a major drag on the market. After climbing to $76 in October, oil fell sharply to end the year at $45.41 USD per barrel. Other commodities followed suit with copper down 33% and lumber down 50% from their highs earlier in the year.

Market losses were broad based with 8 out of 11 sectors posting negative returns on the year. Leading the market lower was the Energy sector down 18.3% on sharply lower oil prices in the fourth quarter. Also posting heavy losses were the Consumer Discretionary sector down 16% led by Dollarama and auto stocks, Health Care sector down 15.9% as cannabis stocks corrected sharply and Financials down 9.3%. Leading the upside was the Information Technology sector up 13% and Consumer Staples and Real estate sectors both returning 2%.

Market Value of Canadian Equity
as at December 31, 2018
$671.5 million



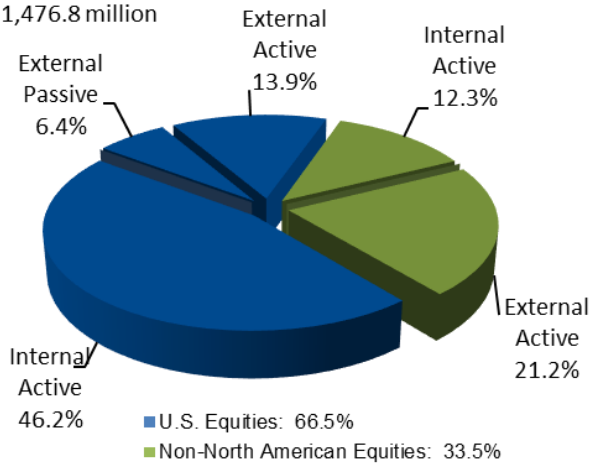
S&P/TSX Capped Composite index
2018

GLOBAL EQUITY

Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	1.6%	(1.0)%
4-Yrs	10.9%	8.9%

Market Value of Global Equity
as at December 31, 2018
$1,476.8 million



Global equities experienced a volatile year in 2018, with the MSCI All-Country World ex-Canada Index declining 1% in Canadian dollar terms (including dividends). While equity markets began the year on a positive tone, the combination of a maturing US economic cycle, the deceleration of growth in many international economies, a broader tightening of monetary conditions, along with global uncertainty surrounding the US-Chinese trade war created a near-perfect backdrop for equities to correct severely in late 2018.

The US corporate tax cuts that provided a substantial lift to US equity markets and corporate earnings throughout much of 2018 gave way to fears of an economic slowdown in late 2018. 2018 was characterized by the return of sharp volatility after a prolonged period of market stability. Emerging markets reversed course and underperformed developed markets for the first time in a number of years. From a regional perspective, equity losses in 2018 were broad-based, with the exception of the United States and, to a lesser degree, Latin America. Among emerging markets, emerging Asia led the way on the downside, with a 14% decline in Chinese equities (-20% in local currency) due to a slowdown in Chinese growth, concerns over Chinese debt deleveraging, and the U.S.-China trade war.

European equities performed poorly as a result of a slowdown in economic growth and political instability in a number of countries including Italy, France, and Germany. Persistent fears over the ramifications of a hard Brexit scenario also weighed on UK equity performance. Strong economic growth in the US led to strong relative equity outperformance until the fourth quarter when recession and trade war fears led to a US market correction. Issues affecting the U.S. market in 2018 were primarily U.S.-China trade relations, rising interest rates as well as other geo-political factors.

From a sector perspective, 2018 witnessed two periods of dramatically differing performance. The first three quarters of the year saw strong performance in cyclical sectors such as information technology, energy, consumer discretionary, and industrials, followed by a sharp reversal in cyclical stocks in the final quarter, when the same sectors significantly underperformed the rest of the market. High-flying momentum stocks such as Amazon, Netflix, and Facebook which had surged over the last two years saw dramatic sell-offs of over 25% in the last quarter of 2018. The energy sector was the worst performer in the fourth quarter, declining 17% as crude oil prices collapsed 40% to USD 45 per barrel. By contrast, defensive sectors such as telecoms, utilities and real estate outperformed into the year-end.

MSCI ACWI ex-Canada Index
Return (CAD) - 2018

STRATEGIC INVESTMENTS

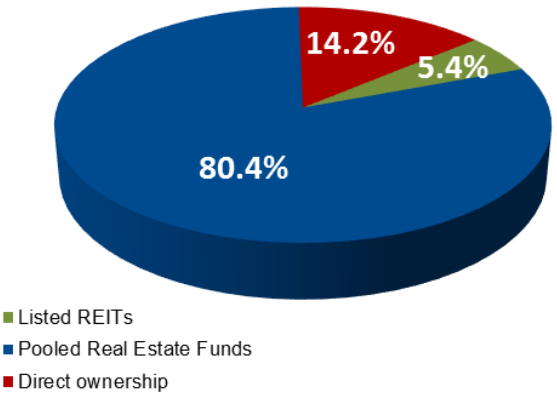
Strategic Investments are comprised of three separate components: Real Estate, Private Equity and a Hedge Fund. Real Estate consists of investments in real estate and mortgages. Private Equity includes investments in infrastructure, growth capital, mezzanine financing, buyout funds, secondary funds and 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.

