

SECOND QUARTER 208 RESULTS FOR DEFINED BENEFIT PENSION PLANS IN SELECTED COUNTRIES

This *Update* reviews how global capital market performance in the second quarter of 2008 affected pension plans in major retirement markets worldwide. We cover defined benefit pension plans in Australia, Brazil, Canada, the Euro-zone, Japan, the U.K. and the U.S.

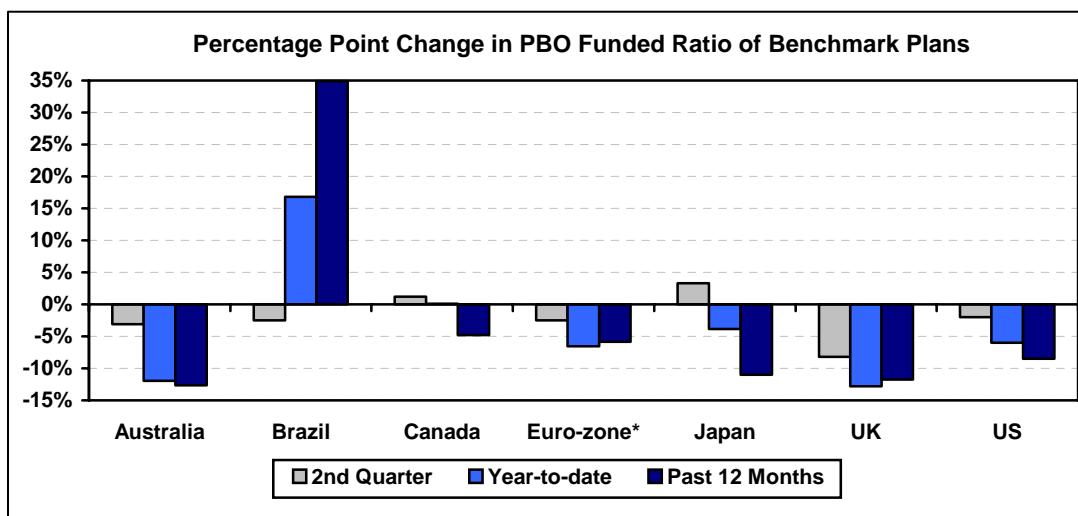
The impact of capital markets on these pension plans is twofold:

- On fund assets as a direct result of investment performance
- On plan liabilities (as measured under accepted international accounting standards) through the effect of changes in economic assumptions.

The chart below illustrates the changes in funded status of pension plans worldwide for the second quarter of 2008, the year-to-date 2008 and for the past 12 months.

Key Quarterly Results

- Funding levels continued to fall in the second quarter of 2008 in most markets, primarily driven by negative equity returns.
- Equity returns showed weakness across the board as the economic slowdown became widespread.
- The negative impact of equity markets was offset to some degree by rising benchmark discount rates which slowed the growth of plan liabilities.
- Canada and Japan were the only markets to experience second quarter improvements in their PBO funded ratios. Quarterly funded ratios declines ranged from two to nine percentage points in other markets.



