

## **DEFINED CONTRIBUTION PENSION PLAN COMMENTS FROM THE ADVISORY COMMITTEE CHAIR**

### **FINANCIAL STATEMENTS**

Attached are the annual audited financial statements of the Canadian Blood Services Defined Contribution Pension Plan (the "Plan"). The statements have been reviewed by our external auditor, KPMG, whose report to members is included with the statements.

While members receive quarterly communications concerning their individual investment account through the administrator, Morneau Sobeco, the financial statements present the results of the Plan as a whole. Legislation under the Pension Benefits Act requires the employer to file these statements annually with the Financial Services Commission of Ontario. These financial statements will be posted to the Plan's website annually starting with the statements for 2005.

### **GOVERNANCE**

The Plan is administered by Canadian Blood Services ("CBS"). An Advisory Committee (the "Committee") assists CBS by monitoring investment performance and plan administration, and by making recommendations for any changes in the fund manager(s) involved in the investment of the funds. The Committee consists of six representatives appointed by CBS. These representatives include individuals nominated by the unions who represent employees who participate in the Plan. The number of union representatives is in proportion to the number of Plan members represented by the unions, to a maximum of three representatives.

The Committee normally meets twice a year, in the last week of April and the last week of November.

At each meeting, the Committee reviews investment performance against benchmarks established in the Statement of Investment Policies & Procedures.

The role of the Committee includes:

- Determining the investment policy of the pension fund;
- Recommending the selection, appointment and replacement of investment managers;
- Monitoring investment performance; and
- Monitoring plan administration.

The Committee has an investment consultant (Mercer Investment Consulting) to assist them in establishing an investment policy, and selecting and monitoring investment managers.

## DEFINED CONTRIBUTION PENSION PLAN COMMENTS FROM THE ADVISORY COMMITTEE CHAIR

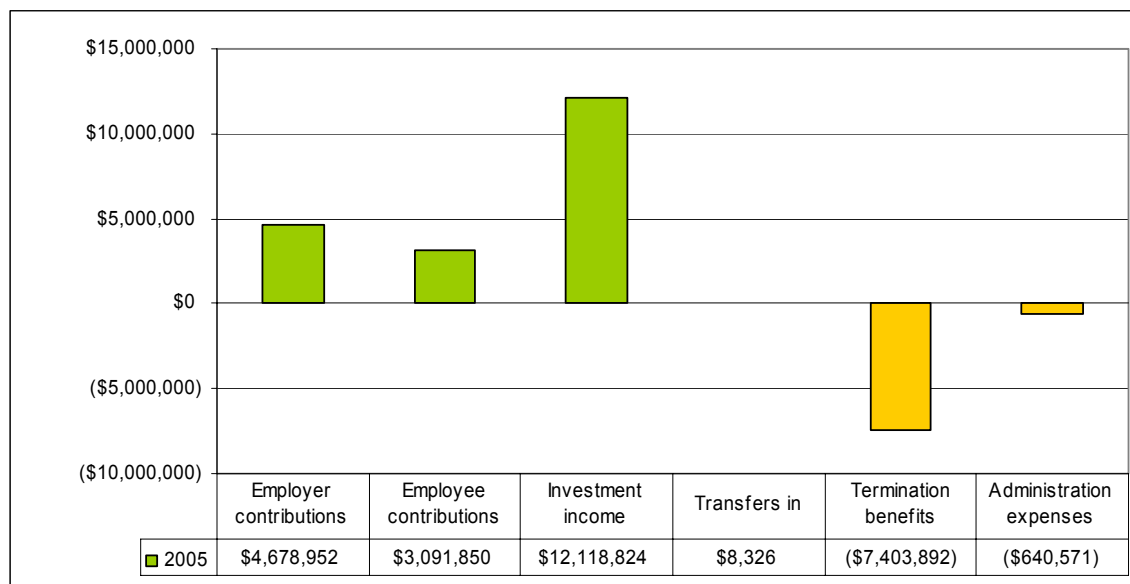
### MEMBERSHIP

Active membership has increased 1.2% in 2005. The number of members who have left CBS and are waiting to transfer funds out of the Plan has decreased by 25.6% in 2005.

	2005	2004	% change
# members, active	1,279	1,264	1.2%
# members, terminations pending payment	201	270	-25.6%
# members, vested deferred (elected to leave funds in account until retirement)	10	8	25.0%
	1,490	1,542	-3.4%

### NET ASSETS AVAILABLE FOR BENEFITS

Net assets of the Plan increased \$11,853,489 from \$87,699,927 to \$99,553,416 during 2005. This increase was due to \$7,770,802 in employee and employer contributions and \$12,118,824 in investment income, which was offset by \$7,403,892 in payments or recognition of obligations due to terminated members, and \$640,571 in administration fees.