Real Estate

Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	14.3%	4.8%
4-Yrs	9.7%	4.2%

Real Estate Mix
as at December 31, 2018
$686.4 million



Confidence, employment and general demand fundamentals continue to drive broad based strength across the Office, Industrial, and Multifamily real estate sectors in Canada. Indeed, apart from the Retail sector and continued weakness in the Alberta property market, the real estate sector is on solid footing across many metrics of industry health. For example, in the Office sector, major centers such as Toronto and Vancouver continue to see robust tenant demand that has driven vacancy rates in the Central Business Districts well into the low single digits - significantly below long-term averages. Further, the Industrial sector continues to be the key beneficiary of structural shifts in consumer spending habits and greater e-commerce adoption; across all large cities, sharply declining Industrial vacancy rates have put upward pressures on net rents charged by landlords. These higher net rent levels have spurred construction of large fulfillment centers along transportation nodes and last mile delivery sites in large population corridors.

Despite the headline strength in the real estate sector, there are pockets of concern and uncertainty in the Retail and Residential sector. Many malls have been repositioned in an attempt to maintain foot traffic and mitigate the monetary consequences of changing consumer spending patterns and preferred purchase channels. Retail centers not anchored to large population centers or with a defensive mix of tenants have generally experienced reduced consumer spend per square foot. On the residential side, rising home prices and attendant household debt burdens have fueled concerns on home price trajectories and affordability in either a single family or Multifamily rental context. Increasing rents for one and two bedroom apartments across Canada's major cities have created strong investment opportunities Drivers for continued Multifamily growth are supported by the tripartite of millennials (age cohort 23-38), immigrants, and senior citizens.

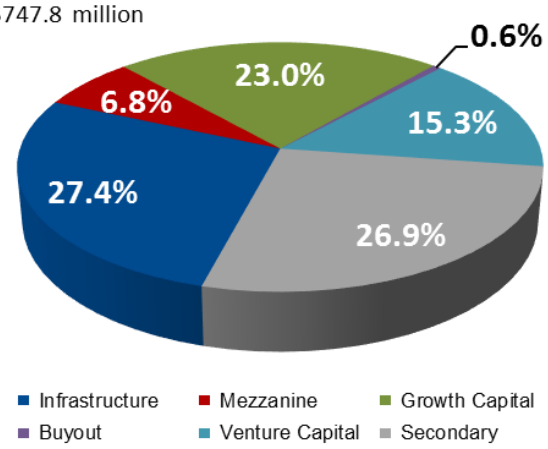
Cognizant of the benefits of geographic diversification and the asynchronous nature of real estate cycles across markets, the Plan made a USD$ 25 million commitment to a global opportunistic fund. Over the next 12 months, our intent is to continue to diversify the portfolio across geography and away from pure Core mandates. Our focus will be limited to seeking opportunities where real estate returns are driven by operational excellence and value creation factors to reduce overall interest rate risk for the portfolio.

PRIVATE EQUITY

Annualized Compound Rates of Return

	Plan Assets	Asset Benchmark
1-Yr	26.7%	4.8%
4-Yrs	20.0%	4.2%

Private Equity Allocations
as at December 31, 2018
$747.8 million



Many of the investments in the Private Equity portfolio involve buying and running small to medium size enterprises through limited partnership structures. If well managed on a portfolio basis, these investments can offer high returns over the long term. An additional benefit of the Private Equity portfolio is that it 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. For example, the Private Equity portfolio has several investments in companies specializing in various artificial intelligence fields such as autonomous vehicles. It is also a globally diversified portfolio, with 42% of the investments located in developing countries.

The allocation of the Private Equity portfolio at year-end is outlined in the chart to the left. It was another strong year for returns, with all subsectors of the portfolio producing double digit results. Three new investments were made by the Private Equity portfolio in 2018. One investment was in an Asian venture capital partnership. The second investment was in a North American infrastructure partnership. The third investment was in a global partnership that invests in financially challenged companies. The pace of new investments in the Private Equity portfolio was slowed down in 2018 given that the portfolio performed so strongly relative to the rest of the Plan.