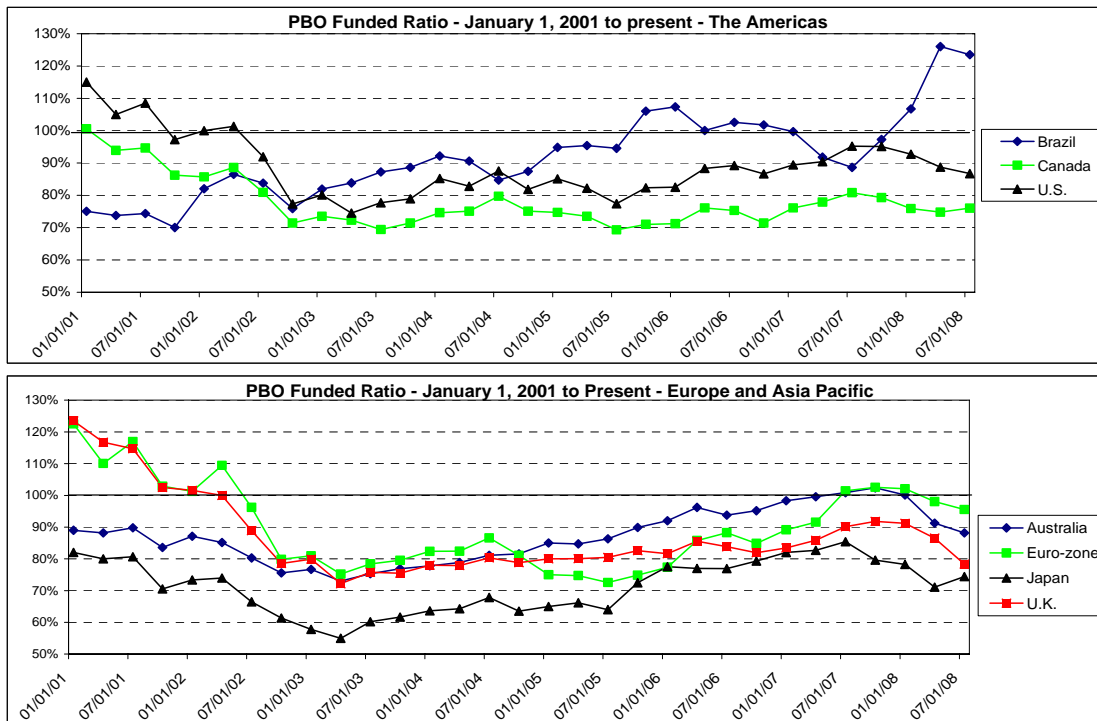
* The results shown for the Euro-zone are based on typical funded plans found in Belgium and the Netherlands.

Important: Comments in this update are based on a benchmark defined benefit pension plan in each country. The actual impact on an individual company's consolidated pension reporting will depend on a number of company-specific factors - including (but not limited to): plan provisions, contribution strategy, asset allocation, demographic mix, and reporting currency. If you would like to discuss the effects on your particular plan and management structure, please contact Yanick Chainey in New York at +1.212.309.3756 or Christine Farmer in London at +44.207.170.3747 or your usual Towers Perrin consultant.



Global Capital Market Update

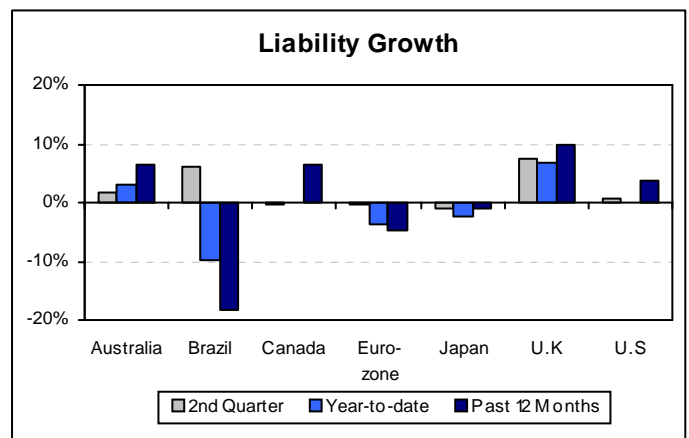
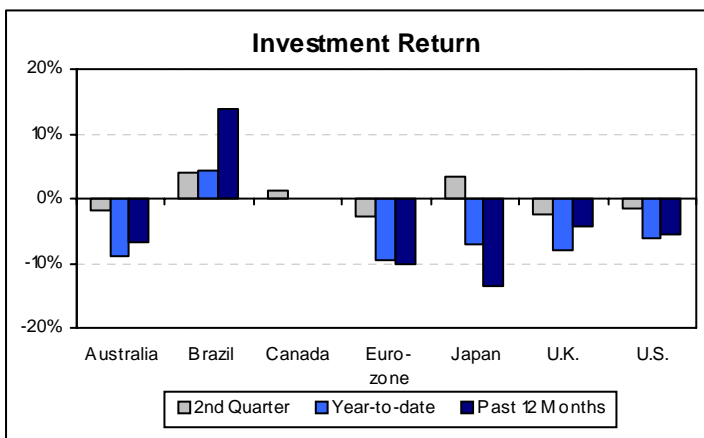
The chart below shows the pattern of movements in the PBO funded ratios for most markets from January 1, 2001 onwards.



The fallout from the collapsing sub-prime lending markets in the U.S. continued to adversely affect equity markets worldwide. Declines in housing prices, higher energy prices, and inflation concerns in many markets also contributed to weak second quarter equity results.

The effect of the deterioration in credit and inflation conditions also pushed up corporate bond yields and similarly increased our benchmark plans discount rates in most markets. The moderating effect on liability growth helped to offset some of the equity losses.