# DEFINED CONTRIBUTION PENSION PLAN

## COMMENTS FROM THE ADVISORY COMMITTEE CHAIR

### CONTRIBUTIONS

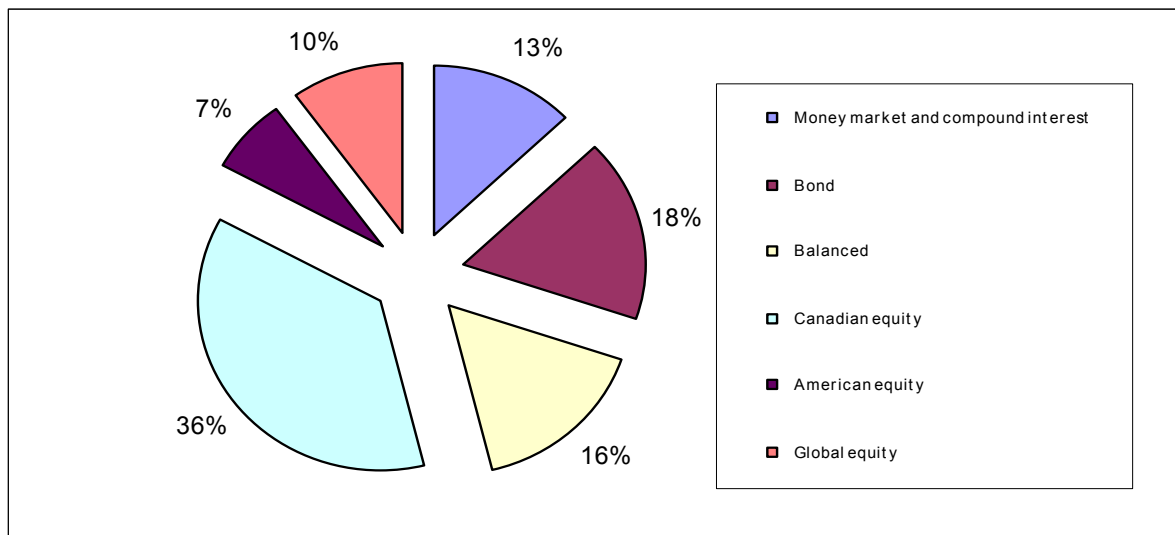
Contributions to the Plan decreased from \$8,732,686 in 2004 to \$7,770,802 in 2005. In accordance with the Plan Text, effective November 30, 2004 members and the employer were no longer entitled to make Optional Contributions.

### INVESTMENT INCOME

Investment income of all funds in the Plan increased to \$12,118,824 in 2005 from \$8,452,881 in 2004. This represents an overall 11.9% return in 2005 (versus an overall 9.3% return in 2004). Investment return varies for each individual fund within the Plan and each member's rate of return is dependent on their asset allocation. Specific return rates by fund are available on the Plan's website under Fund Information.

### ASSET ALLOCATION

The asset allocation at December 31, 2005 was as follows:



The Committee noted that there is a large percentage of funds held in money market and compound interest accounts.

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### **TRANSFER OF ASSETS FROM CANADIAN RED CROSS SOCIETY PENSION PLAN**

Members were advised in 2005 of a shortfall in the May of 2003 transfer from the Canadian Red Cross Society ("CRCS"). Individuals affected have received communications outlining their personal shortfall. The financial statements capture the total shortfall amount of \$866,258 at December 31, 2004 which grew as a result of investment return to \$967,610 at December 31, 2005. In March 2006, the shortfall amount grew to \$1,007,671 and was transferred from the CRCS to the Plan, and members received their personal amount plus investment return into their member accounts. Members received a 16.3% return during the period while these funds were awaiting transfer.

### **TERMINATION BENEFITS**

The total amount due to members who have left CBS and are waiting to transfer funds out of the Plan has increased to \$9,012,222 in 2005 from \$8,564,147 in 2004.

In December 2004, Morneau Sobeco attempted to contact all terminated members asking for confirmation whether they would like to leave their funds in the Plan account or have the funds transferred to alternate pension vehicle. Though there was not a wide response to this communication, several members did confirm and completed the paperwork necessary to transfer their funds out of the Plan. This explains the decrease of 25.9% in the number of members who have left CBS and are waiting to transfer funds out of the Plan.

### **ADMINISTRATION FEES**

As specified in the Plan Text, administration fees are paid by the Plan. Total administration fees increased 4.9% to \$640,571 in 2005. Administration fees include include:

**a) Investment management fees** which increased 13.4% to \$352,136 in 2005. While the rates for investment management did not change, total investment management fees increased due to the increase in assets managed.

**b) Investment administration fees** for the maintenance of individual member accounts and related reporting services as provided by Morneau Sobeco totalled \$124,480 in 2005. The rate for these services remained unchanged at \$6.95 per member per month.

**c) Other plan expenses** which are incurred for:

- investment monitoring, legal and actuarial services
- project management and accounting services
- Advisory committee meeting and travel costs
- annual plan registration fees

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- member communication
- audit services

Other plan expenses increased 10.2% to \$163,955 in 2005 primarily due to legal services provided concerning the Plan Text. Other plan expenses fluctuate from year to year, depending on the initiatives underway. For example, in 2005 expenses were incurred in the preparation and distribution of the Retirement Workbook to all members. Now that this initiative has been completed, communication expenses for 2006 are anticipated to decrease.

Although CBS initially pays these Other plan expenses on behalf of the Plan, CBS is gradually recovering the outlays for these expenses via:

- balances in the employer's forfeiture account. Funds become available in the forfeiture account when a member leaves CBS with less than 2 years of service. In most provinces, if a member leaves CBS with less than 2 years of service, the member is entitled to their own contributions plus investment returns. Contributions that the employer made on behalf of the member during that period are returned to the employer's forfeiture account. Forfeiture amounts have been used to pay Other plan expenses incurred up to and including 2003. Since then, forfeiture amounts have decreased significantly, and have not been enough to cover the outlays for Other plan expenses.
- a \$10 fee per member per month. The amount of the fee is set each year at the November meeting of the Committee effective January 1 of the following year. The fee is set based on the budgeted expenses for the upcoming year as well as the status of the amount due by the Plan to CBS. With approximately 1,500 members, it is expected that CBS will recover approximately \$180,000 during 2006 via this fee. Since this amount is greater than the \$124,000 in 2006 budgeted expenses, any difference will go towards paying down the existing balance due to CBS that has built up since 2004.

At the end of December 2005, the balance due to CBS by the Plan was \$218,932. Since it will take several years for the Plan to completely reimburse CBS, the Committee recommended that fee for 2006 remain unchanged at \$10 per member per month.