HEDGE FUNDS

Annualized Compound Rates of Return

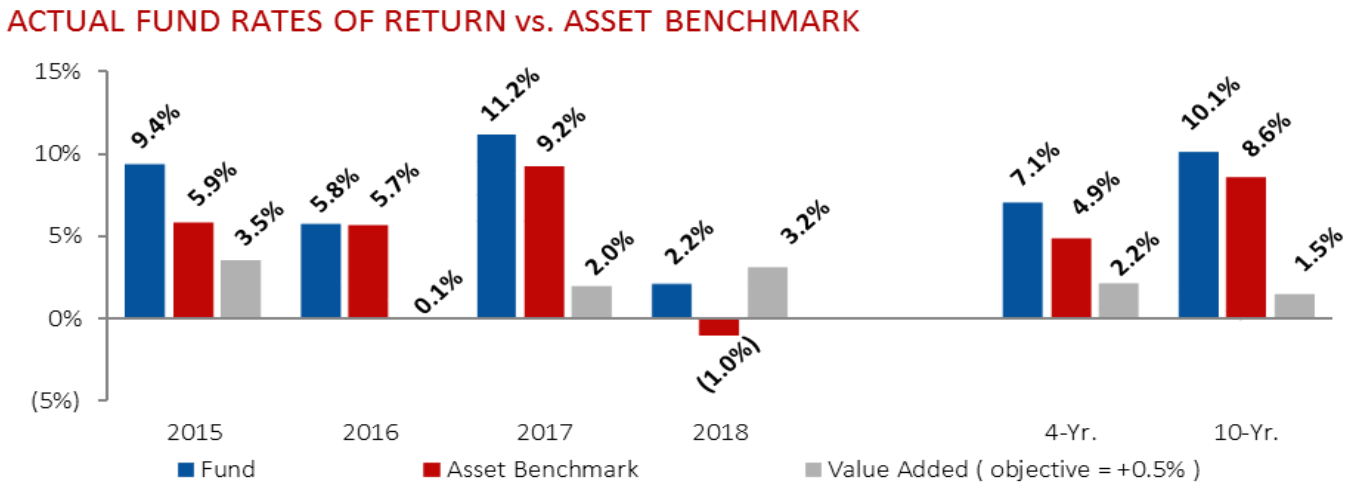
	Plan Assets	Asset Benchmark
1-Yr	(15.1)%	4.8%
4-Yrs	(2.1)%	4.2%

The Plan was invested in one externally managed hedge fund in 2018. It 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.

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.

As of December 31, 2018, the actual asset mix of the Plan was 48.0% Canadian fixed income (of which 6.6% was in cash-equivalent instruments), 30.8% public equity and 21.2% 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.

Duncan Burrill
Managing Director/CEO
CBC Pension Plan

Julie Murphy
Secretary/Treasurer
CBC Pension Board of Trustees

March 27, 2019

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, 2018, for inclusion in the Plan's financial statements.

The Plan's obligations under the going concern basis as at December 31, 2018 are based on the results of the actuarial valuation as at December 31, 2018, and take into account:

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

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, 2018.

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, 2018:

- 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.

Ottawa, Ontario
March 27, 2019

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Canada

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Independent Auditor's Report

To the Members of the
CBC Pension Board of Trustees

Opinion

We have audited the financial statements of CBC Pension Plan, which comprise the statement of financial position as at December 31, 2018, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CBC Pension Plan as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the CBC Pension Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing CBC Pension Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate CBC Pension Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CBC Pension Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 CBC Pension Plan's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CBC Pension Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CBC Pension Plan to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
March 27, 2019

Statement of Financial Position

(Canadian $ thousands) As at December 31	**2018**	2017
ASSETS		
Investments *(Note 3)*	**$ 6,962,183**	$ 7,073,010
Accrued investment income	**44,199**	32,699
Contributions receivable		
- Employee	**4,938**	4,600
- Employer	**4,886**	4,552
FlexPen investments *(Note 6)*	**4,407**	5,129
Due from brokers	**413**	360
Other assets	**619**	571
	7,021,645	7,120,921
LIABILITIES		
Accounts payable and accrued liabilities *(Note 7)*	**8,341**	8,412
Due to brokers	**-**	1,801
	8,341	10,213
NET ASSETS AVAILABLE FOR BENEFITS	**7,013,304**	7,110,708
PENSION OBLIGATIONS *(Note 8)*	**5,032,462**	4,958,935
FUNDING SURPLUS *(Note 10)*	**$ 1,980,842**	$ 2,151,773

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	**2018**	2017
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	**$ 7,110,708**	$ 6,618,138
Investment Activities		
Investment income *(Note 3)*	**349,796**	262,453
Change in fair value of:		
- Investments *(Note 3)*	**(180,694)**	466,806
- FlexPen investments *(Note 6)*	**(106)**	324
Net investment activities	**168,996**	729,583
Member Service Activities		
Contributions *(Note 5)*		
Employee	**55,710**	52,737
Employer	**48,910**	49,373
Transfers	**1,130**	2,009
	105,750	104,119
Benefits *(Note 9)*		
Pensions	**(284,422)**	(277,534)
Refunds and transfers	**(16,573)**	(13,701)
	(300,995)	(291,235)
Net member service activities	**(195,245)**	(187,116)
Administrative Expenses *(Note 11)*	**(71,155)**	(49,897)
(Decrease)/Increase in Net Assets Available For Benefits	**(97,404)**	492,570
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**$ 7,013,304**	$ 7,110,708

