

**DEFINED CONTRIBUTION PENSION PLAN
COMMENTS FROM THE ADVISORY COMMITTEE CHAIR
DECEMBER 31, 2008**

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 LLP, 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. Audited financial statements are available for review on the Plan's website by year, starting in 2005.

GOVERNANCE

The Plan is administered by Canadian Blood Services. An Advisory Committee (the "Committee") assists Canadian Blood Services 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 Canadian Blood Services. These representatives include individuals nominated by the unions that 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 spring and fall.

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.

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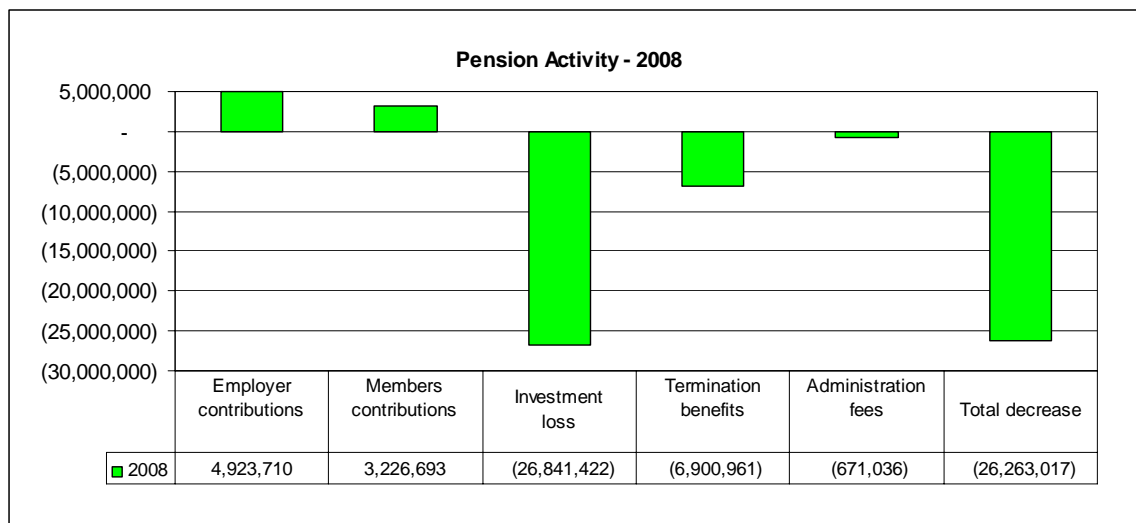
MEMBERSHIP

Membership decreased 2.3% in 2008.

	2008	2007	% change
# members, active	1,194	1,230	-2.9%
# members, inactive	230	229	-0.4%
	1,424	1,459	-2.3%

NET ASSETS AVAILABLE FOR BENEFITS

Net Plan assets available for benefits decreased by \$26,263,017, or 21.4% during 2008, from \$122,782,807 in 2007 to \$96,519,790. This decrease was due to \$26,841,422 in investment loss, \$6,900,961 in payments and recognition of obligations due to members who have left Canadian Blood Services, and \$671,036 in administration fees. This was offset by \$8,150,403 in employee and employer contributions.



CONTRIBUTIONS

Although total membership declined, salary levels increased and contributions to the Plan increased by 1.2% from \$8,052,884 in 2007 to \$8,150,403 in 2008.

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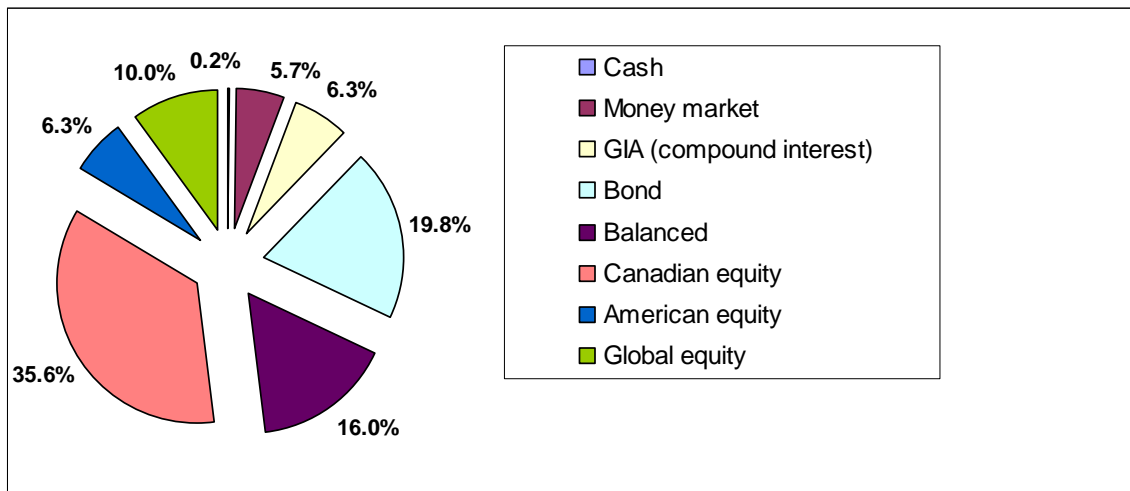
INVESTMENT INCOME