The charts below show the investment returns and liability changes for our benchmark plans. The chart on the left shows the investment returns on assumed benchmark portfolios in each market over the second quarter, year-to-date and for the past 12 months. The liability growth chart on the right reflects the net of interest accumulation and the effect of discount rate changes.



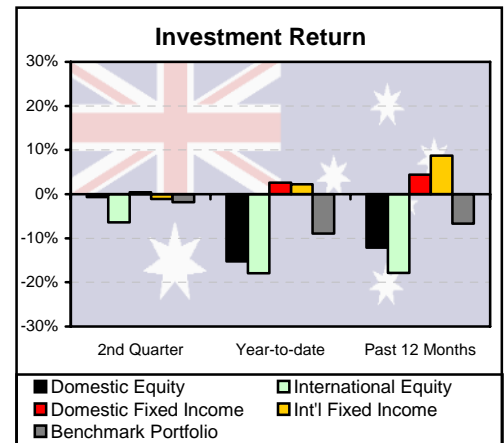
Global Capital Market Update

Australia

Australian stock market returns were slightly negative in the second quarter. However, the magnitude was not comparable to the significant losses observed in the first quarter. International equity returns did not improve the situation as they were also negative due to global markets that continued to underperform. Domestic fixed-income returns were low as bond yields increased only slightly across the yield curve.

The rising longer-term government bond yields prompted us to increase our benchmark discount rate by 25 basis points to 6.50%, which in turn decreased the liabilities of our benchmark plan. The combined effect of the liability reduction and negative asset returns decreased the PBO funded ratio by three percentage points to 88%.

| Bond Yields | 6/30/07 | 12/31/07 | 3/31/08 | 6/30/08 |
|-----------------------------------|---------|----------|---------|---------|
| 3-month government bond | 6.42% | 7.29% | 7.90% | 7.81% |
| 10-year government bond | 6.25% | 6.27% | 6.06% | 6.45% |
| 30-year government bond | N/A | N/A | N/A | N/A |
| Long-term AA-rated corporate bond | 7.16% | 8.22% | 8.69% | 9.18% |
| Benchmark discount rate | 6.50% | 6.50% | 6.25% | 6.50% |

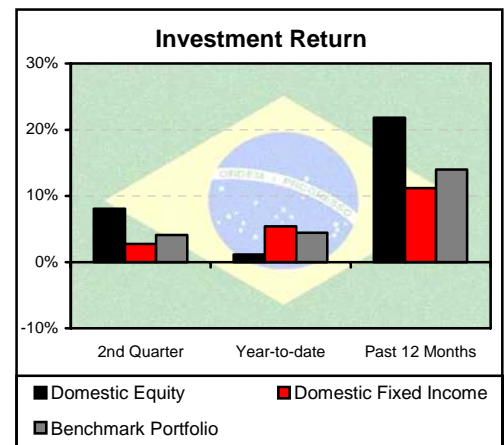


Brazil

The equity market in Brazil showed signs of strong performance in the second quarter of 2008 on evidence of a stable economy and sustained growth. This positive outcome resulted in an upgrade of the S&P long-term sovereign debt rating to "BBB-". The results for fixed-income investors were somewhat higher than the previous quarter due to a slight decrease in mid- and long-term yields.

The decrease in corporate and government yields and the upgrade of Brazil's debt rating to investment grade status prompted us to lower our benchmark discount rate 77 basis points to 11.11%. The combination of the assumption changes that increased the liabilities of our benchmark plan and the strong asset returns in the second quarter has decreased the PBO funded status slightly by two percentage points to 124% as of June 30, 2008.

| Bond Yields | 6/30/07 | 12/31/07 | 3/31/08 | 6/30/08 |
|-----------------------------------|---------|----------|---------|---------|
| 3-month government bond* | 11.47% | 11.23% | 11.54% | 12.14% |
| 10-year government bond* | 6.26% | 7.45% | 7.47% | 7.42% |
| 30-year government bond* | 6.01% | 6.73% | 6.96% | 6.84% |
| Long-term AA-rated corporate bond | N/A | N/A | N/A | N/A |
| Benchmark discount rate* | 9.21% | 10.27% | 11.88% | 11.11% |



* Both the 10-year and 30-year government bonds represent 'real' rates (ie. rates in excess of inflation). The 3-month government bond and the benchmark discount rate are 'nominal' rates (include inflation)