The accompanying notes are an integral part of the financial statements

Statement of Changes in Pension Obligations

(Canadian $ thousands) Year ended December 31	**2018**	2017
PENSION OBLIGATIONS, BEGINNING OF YEAR	**$ 4,958,935**	$ 4,886,841
Increase in Pension Obligations		
Interest on pension obligations	**287,618**	283,437
Changes in actuarial assumptions	**(14,367)**	(19,825)
Benefits earned	**105,612**	104,762
FlexPen investments *(Note 6)*	**134**	538
	378,997	368,912
Decrease in Pension Obligations		
Benefits *(Note 9)*	**300,995**	291,235
Net experience gains	**4,475**	5,583
	305,470	296,818
Net Increase in Pension Obligations	**73,527**	72,094
PENSION OBLIGATIONS, END OF YEAR	**$ 5,032,462**	$ 4,958,935

Statement of Changes in Funding Surplus

(Canadian $ thousands) Year ended December 31	**2018**	2017
FUNDING SURPLUS, BEGINNING OF YEAR	**$ 2,151,773**	$ 1,731,297
(Decrease)/Increase in Net Assets Available for Benefits	**(97,404)**	492,570
Net Increase in Pension Obligations	**(73,527)**	(72,094)
FUNDING SURPLUS, END OF YEAR *(Note 10)*	**$ 1,980,842**	$ 2,151,773

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 in 2018 was constant at 8.37% (2017: 7.68% from January 1 to June 30; 8.37% from July 1 to December 31) of earnings up to the maximum public pension plan earnings of $55,900 (2017: $55,300) and 11.00% (2017: 10.10% from January 1 to June 30; 11.00% from July 1 to December 31) of earnings in excess of such maximum. The Corporation provides the balance of the funding, as required, based on actuarial valuations. The most recent actuarial valuation of the Plan was performed as of December 31, 2018.

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, 2018 (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) Adoption of new and revised standards

Impact on initial application of IFRS 9, Financial Instruments

In the current year, the Plan has applied IFRS 9, Financial Instruments (as revised in July 2014) and the related amendments to other IFRS standards that are effective for an annual period that begins on or after January 1, 2018. IFRS 9 introduced new requirements for the classification and measurements of financial assets and financial liabilities, impairment of financial assets, and general hedge accounting. The adoption of IFRS 9 has had no material impact on the financial statements.

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.

2018 INVESTMENTS

(Canadian $ thousands)	Fair Value	Cost	Change in Fair Value of Investments[1]	Investment Income	Total Return
Fixed Income					
Cash and short-term investments	$ 459,973	$ 459,974	$ 480	$ 7,847	$ 8,327
Canadian bonds	2,831,850	2,292,288	(83,508)	75,225	(8,283)
Alternatives	10,600	10,313	407	209	616
	3,302,423	2,762,575	(82,621)	83,281	660
Equities					
Canadian	671,497	751,940	(107,882)	30,654	(77,228)
Global	1,476,822	1,058,014	2,388	36,364	38,752
	2,148,319	1,809,954	(105,494)	67,018	(38,476)
Strategic					
Real estate	686,394	487,460	27,541	57,969	85,510
Private equity	747,804	562,100	25,530	140,654	166,184
Hedge funds	38,670	40,000	(7,256)	874	(6,382)
	1,472,868	1,089,560	45,815	199,497	245,312
Derivatives					
Bond forwards	31,196	-	(26,505)	-	(26,505)
Total return swaps	9,847	-	(15,365)	-	(15,365)
Call options - equity	(212)	(377)	5,734	-	5,734
Currency forwards	(2,258)	-	(2,258)	-	(2,258)
	38,573	(377)	(38,394)	-	(38,394)
TOTAL	**$ 6,962,183**	**$ 5,661,712**	**$ (180,694)**	**$ 349,796**	**$ 169,102**

[1] *Includes $261.2 million of change in unrealized market losses and $80.5 million of realized gains.*

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
Alternatives[2]	2,010	1,982	(61)	157	96
	3,221,197	2,591,259	102,681	63,123	165,804
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					
Real estate[2]	646,492	460,263	8,793	33,558	42,351
Private equity	649,329	489,444	31,361	107,054	138,415
Hedge funds	45,926	40,000	(1,360)	1,270	(90)
	1,341,747	989,707	38,794	141,882	180,676
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.*

[2] *Amounts as at December 31, 2017 have been updated to realign the fair value, cost, change in fair value, investment income and the total return figures for Real estate investments. In addition, Alternatives investments are now being presented as part of Fixed Income. Totals as at December 31, 2017 did not change.*

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 Equity.

