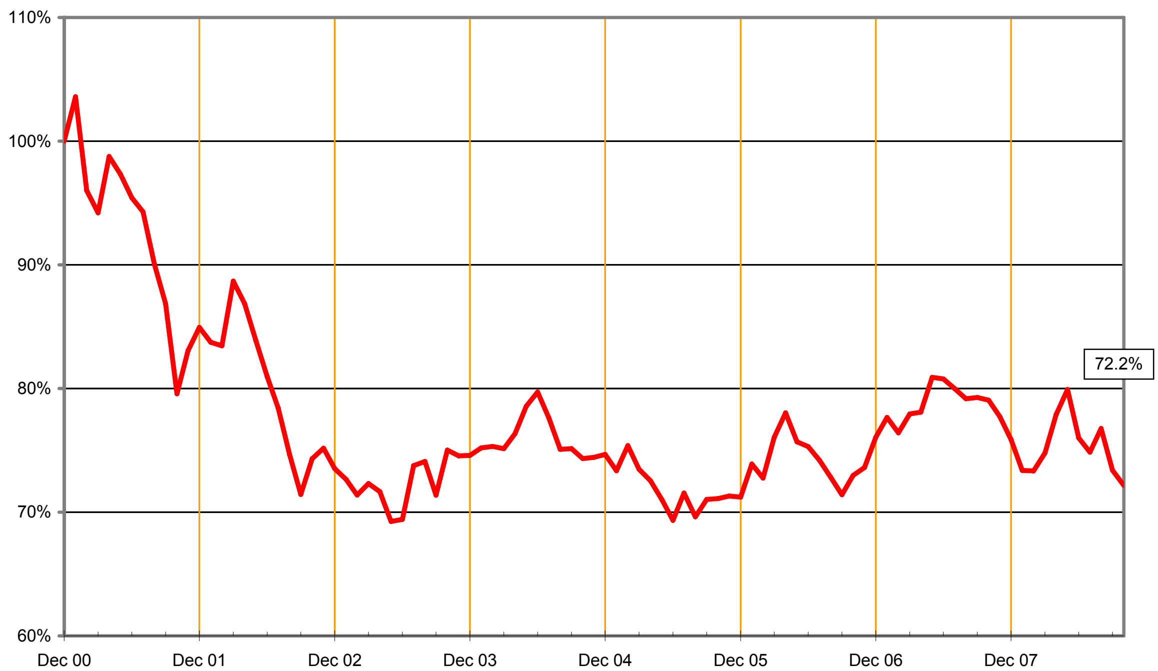
CAPITAL MARKET UPDATE

October 2008 – Special Edition

RESULTS FOR DEFINED BENEFIT PENSION PLANS

Capital market results in October have decreased pension plan PBO funded ratios due to negative asset returns that were only partially offset by an increase in the liability discount rate. The net effect on our benchmark plan was a decrease of 1.8% in the PBO funded ratio (from 73.4% to 72.2%) for the month of October.

PBO Funded Ratio for Benchmark Plan



ABOUT THIS REPORT

This report reviews how capital market performance affected defined benefit pension plans, with a focus on linked asset/liability results. Specific plan results depend on liability characteristics, portfolio composition and actual investment results, among other factors.

This information has been prepared for clients of Towers Perrin. For information on how this issue affects your organization, please contact your consultant, or any of the following consultants across Canada:

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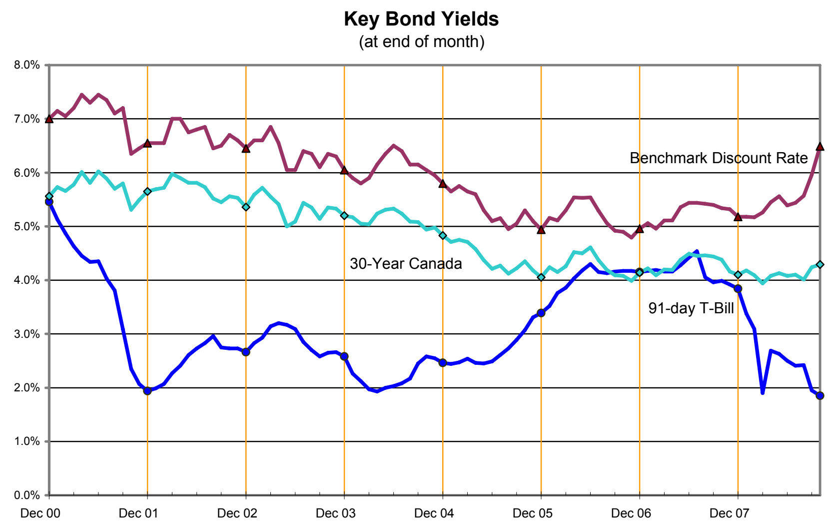
INTEREST RATES

Both long government bond yields (more than 10 years) and yields on long corporate bonds have moved up during October. Discount rates used to measure defined benefit plan obligations have increased as well, reducing accounting liability measures at October 31st. However, recent and potential future turbulence in the bond markets creates significant uncertainty between now and year-end.

Bond Yields (End of Period)	Oct. 2008	Dec. 2007	Oct. 2007
Canadian Treasuries			
30-Year	4.29	4.10	4.38
10-Year	3.70	3.99	4.31
91-day T-Bill	1.85	3.84	3.99
Corporate Bonds			
DEX	5.95	5.27	5.32
Benchmark Discount Rate	6.49	5.18	5.34



INVESTMENT RETURNS

Canadian equities were especially hurt during October due to the benchmark's significant weight in the Materials and Energy sectors, which suffered 30.6% and 17.5% losses, respectively as well as losses in the financial sector (-16.1%). For unhedged Canadian investors, October losses in U.S. and overseas equity markets were partially muted by a weakening of the Canadian dollar against other currencies. Fixed income returns were negative, due to increasing yields during October.

Asset Class Returns	*October 2008*	*YTD*	*Last 12 Months*
Stock Returns			
Canadian Equities – S&P/TSX Composite	-16.7%	-27.8%	-31.4%
U.S. Equities – S&P 500 (Canadian dollars)	-4.8%	-17.3%	-18.2%
Non-North American Equities – MSCI EAFE (Canadian dollars)	-8.7%	-30.5%	-31.7%
Fixed Income Returns			
91-day T-Bills	0.2%	2.8%	3.5%
DEX Universe Bonds	-0.8%	1.0%	3.1%
DEX Long Bonds	-4.3%	-6.6%	-3.3%

EFFECT ON BENCHMARK PLAN

The benchmark plan's 60% equity / 40% fixed income portfolio reported losses of 7.4%. The more conservative 40% equity portfolio reported losses of 5.2%, while the more aggressive 80% equity portfolio came in with losses of 9.6%.

Pension plan liabilities under CICA 3461 and FAS 87 are measured using a discount rate based on yields available on high-quality corporate bonds as of the measurement date. Using our RATE:Link methodology — which matches yields on high-quality corporate bonds to projected cash flows — the discount rate for our benchmark plan increased during the month of October by 53 basis points to 6.49% at October 31, 2008.

Towers Perrin tracks the monthly change in our benchmark plan's PBO funded ratio in a series that goes back to December 31, 2000. Similar to bond prices, pension liability values move in the opposite direction of interest rates.

The PBO liability index decreased 5.8% for the month of October, reflecting the combined effect of interest accumulation and the discount rate change.

The increase in the liability discount rate, coupled with negative asset returns, resulted in an overall decrease in the PBO funded ratio for our benchmark plan in October. The funded ratio at October 31, 2008 is 72.1%, down from 73.4% at September 30, 2008.

The change in the PBO funded ratio reflects the combined effect of investment performance and changes in liability discount rates. It does not reflect any contributions made to reduce the size of any deficit or any contribution holiday taken on account of any surplus.