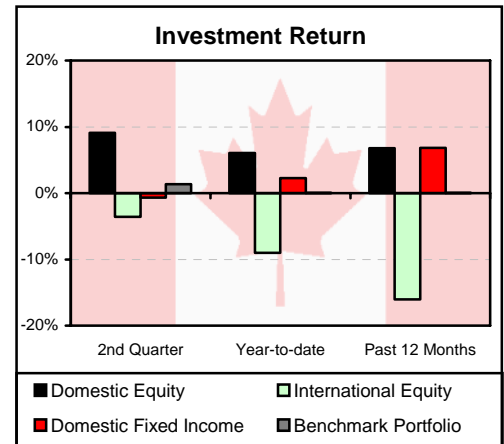
Global Capital Market Update

Canada

The Canadian equity market returned to the positive side in the second quarter driven mostly by rising oil and commodity prices that allowed energy and material sectors to post strong returns. Canada and Brazil are the only countries covered by this *Update* that have generated positive returns year-to-date. The strong Canadian dollar and poor performances of the global markets continued to undermine international equity returns. Fixed-income returns were slightly negative due to rising yields across the government yield curve.

Bond yields increased across most maturities and credit ratings, prompting us to increase our benchmark discount rate by 13 basis points to 5.39% as at June 30, 2008. The increase in the liability discount rate, coupled with with positive asset returns, resulted in an overall increase in the PBO funded ratio of our benchmark plan over the quarter by one percentage point to 76%.

| Bond Yields | 6/30/07 | 12/31/07 | 3/31/08 | 6/30/08 |
|-----------------------------------|---------|----------|---------|---------|
| 3-month government bond | 4.42% | 3.84% | 1.90% | 2.50% |
| 10-year government bond | 4.55% | 3.99% | 3.43% | 3.74% |
| 30-year government bond | 4.49% | 4.10% | 3.94% | 4.08% |
| Long-term AA-rated corporate bond | N/A | N/A | N/A | N/A |
| Benchmark discount rate | 5.44% | 5.18% | 5.26% | 5.39% |



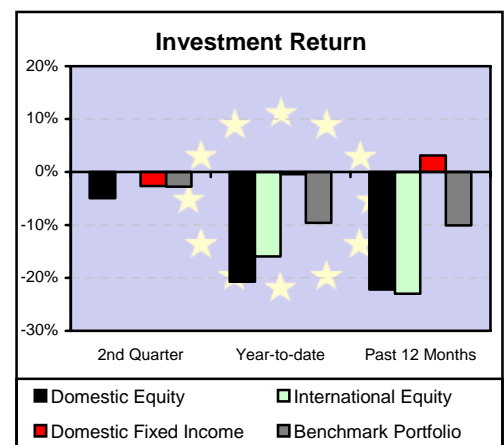
Euro-zone

Euro-zone equity markets continued to suffer and provided negative returns during the second quarter from growing worries over the economic outlook and inflation. Global markets showed continuing signs of weakness and the international equity returns were neutral for the quarter. Fixed-income returns were down in the second quarter, primarily due to the significant rise of government bond yields across the curve and credit market tension.

Credit spreads remained largely unchanged in the second quarter but the increase of government bond rates in the second quarter of 2008 prompted us to increase our benchmark discount rate by 10 basis points to 5.89%.

The reduction in liabilities due to the increase in discount rate did not completely offset the poor asset performance and therefore the PBO funded ratio of our benchmark plan decreased by two percentage points to 96%.

| Bond Yields | 6/30/07 | 12/31/07 | 3/31/08 | 6/30/08 |
|-----------------------------------|---------|----------|---------|---------|
| 3-month government bond | 4.15% | 4.61% | 4.69% | 4.92% |
| 10-year government bond | 4.57% | 4.33% | 3.90% | 4.58% |
| 30-year government bond | 4.70% | 4.60% | 4.54% | 4.84% |
| Long-term AA-rated corporate bond | 5.26% | 5.48% | 6.12% | 6.46% |
| Benchmark discount rate | 5.30% | 5.52% | 5.79% | 5.89% |