iv) Private Equity 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) Real estate, consisting of loans and real estate, is valued as follows:

a) Loans 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	2018		2017	
	Notional Value	**Net Fair Value**	Notional Value	Net Fair Value
Fixed Income				
Forwards	**$ 1,986,748**	**$ 31,196**	$ 1,279,012	$ 15,308
Total return swaps	**870,966**	**9,847**	596,580	2,268
	2,857,714	**41,043**	1,875,592	17,576
Equities				
Call options (written)	**(29,280)**	**(212)**	(57,800)	(803)
Currency				
Forwards	**161,342,400**	**(2,258)**	-	-
TOTAL	**$ 164,170,834**	**$ 38,573**	$ 1,817,792	$ 16,773

The net fair value of derivative contracts is represented by:

(Canadian $ thousands)

As at December 31	**2018**	2017
Derivative - related receivables	**$ 44,673**	$ 25,482
Derivative - related payables	**(6,100)**	(8,709)
TOTAL	**$ 38,573**	$ 16,773

All derivative contracts held at December 31, 2018 and 2017 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, 2018, securities with an estimated fair value of $111.2 million (2017: $7.6 million) were loaned out, while securities contractually receivable as collateral had an estimated fair value of $117.4 million (2017: $8.1 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 **2018**	 2017
United States dollar	**$ 1,626,605**	$ 1,701,685
Euro	**178,950**	226,884
Japanese yen	**63,040**	64,993
British pound sterling	**40,402**	48,273
Swiss franc	**22,626**	22,479
Hong Kong SAR dollar	**21,577**	22,320
Swedish krona	**17,523**	23,247
Mexican peso	**7,535**	6,496
New Taiwan dollar	**7,391**	9,334
Singapore dollar	**7,227**	7,749
Indonesian rupiah	**6,499**	7,293
Thai baht	**5,495**	6,110
Australian dollar	**4,629**	5,609
South Korean won	**4,402**	5,650
Czech koruna	**3,704**	3,348
Indian rupee	**2,027**	2,974
Norwegian krone	**1,914**	795
Chinese renminbi	**1,812**	-
Philippine peso	**1,252**	2,240
Danish krone	**1,111**	2,031
Malaysian ringgit	**1,012**	863
Other	**749**	893
TOTAL	**$ 2,027,482**	$ 2,171,266

As at December 31, 2018, a 1% increase in the Canadian dollar against all other currencies would decrease the value of the Plan's assets by $20.3 million or 0.3% (2017: $21.7 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 $20.3 million or 0.3% (2017: $21.7 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, 2018, 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 $848.9 million or 12.2% (2017: $729.2 million or 10.3%) of the Plan's assets. A 1% reduction in nominal interest rates would increase the value of the fixed income investments and derivatives by $848.9 million or 12.2% (2017: $729.2 million or 10.3%) 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, 2018 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 13.7% (2017: 13.9%). 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 11.0% (2017: 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, 2018 and 2017 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)	**2018**		2017	
EQUITIES	**Canadian**	**Global**	Canadian	Global
Consumer Discretionary	**2.1**	**11.5**	6.4	12.6
Consumer Staples	**9.0**	**8.2**	9.1	9.6
Energy	**12.1**	**3.9**	15.9	4.8
Financials	**26.7**	**18.3**	27.8	18.9
Health Care	**0.0**	**12.6**	0.0	10.5
Industrials	**9.7**	**16.2**	9.5	17.5
Information Technology	**3.4**	**14.8**	2.6	14.8
Materials	**9.0**	**4.1**	8.6	4.0
Real Estate	**9.2**	**2.4**	7.7	2.5
Telecommunication Services	**11.0**	**5.7**	6.5	2.2
Utilities	**7.8**	**2.3**	5.9	2.6
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)	**2018**	2017
Canadian Equity		
Market Value	**671,497**	742,344
+ / - 1% change in S&P/TSX	**5,942**	6,580
U.S. Equity		
Market Value	**501,887**	570,528
+ / - 1% change in S&P 500	**4,733**	5,414
Global Equity		
Market Value	**974,935**	1,180,421
+ / - 1% change in MSCI ACWI ex-Canada	**9,570**	11,195

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, 2018 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, 2018 the Plan received $50.2 million (provided in 2017: $56.0 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)	**2018**		2017	
CASH AND SHORT-TERM INVESTMENTS	**Fair Value**	**%**	Fair Value	%
Cash	**$ 319,546**	**69.5**	$ 237,480	71.1
Short-term investments				
Corporate	**140,427**	**30.5**	96,463	28.9
TOTAL	**$ 459,973**	**100.0**	$ 333,943	100.0
Cash	**$ 319,546**	**69.5**	$ 237,480	71.1
Short-term investments				
R-1 (high)	**108,771**	**23.6**	45,273	13.6
R-1 (middle)	**-**	**0.0**	21,497	6.4
R-1 (low)	**31,656**	**6.9**	29,693	8.9
	140,427	**30.5**	96,463	28.9
TOTAL	**$ 459,973**	**100.0**	$ 333,943	100.0

