



**CANADIAN
PACIFIC
RAILWAY**

CP Pension Plan

Question:

How is the CP Pension plan handling the recent downturn in the stock markets?

Answer:

Pension fund investment decisions require long term horizons.

CP's pension fund is large and well diversified between Real Estate, bonds, Infrastructure, International and North American equities. While equities are performing poorly in today's markets, past performance over the long term has been strong and some of our other asset classes continue to perform positively.

Each year on December 31, the surplus or shortfall is tallied and both expense and cash contributions are established for the following year. Due to the significant deterioration in global equity markets in the last few quarters, at year end 2008 CP's pension plan will have a significant deficit. As a consequence, CP's pension contributions are expected to increase significantly over the next several years.

It should be noted that by regulation, the contributions are "smoothed" over multiple years to minimize the volatility of payments and 2009 will therefore share only a portion of any poor 2008 equity performance. CP is committed to any and all funding required.