Global Capital Market Update

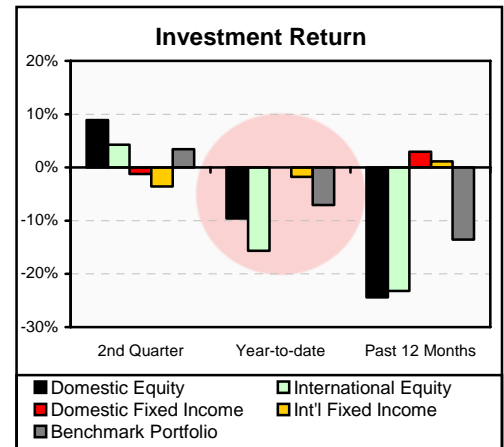
Japan

The Japanese equity market recovered partially from its drastic fall in the first quarter mainly due to strong returns in the mining, oil, and steel industries. The depreciation of the yen against many currencies continued to benefit international equity investments. Fixed-income returns were somewhat negative due to an increase in mid-term government bond yields.

The rise in mid-term interest rates prompted us to raise our benchmark discount rate to 2.60%. This decreased liabilities and, together with positive asset performance, increased the PBO funded ratio of our benchmark plan by three percentage points to 74% at the end of the quarter.

| Bond Yields | 6/30/07 | 12/31/07 | 3/31/08 | 6/30/08 |
|-----------------------------------|---------|----------|---------|---------|
| 3-month government bond | 0.73% | 0.86% | 0.84% | 0.86% |
| 10-year government bond | 1.88% | 1.51% | 1.29% | 1.60% |
| 30-year government bond | 2.48% | 2.34% | 2.39% | 2.40% |
| Long-term AA-rated corporate bond | N/A | N/A | N/A | N/A |
| Benchmark discount rate | 2.25% | 2.40% | 2.50% | 2.60% |

From 12/31/07 our methodology to set the benchmark discount rate includes a higher weighting to corporate fixed income securities, reflective of evolving local practice for setting discount rates.

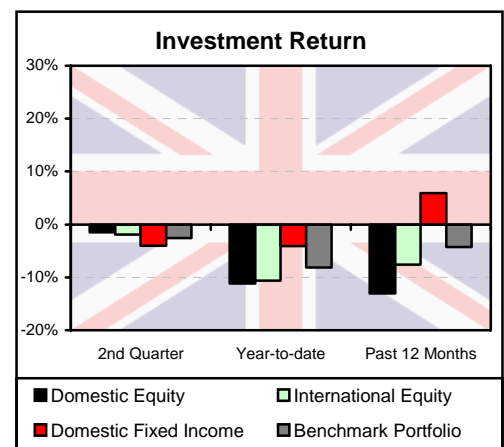


United Kingdom

Domestic equities in the U.K. were still down during the second quarter, reflecting inflation concerns and the major downturn in residential and commercial real estate markets. Despite a relatively stable pound against the U.S. dollar and the euro, international equity returns were negative as a result of ongoing weakness in the global economy. U.K. fixed-income returns were significantly negative due to an increase in rates on government securities.

Although credit spreads decreased during the quarter, the increase in the government bond rates prompted us to raise our benchmark discount rate by 18 basis points to 6.14%. The resulting reduction in liabilities was not large enough to compensate for the increase in inflation and negative investment returns and therefore the PBO funded ratio of our benchmark plan fell by nine percentage points to 78%.

| Bond Yields | 6/30/07 | 12/31/07 | 3/31/08 | 6/30/08 |
|-----------------------------------|---------|----------|---------|---------|
| 3-month government bond | 5.98% | 5.31% | 4.83% | 5.17% |
| 10-year government bond | 5.46% | 4.57% | 4.35% | 5.13% |
| 30-year government bond | 4.83% | 4.32% | 4.38% | 4.67% |
| Long-term AA-rated corporate bond | 5.74% | 5.73% | 6.76% | 6.59% |
| Benchmark discount rate | 5.63% | 5.57% | 5.96% | 6.14% |



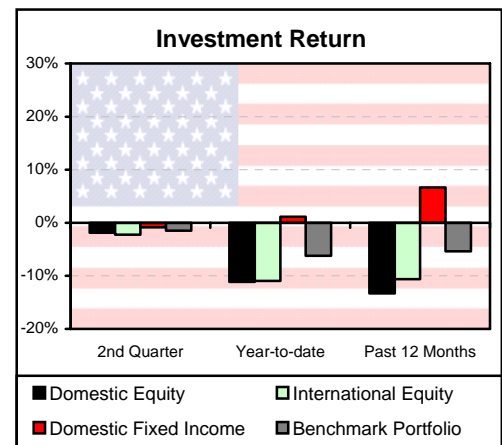
Global Capital Market Update

United States

The U.S. equity market produced positive returns in April and May, but June's sharp decline drove second quarter returns well into negative territory. International equity provided negative returns that were similar in scope. Increases in fixed-income yields across the maturity range also brought negative returns for fixed-income investors.