(Canadian $ thousands)	**2018**		2017	
CANADIAN BONDS	**Fair Value**	**%**	Fair Value	%
Government of Canada	**$ 886,226**	**31.3**	$ 1,040,800	36.1
Provincial	**1,072,868**	**37.9**	1,066,310	37.0
Corporate	**872,756**	**30.8**	778,134	26.9
TOTAL	**$ 2,831,850**	**100.0**	$ 2,885,244	100.0
AAA to AA-	**$ 1,629,936**	**57.6**	$ 1,969,160	68.3
A+ to A-	**858,065**	**30.3**	627,573	21.8
BBB+ to BBB-	**343,849**	**12.1**	288,511	9.9
TOTAL	**$ 2,831,850**	**100.0**	$ 2,885,244	100.0

The above table does not include derivative or derivative counterparty exposure. The Plan's fixed income derivative exposure of $2.9 billion (2017: $1.9 billion) as at December 31, 2018 is 0.0% (2017: 0.6%) Government of Canada bonds and 100.0% (2017: 99.4%) 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)*	**$**	**8,341**	$	8,412
Due to brokers		**-**		1,801
Derivatives *(Note 3 c)*		**6,100**		8,709
TOTAL	**$**	**14,441**	$	18,922

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, 2018 and 2017:

2018 INVESTMENTS (Canadian $ thousands)	Level 1	Level 2	Level 3	Total
Fixed Income				
Cash and short-term investments	$ 457,975	$ 1,998	$ -	$ 459,973
Canadian bonds	-	1,955,002	876,848	2,831,850
Alternatives	-	-	10,600	10,600
	457,975	1,957,000	887,448	3,302,423
Equities				
Canadian	412,747	258,750	-	671,497
Global	1,316,881	159,941	-	1,476,822
	1,729,628	418,691	-	2,148,319
Strategic				
Real estate	36,871	-	649,523	686,394
Private equity	-	-	747,804	747,804
Hedge funds	-	-	38,670	38,670
	36,871	-	1,435,997	1,472,868
Derivatives				
Bond forwards	-	31,196	-	31,196
Total return swaps	-	9,847	-	9,847
Call options - equity	(212)	-	-	(212)
Currency forwards	-	(2,258)	-	(2,258)
	(212)	38,785	-	38,573
TOTAL	**$ 2,224,262**	**$ 2,414,476**	**$ 2,323,445**	**$ 6,962,183**

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
Alternatives[(1)]	-	-	2,010	2,010
	100,771	2,231,341	889,085	3,221,197
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				
Real estate[(1)]	37,946	-	608,546	646,492
Private equity	-	-	649,329	649,329
Hedge funds	-	-	45,926	45,926
	37,946	-	1,303,801	1,341,747
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**

(1) *Amounts as at December 31, 2017 have been updated to realign the fair value for Real estate investments. In addition, Alternatives investments are now being presented as part of Fixed Income. Totals as at December 31, 2017 did not change.*

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:

2018 INVESTMENTS (Canadian $ thousands)	Balance at Dec 31/2017	Purchases	Sales	Realized gain/(loss)	Movement in unrealized gain/(loss)	Amortization	Balance at Dec 31/2018
Fixed Income							
Canadian bonds	$ 887,075	$ -	$ (199)	$ (19)	$ (9,991)	$ (18)	$ 876,848
Alternatives	2,010	9,260	(939)	-	259	10	10,600
	889,085	9,260	(1,138)	(19)	(9,732)	(8)	887,448
Strategic							
Real estate	608,546	62,624	(50,210)	14,782	13,781	-	649,523
Private equity	649,329	135,464	(62,123)	(684)	25,818	-	747,804
Hedge funds	45,926	-	-	-	(7,256)	-	38,670
	1,303,801	198,088	(112,333)	14,098	32,343	-	1,435,997
TOTAL	**$ 2,192,886**	**$ 207,348**	**$ (113,471)**	**$ 14,079**	**$ 22,611**	**$ (8)**	**$ 2,323,445**

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
Alternatives[1]	2,999	-	(934)	-	(61)	6	2,010
	817,625	-	(1,107)	(16)	72,593	(10)	889,085
Strategic							
Real estate[1]	544,721	82,227	(28,334)	8,318	1,614	-	608,546
Private equity	627,795	95,369	(105,150)	1,418	29,897	-	649,329
Hedge funds	139,626	-	(92,340)	6,203	(7,563)	-	45,926
	1,312,142	177,596	(225,824)	15,939	23,948	-	1,303,801
TOTAL	**$ 2,129,767**	**$ 177,596**	**$ (226,931)**	**$ 15,923**	**$ 96,541**	**$ (10)**	**$ 2,192,886**

(1) *Amounts as at December 31, 2017 have been updated to realign the balance at December 31, 216, sales, movement in unrealized gain/(loss), amortization and balance at December 31, 2017 for Real estate investments. In addition, Alternatives investments are now being presented as part of Fixed Income. Totals as at December 31, 2017 did not change.*

Total net unrealized gains for Level 3 instruments held at the end of 2018 amounts to $813.5 million (2017: $790.9 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 2018.