Benchmark Plan Results

	October 2008	*YTD*	*Last 12 Months*
Portfolio Returns			
40% Stocks/60% Fixed Income	-5.2%	-9.7%	-9.4%
60% Stocks/40% Fixed Income	-7.4%	-15.1%	-15.7%
80% Stocks/20% Fixed Income	-9.5%	-20.5%	-21.9%
Liability Results			
Towers Perrin PBO Liability Index	-5.8%	-11.3%	-8.6%
Change in PBO Funded Ratio (percentage points)	-1.6	-4.9	-8.6

DEFINITION OF TERMS

Bond Yields

- The 30-year Canada bond yield reflects the yield on the actively-traded Government of Canada bond which matures in 30 years.
- The 10-year Canada bond yield reflects the yield on the actively-traded Government of Canada bond which matures in 10 years.
- The 91-day T-Bill yield refers to the yield on Government of Canada treasury bills which mature in 91 days.
- The DEX Corporate bond yield reflects the yield on the DEX Corporate Bond Index composed of corporate bonds with varying maturities.

Asset Class Returns

- Total return incorporates the combined effect of price changes and interest or dividend income. This will typically differ from the daily results published in financial journals, which are based only on price changes.
- S&P/TSX Composite refers to the “S&P/TSX Composite Index”, which tracks larger companies in the Canadian market.
- S&P 500 refers to the “S&P 500 Index”, which tracks the largest 500 companies in the U.S. based on the market value of their equity. Total return is reported in terms of the Canadian dollar and therefore includes the effect of currency changes.
- MSCI EAFE refers to the “Morgan Stanley Capital International Europe, Australia, Far East Index” of equity securities. Total return is reported in terms of the Canadian dollar and therefore includes the effect of currency changes.
- 91-Day T-bill returns are based on the “DEX 91-day Treasury Bill Index”.
- DEX Universe Bonds refers to the “DEX Universe Bond Total Return Index” for government and corporate bonds of all maturities in excess of one year.
- DEX Long Bonds refers to the “DEX Long Term Bond Total Return Index” for government and corporate bonds with maturities in excess of 10 years.

Benchmark Portfolio Returns

- The 60% – 40% portfolio return is based on a diversified portfolio of 60% equity (30% Canadian, 15% U.S. and 15% MSCI EAFE) and 40% fixed income (DEX Universe Bonds).
- The 80% and 40% equity portfolios are constructed with similar composition within their equity and fixed income components.

Benchmark Discount Rate

- The discount rate is determined each month for our benchmark pension plan by analyzing the yield curve for high-quality corporate bonds. This calculation uses our RATE:Link methodology to develop an appropriate discount rate based on this plan’s projected cash flows. Higher or lower discount rates might be appropriate for other plans.*

Towers Perrin PBO Liability Index

- The PBO is the Projected Benefit Obligation of the benchmark pension plan. This obligation is measured based on the requirements of both CICA 3461 and FAS 87.
- The liability growth factor for the PBO Liability Index is the percentage change in the benchmark plan’s PBO due to the accumulation of interest and changes in financial assumptions.*

PBO Funded Ratio

- The PBO funded ratio is the ratio of market value of assets to PBO for the benchmark plan. Assets change from month to month based on the investment performance of the 60% - 40% portfolio, assumed contributions and benefit payments. Liabilities change from month to month due to accumulated service cost and interest, benefit payments and the effects of any changes in the Towers Perrin PBO Liability Index. The PBO funded ratio is an accounting measure, not a funding measure. As such, it is not appropriate to consider this as a measure of a pension plan’s funding, which is based on statutory requirements.

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* The discount rate assumption is adjusted to reflect changes in market interest rates. Our benchmark plan is a traditional final-pay pension plan with half of the liabilities in respect of active employees and half of the liabilities in respect of terminated vested and retired employees. Plans with different designs or demographic characteristics will see different results in terms of both the level of appropriate discount rate and the plan’s response to changes in financial assumptions.