The increase in corporate bond yields acted to increase our benchmark discount rate to 6.54%. The resulting reduction in liabilities was not sufficient to offset the impact of negative asset returns, and the PBO funded ratio of our benchmark plan decreased by two percentage points to 87%.

| Bond Yields | 6/30/07 | 12/31/07 | 3/31/08 | 6/30/08 |
|-----------------------------------|---------|----------|---------|---------|
| 3-month government bond | 4.82% | 3.36% | 1.38% | 1.90% |
| 10-year government bond | 5.03% | 4.04% | 3.45% | 3.99% |
| 30-year government bond | 5.12% | 4.45% | 4.30% | 4.53% |
| Long-term AA-rated corporate bond | 6.26% | 6.18% | 6.42% | 6.64% |
| Benchmark discount rate | 6.31% | 6.27% | 6.47% | 6.54% |



GENERAL COMMENTS

In order to obtain a general indication of pension plan performance in various countries, we defined a benchmark pension plan that is intended to be representative of the pension liabilities and plan assets (including asset mix) that are typically found in each country where we collected information.

Measurement of liabilities

Pension plan liabilities under many commonly used international accounting standards (including IAS 19, FAS 87, CICA 3461, CVM 371, and FRS 17) are measured using a discount rate that is set based on yields available on high-quality corporate bonds as of the date that liabilities are measured. For the U.S., Canada, U.K., Euro-zone and Japan discount rates shown in this document are based on Towers Perrin's RATE:Link methodology, which matches high-quality corporate rates to projected cash flows.

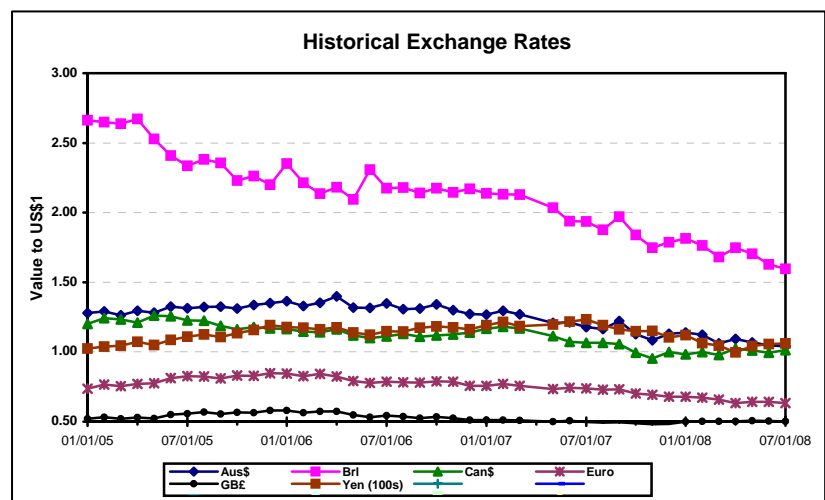
While discount rate is the most commonly quoted assumption, liability and expense calculations depend on a number of additional assumptions, both economic (such as expected salary increases and expected benefit increases) and demographic. Other financial assumptions are adjusted so as to remain consistent with changes in the discount rate.

Asset return smoothing

FAS 87 and CICA 3461 allow plan sponsors to use smoothing mechanisms that act to temper the effects of year-to-year investment performance. Using these approaches, many plans will continue to see the delayed effects of prior years' investment returns (both positive and negative) impact their pension expense this year and in future years.

Currency movements/effects

Currency movements may lead to significant currency charges or credits, and may also have a significant impact on both the consolidated year-end measurement of assets and liabilities and pension expense. The actual effects of currency movements will depend very heavily on the allocation of assets and liabilities around the world, and on the reporting currency of a company. The accompanying graph shows the value of foreign currency that is equivalent to the value of one U.S. dollar at each point in time.