5. CONTRIBUTIONS

The following are the contributions for the year:

(Canadian $ thousands)		**2018**		2017
Employee				
- Current Service	**$**	**48,722**	$	44,816
- Past Service		**6,748**		7,707
- FlexPen *(Note 6)*		**240**		214
		55,710		52,737
Employer		**48,910**		49,373
Transfers / (Refunds)		**1,130**		2,009
TOTAL	**$**	**105,750**	$	104,119

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)		**2018**		2017
Investment, Beginning of Year	**$**	**5,129**	$	5,448
Contributions and interest		**240**		214
Capital (depreciation)/appreciation		**(106)**		324
Purchase of additional pension benefits and transfers out		**(856)**		(857)
Investment, End of Year	**$**	**4,407**	$	5,129

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

(Canadian $ thousands)		**2018**		2017
Benefits	**$**	**5,641**	$	3,920
Administrative expenses		**2,700**		4,492
TOTAL	**$**	**8,341**	$	8,412

8. PENSION OBLIGATIONS

Under the PBSA actuarial valuations are required at least annually. The latest actuarial valuation was performed at December 31, 2018 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	
	2018	2017
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 2018, there were net experience gains of $4.4 million (2017: net experience gains of $5.6 million) with respect to plan membership, retirement and termination settlements compared to the assumptions used in the actuarial valuation conducted as at December 31, 2017.

The PBSA requires that the Plan also be valued on a solvency basis, which simulates a plan wind-up. As of December 31, 2018, the date of the last actuarial valuation, the Plan's solvency liabilities were estimated at $6,927 million (2017: $7,115 million).

9. BENEFITS

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

(Canadian $ thousands)	**2018**	2017
Retirement benefits	**$ 251,884**	$ 245,341
Death benefits	**32,538**	32,193
	284,422	277,534
Refunds and transfers to other plans	**15,717**	12,844
FlexPen – purchase of additional pension benefits and transfers out *(Note 6)*	**856**	857
	16,573	13,701
TOTAL	**$ 300,995**	$ 291,235

10. FUNDING POSITION

The last actuarial valuation of the Plan was performed as at December 31, 2018 and determined that the Plan had a funding excess of $1,980.8 million (2017: $2,151.7 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 smaller funding surplus for the Plan as at December 31, 2018 of $79.3 million (2017: deficit of $10.6 million) on a solvency basis. For solvency funding requirements, the Plan is required to determine its solvency funding position on the average of the current year balance and the two preceding year-end balances. This results in the Plan having a 3-year average funding deficit. 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 2018 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, 2018.

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)		**2018**		2017
Fund Administration				
Internal Management				
Salaries and employment costs	**$**	**5,878**	$	5,357
Professional fees		**219**		87
Data processing / technology		**1,295**		1,146
Custodial fees and transaction costs		**480**		1,041
Office rent		**361**		365
Other		**81**		49
Total Internal Management		**8,314**		8,045
External Management				
Management fees		**56,910**		37,319
Custodial fees and transactions costs		**580**		512
Total External Management		**57,490**		37,831
Total Fund Administration		**65,804**		45,876
Pension Benefit Administration				
External administration		**1,572**		1,557
Salaries and employment costs		**475**		415
Professional fees		**29**		31
Data processing / technology		**8**		111
Other		**244**		208
Total Pension Benefit Administration		**2,328**		2,322
Board of Trustees' Expenses				
Professional fees		**550**		517
Other		**191**		147
Total Board of Trustees Expenses		**741**		664
Harmonized sales tax		**2,282**		1,035
TOTAL	**$**	**71,155**	$	49,897

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, 2018, these potential unfunded commitments totalled $625.3 million (2017: $504.7 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.

SUPPLEMENTARY FINANCIAL INFORMATION

INVESTMENTS GREATER THAN $20 MILLION

AS AT DECEMBER 31, 2018
(unaudited)

