

**DEFINED CONTRIBUTION PENSION PLAN
COMMENTS FROM THE ADVISORY COMMITTEE CHAIR
DECEMBER 31, 2009**

FINANCIAL STATEMENTS

Attached are the annual audited financial statements of the Canadian Blood Services Defined Contribution Pension Plan (the "Plan"). The audit opinion issued by the external auditors, KPMG LLP, is included in the financial 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 (Canada) Limited) to assist them in establishing an investment policy, and selecting and monitoring investment managers.

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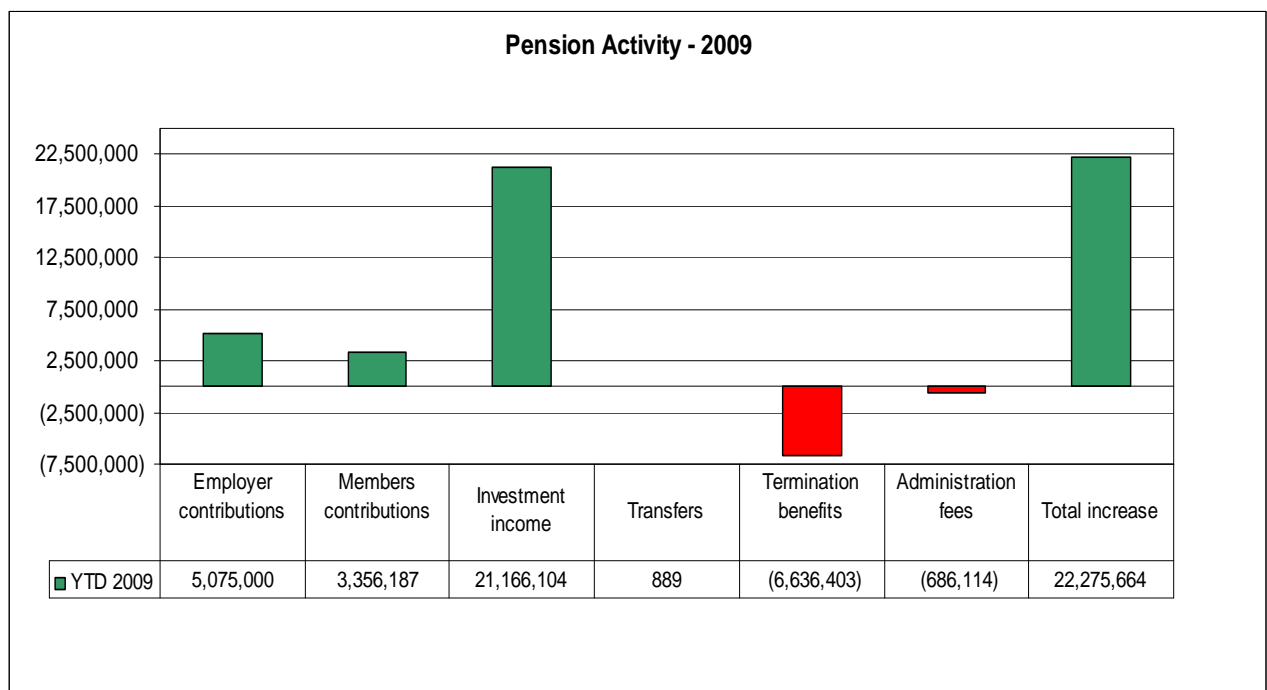
MEMBERSHIP

Membership decreased 1.3% in 2009.

	2009	2008	% change
# members, active	1,180	1,194	-1.2%
# members, inactive	225	230	-2.2%
	1,405	1,424	-1.3%

NET ASSETS AVAILABLE FOR BENEFITS

Net Plan assets available for benefits increased by \$22,275,664, or 23.1% during 2009, from \$96,519,790 in 2008 to \$118,795,454. This increase was due to \$21,166,104 in investment income and \$8,431,187 in employee and employer contributions. This was offset by \$6,636,403 in payments and recognition of obligations due to members who have left Canadian Blood Services, and \$686,114 in administration fees.