Local accounting or funding requirements

This update looks at the results of pension plans as they are measured under the commonly used international accounting standards for pension plans — FAS 87, IAS 19, FRS 17, CVM 371 and CICA 3461. While these measures may be appropriate for benchmarking results on local standards in some locations, local accounting or funding requirements in other locations may differ significantly.

Global Capital Market Update

DEFINITION OF TERMS

Bond Yields:

- Government bond yields are based on published information. Euro-zone government bond yields are based on German government bonds. Due to the lack of marketable securities, Brazilian government bond yields are “real” rates, except for the three-month government bond yield, which is a “nominal” rate (includes inflation).
- Corporate bond yields are UBS Corporate 2-10 years in Australia, iBoxx 10 yr+ All Stock for the Euro-zone, iBoxx Over 15 years AA corporate bond index for the U.K., and ML 10+ HQ in the U.S.
- Benchmark discount rates are determined for the average plan based on yields available on high-quality corporate bonds as of the date that liabilities are measured. Discount rates for the U.S., Canada, Euro Zone, and Japan are based on Towers Perrin’s RATE:Link methodology, which matches high-quality corporate rates to projected cash flows under a benchmark plan. Discount rates for Brazil proxy the yield on corporate bonds by using 30-year government bonds and discounting by a certain percentage to take account of liquidity issues, then adding a long-term inflation assumption. Higher or lower discount rates might be appropriate for other plans.

Benchmark Investment Returns

- Benchmark investment returns are based on a total return methodology, where available. Total return is the change in value due to 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 solely on price changes.
- Investment returns have been based on commonly quoted local benchmarks, as detailed below:
 - For Australia, the ASX All Ordinaries Accumulation Index for domestic equity, MSCI World (ex-Australia) for international equity, UBS Warburg Australia Composite Bond Index for domestic fixed income and the SSB WGBI for international fixed income
 - For Brazil, the 50% IBRX and 50% IBOVESPA for domestic equity, and CDI for domestic fixed income
 - For Canada, the Toronto Stock Exchange 300 for domestic equity, 50% S&P 500 (in Canadian dollars) and 50% MSCI EAFE Total Return Index Net Dividends for international equity, and the DEX Universe Bond Total Return for domestic fixed income
 - For the Euro-zone, the MSCI Euro-zone market index for domestic equity, MSCI World ex-EMU total return index for international equity, and the SSB Euro Government Bond Index for domestic fixed income
 - For Japan, the TOPIX Accumulation Index for domestic equity, MSCI World (ex-Japan) Index with net dividends reinvested for international equity, Nomura Bond Performance Index for domestic fixed income, and SSB WGBI (ex-Japan) Index hedged in yen for international fixed income
 - For the UK, the FTSE All Share for domestic equity, the FTSE All-World ex-UK for international equity, and the FTSE Over 15 Years Gilts for domestic fixed income
 - For the US, 80% Standard and Poor’s 500 (S&P 500) Index and 20% Russell 2500 for domestic equity, the MSCI EAFE Index for international equity, and 87.5% Lehman Brothers US Aggregate Bond Index and 12.5% three-month T-Bills for domestic fixed income.
- Benchmark portfolio returns have been based on a typical diversified portfolio in each country. Benchmark portfolio returns for this quarter have been based on the following asset allocations:
 - Australia: 60% equity (35% domestic, 25% international) and 40% fixed income (30% domestic, 10% international)
 - Brazil: 25% domestic equity and 75% domestic fixed income
 - Canada: 60% equity (30% domestic, 30% international) and 40% domestic fixed income
 - Euro-zone: 50% equity (30% domestic, 20% international) and 50% domestic fixed income
 - Japan: 60% equity (35% domestic, 25% international) and 40% fixed income (30% domestic, 10% international)
 - UK: 60% equity (35% domestic, 25% international) and 40% domestic fixed income
 - US: 60% equity (50% domestic, 10% international) and 40% domestic fixed income.

PBO Funded Ratio

- The projected benefit obligation (PBO) funded ratio is a measurement, in percentage terms, of the present value of all future pension payments based on expected salary increases over time (liabilities) against the market value of assets at a certain point in time. So, a PBO funded ratio of 100% would mean that the liabilities are exactly matched by the assets at the measurement date. The PBO funded ratios in this Update are measured to reflect an estimate of the actual average PBO funded ratio of benchmark plans in each country.

For questions or comments on this report, please contact Yanick Chainey at +1.212.309.3756 or Christine Farmer in London +44.207.170.3747.