FIXED INCOME

Issuer	Coupon	Maturity Date	Fair Value ($ thousands)
NOMINAL BOND			
BlackRock Canada CorePlus Long Bond Fund	n/a	n/a	846,725
TD *Emerald* Long Bond Broad Market Pooled Fund	n/a	n/a	88,727
Government of Canada	3.50%	1-Dec-45	43,216
Government of Canada	2.75%	1-Dec-48	39,351
Province of Quebec	6.25%	1-Jun-32	27,249
Province of Ontario	2.90%	2-Dec-46	25,954
Province of Ontario	5.85%	8-Mar-33	25,890
Province of Quebec	5.75%	1-Dec-36	23,735
Province of Ontario	2.80%	2-Jun-48	21,780
Hydro Quebec	6.00%	15-Feb-40	21,537
REAL RETURN BOND			
Government of Canada	4.00%	1-Dec-31	204,431
Government of Canada	3.00%	1-Dec-36	104,900
Government of Canada	1.25%	1-Dec-47	94,369
Province of Quebec	4.25%	1-Dec-31	86,405
Government of Canada	2.00%	1-Dec-41	77,645
Province of Ontario	2.00%	1-Dec-36	62,172
Government of Canada	1.50%	1-Dec-44	50,207
Government of Canada	0.50%	1-Dec-50	23,164

EQUITY

Issuer	Fair Value ($ thousands)
CANADIAN EQUITY	
TD *Emerald* Low Volatility Canadian Equity Pooled Fund	258,751
U.S. EQUITY	
SPDR S&P 500 ETF Trust Units	93,884
Berkshire Hathaway Inc. – Class B	54,379
Microsoft Corp.	38,288
MasterCard Inc. – Class A	36,072
Johnson & Johnson	33,312
Apple Inc.	23,311
UnitedHealth Group	22,116
GLOBAL EQUITY	
TD *Emerald* Low Volatility All World Pooled Fund	159,941

INVESTMENTS GREATER THAN $20 MILLION (cont'd)

AS AT DECEMBER 31, 2018
(unaudited)

STRATEGIC

Issuer	Fair Value ($ thousands)
REAL ESTATE	
AEW Core Property Trust	123,004
Bentall Kennedy Prime Canadian Property fund	88,429
Morguard Investment Ltd. Res. Prop. (1) Inc. Pooled	58,990
Strathallen Retail Property Fund LP No. 3	54,626
Triovest Realty Advisors Westhills Equities	52,577
Minto Properties Multi-Residential Income	37,632
Realstar Apartment Partnership II	37,151
Crown Realty III, LP	25,735
PRIVATE EQUITY	
Global Infrastructure Fund	52,155
Asian Venture Capital Fund	49,774
Secondary Fund	46,745
Global Maritime Growth Capital Fund	45,171
Global Growth Capital Fund	44,628
Secondary Fund	37,945
Asian Growth Capital Fund	35,709
Secondary Fund	29,307
Global Infrastructure Fund	28,783
Asian Venture Capital Fund	26,094
Asian Venture Capital Fund	24,055
Secondary Fund	23,098
Secondary Fund	21,041
Secondary Fund	20,720
Global Infrastructure Fund	20,477
HEDGE FUND	
Aspect Diversified Fund Class L shares	38,670

TOP 10 DIRECT HOLDINGS

AS AT DECEMBER 31, 2018
(unaudited)

AS A PERCENTAGE OF NET ASSETS AVAILABLE FOR BENEFITS

Company	Sector	%
CANADIAN EQUITY		
Royal Bank of Canada	Financials	0.28%
Toronto-Dominion Bank	Financials	0.25%
BCE Inc.	Telecommunications	0.25%
Nutrien Ltd.	Material	0.24%
Intact Financial Corp.	Financials	0.22%
Element Fleet Management Corp.	Financials	0.20%
Canadian National Railway Co.	Industrials	0.20%
Wheaton Precious Metals Corp.	Materials	0.19%
George Weston Ltd.	Consumer Staples	0.17%
Fairfax Financial Holdings Ltd.	Financials	0.17%
	Top 10 Canadian Holdings - Total	**2.17%**
GLOBAL EQUITY		
SPDR S&P 500 ETF Trust Units	Broad Index	1.34%
Berkshire Hathaway Inc. – Class B	Financials	0.78%
Microsoft Corp.	Information Technology	0.55%
MasterCard Inc. – Class A	Financials	0.51%
Johnson & Johnson	Health Care	0.47%
Apple Inc.	Information Technology	0.33%
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	0.20%
	Top 10 Global Holdings - Total	**4.94%**

CBC Pension Plan

BOARD OF TRUSTEES & MANAGEMENT

BOARD OF TRUSTEES

(as of December 31, 2018)

Rob Jeffery
(Chair)

Director
CBC/Radio-Canada

Judith Purves

Executive Vice-President
& CFO
CBC/Radio-Canada

Monique Marcotte

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

François Roy

Director
CBC/Radio-Canada

Alain Pineau

Retiree
Representative

Calum McLeod

Employee
Representative

Marie-Andrée Charron

Employee
Representative

MANAGEMENT

Duncan Burrill, CPA, CMA
Managing, Director / CEO

Julie Murphy, CPA, CGA
Secretary / Treasurer

INVESTMENT MANAGEMENT TEAM

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
Senior 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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Ottawa, Ontario K1P 6B9

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Internet – general: www.cbc-radio-canada-pension.ca
Internet – active members: io.cbcrc.ca/#/pac
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.