Investment losses were \$26,841,422 compared with investment gains of \$4,162,396 in 2007. This represents an overall negative 18.1% return in 2008 (versus an overall 3.4% return in 2007). 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 website under Fund Information.

The investment losses experienced in 2008 were in the midst of a global economic downturn. In 2008 the S&P/TSX (Canadian Equity Index) fell 33%, the S&P 500 (U.S. Equity Index) fell 39%, and the EAFE (Europe, Asia and Far East Index) fell 29.2%. The DEX bond index was the only asset class to experience positive returns, at 6.4%.

ASSET ALLOCATION

The asset allocation at December 31, 2008 was as follows:



The Committee noted in 2005 that there were a large percentage of funds held in money market. A communication was sent out in September 2006 to members invested exclusively in the Money Market Fund to remind them of the importance of diversifying. Subsequent to this communication, the Committee established the McLean Budden Balanced Fund as the default option for Canadian Blood Services Defined Contribution Pension Plan members who do not provide investment direction.

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TERMINATION BENEFITS

The total amount due to members who have left Canadian Blood Services and are waiting to transfer funds out of the Plan decreased to \$173,764 from \$1,158,346 in 2007. As noted in the financial statements, the policy for recognition of the termination liability was changed effective January 1, 2008. As a result, the 2007 termination benefits payments and liability were restated to reflect this change in accounting policy. See note 3a in the financial statements for further detail.

ADMINISTRATION FEES

As specified in the Plan Text, administration fees are paid by the Plan. Total administration fees decreased 12.3% to \$671,037 in 2008 from \$765,525 in 2007. Administration fees include:

a) Investment management fees decreased 10.9% to \$432,314 in 2008. While the rates for investment management did not change, total investment management fees decreased due to the decrease in assets managed.

b) Investment administration fees for the maintenance of individual member accounts and related reporting services totalled \$116,737 in 2008. The rate for these services increased in 2008 from \$6.82 (including GST) per member per month to \$6.97 (including GST), or 2.2%. This increase is based on the change in the Canadian Consumer Price Index.

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
- member communication
- audit services

Other plan expenses decreased 23.2% to \$121,986 in 2008 primarily due to reduced legal fees that had been elevated in 2007 as a result of a legal review of the Plan Text. Other plan expenses fluctuate from year to year, depending on the initiatives underway. For example, in 2009 expenses will be incurred for member retirement planning seminars, production of member plan booklets, and retirement planning workbooks.

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Although Canadian Blood Services initially pays for other plan expenses on behalf of the Plan, Canadian Blood Services recovers the outlays for these expenses via:

- balances in the employer's forfeiture account. Funds become available in the forfeiture account when a member leaves Canadian Blood Services with less than 2 years of service. In most provinces, if a member leaves Canadian Blood Services 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 decreased significantly in recent years, 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 Canadian Blood Services. With approximately 1,400 members, it is expected that Canadian Blood Services will recover approximately \$168,000 during 2009 via this fee. Since this amount is greater than the \$150,000 in 2009 budgeted expenses, any difference will go towards costs incurred if there are changes made to the investment management structure. The Committee therefore recommended that the fee for 2009 remain unchanged at \$10 per member per month.

MARKETS

Given the significant market downturn in the latter part of 2008 and unprecedented market volatility, the Committee continues to monitor the Plan's investment performance. As a result of this, future changes may be required to the investment policies, which are unknown at this time.