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CONTRIBUTIONS

Although total membership declined, salary levels increased and contributions to the Plan increased by 3.4% from \$8,150,403 in 2008 to \$8,431,187 in 2009.

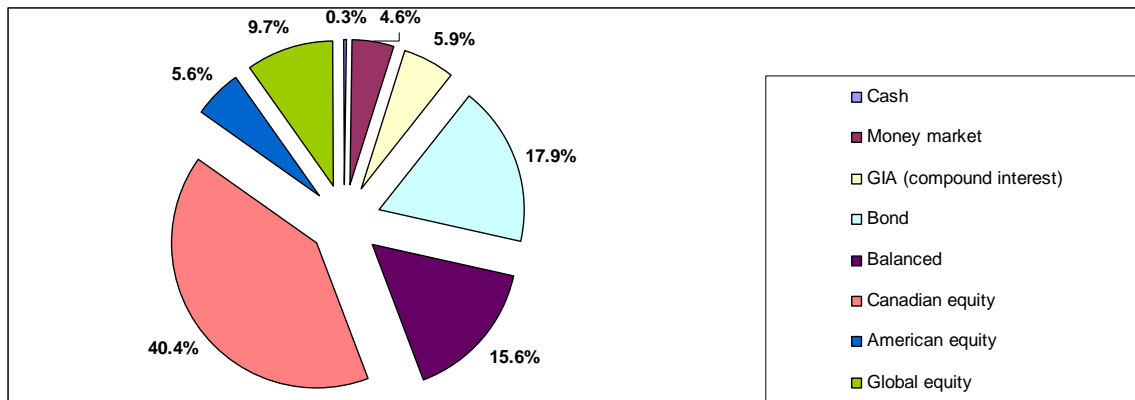
INVESTMENT INCOME

Investment income was \$21,166,104 compared with investment losses of \$26,841,422 in 2008. This represents a positive return for the Plan of 21.1% in 2009 (versus a negative return of 18.1% in 2008). 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 income experienced in 2009 was as a result of the recovery in financial markets as they recovered from the global economic downturn experienced in late 2008 and early 2009.

ASSET ALLOCATION

The asset allocation at December 31, 2009 was as follows:



In November 2009 the Committee approved changes to the investment options available to members. These changes were communicated in a memo to all members in January 2010 and are effective February 1, 2010. As a result of the changes, a number of the investment managers were changed and the global equity investment category was eliminated. Members still have the option to invest in foreign equities through the BlackRock US Equity fund and the MFS International Equity fund.

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ADMINISTRATION FEES

As specified in the Plan Text, administration fees are paid by the Plan. Total administration fees increased 2.2% to \$686,114 in 2009 from \$671,037 in 2008. Administration fees include:

a) Investment management fees decreased 9.9% to \$389,554 in 2009 (2008 - \$432,314). While the rates for investment management did not change and the Plan experienced an increase in the total value of investments as described above, total investment management fees were lower than 2008. This is due to investment management fees paid in 2008 which were not reflective of the market value of investments at December 31, 2008 as the sharp decline in the market value of investments occurred in the last quarter of 2008 when the global economic downturn hit markets. The fees paid in 2009 are therefore lower than 2008 as financial markets and the Plan's investments recovered slowly in 2009 compared to the drastic decline in the previous year.

b) Investment administration fees for the maintenance of individual member accounts and related reporting services totalled \$118,237 in 2009 (2008 - \$116,737). The rate for these services increased in 2009 from \$6.97 (including GST) per member per month to \$7.06 (including GST), or 1.3%. 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 increased 46.2% to \$178,323 in 2009 (2008 - \$121,986) primarily due to expenses incurred for the production of member plan booklets and investment consulting fees with respect to investment manager changes.

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

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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 Committee recommended that the fee for 2010 remain unchanged at \$10 per member per month. The fee will be reviewed in the upcoming fiscal year.

MARKETS

The Committee is encouraged by the investment gains experienced in 2009 and continues to monitor the recovery in financial markets and the Plan's investment performance.