

**DEFINED BENEFIT PENSION PLAN
COMMENTS FROM THE TRUSTEE CO-CHAIRS
DECEMBER 31, 2008**

FINANCIAL STATEMENTS

Attached are the annual audited financial statements of the Canadian Blood Services Defined Benefit 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 annual communications concerning their individual benefit entitlement 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 a Board of Trustees, made up of Trustees appointed equally by Canadian Blood Services and the Participating Unions. There are two co-chairs of the Trustees - one appointed by the union Trustees and one appointed by the employer Trustees. They alternate chairing meetings, which are held at least four times a year.

The Trustees are responsible for interpreting plan rules and ensuring that the plan meets the requirements of all governing legislation. Their responsibilities include the operation and administration of the plan itself, custody, investment and management of the pension fund. This includes ensuring that contributions to the plan are remitted in a timely fashion and invested in accordance with the plan's investment policy. The Trustees establish, review and adjust the investment policy to achieve returns that will allow the pension fund to meet the obligations of the plan. In addition, the Trustees ensure that members receive annual statements, that termination and retirement benefits are paid, and that proper records are kept. The Trustees approve payment of plan expenses required to carry out these duties, ensure that financial statements are prepared reporting contributions, investment returns, and payments from the fund. These statements are subject to an annual audit.

In carrying out their responsibilities, the Trustees may engage the services of professional firms and consultants.

Mercer (Canada) Limited is the plan actuary. Morneau Sobeco provides Third Party Administration services. Hewitt Associates is the Trustees' investment consultant. The Trustees have selected a number of investment management firms to invest the assets of the pension plan: Grantham, Mayo, Van Otterloo & Co, Barclays Global Investors, Leith Wheeler Investment Counsel Ltd. and Jarislowsky, Fraser & Co. Ltd.. RBC Dexia Investor Services Trust is the Custodian of the Plan's assets.

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MEMBERSHIP

Plan membership increased in 2008, up 7.0% to 2,842 members from 2,657 members in 2007.

	2008	2007	% change
# members, active	2,398	2,295	4.5%
# members, terminations pending payment	113	87	29.9%
# members, vested deferred (elected to leave funds in account until retirement)	129	100	29.0%
# members, pensioners	202	175	15.4%
	2,842	2,657	7.0%

NET ASSETS AVAILABLE FOR BENEFITS

Net Plan assets available for benefits decreased by \$15,572,609, or 11.1% during 2008, from \$140,178,614 in 2007 to \$124,606,006. This decrease was due to \$23,522,818 in investment losses, \$4,048,181 in payments and recognition of obligations due to members who have left Canadian Blood Services and to pensioners, and \$1,153,344 in administration fees. This was offset by \$13,021,329 in employee and employer contributions, and \$130,405 in transfers in from other pension plans.

CONTRIBUTIONS

Contributions to the Plan increased 8.7% from \$11,984,180 in 2007 to \$13,021,329 in 2008 due to both increased membership and increased salary levels.

INVESTMENT INCOME

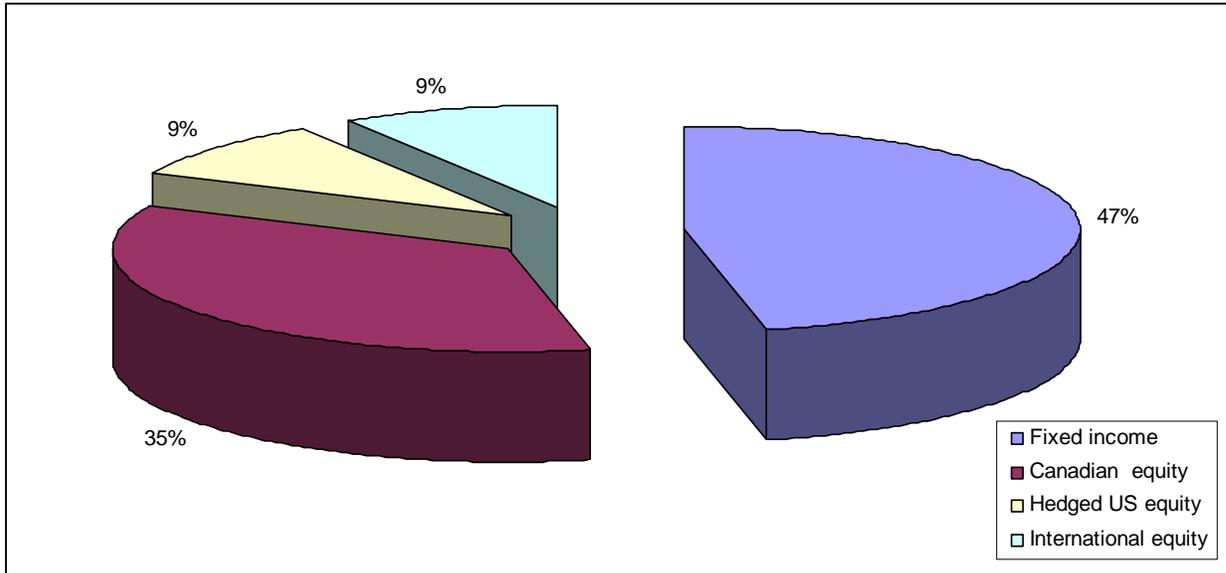
Investment losses were \$23,522,818 compared with investment gains of \$4,934,565 in 2008. This represents an overall negative 16.1% return in 2008 (versus an overall 3.8% return in 2007). The annualized return since inception is 5.1%.

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%.

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ASSET ALLOCATION

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



The Trustees monitor on an ongoing basis the Plan's asset allocation and investment management structure.

TERMINATION BENEFITS

The total amount due to members who have left and are waiting to transfer funds out of the Plan decreased to \$930,196 in 2008 from \$1,033,857 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 a change in accounting policy. See note 3(a) 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 9.0% to \$1,153,343 in 2008 from \$1,267,996 in 2007. The administration fees includes the following:

a) Investment management fees. These fees decreased 18.7% to \$412,058 in 2008 from \$506,960 in 2007 due to the decrease in the value of assets managed.

b) Third party administration fees. These fees totalled \$370,939 in 2008, up 5.6% from \$351,328 in 2007.

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c) Other plan expenses. These expenses are incurred for:

- investment monitoring, legal and actuarial services
- project management and accounting services
- Trustee meeting and travel costs
- annual plan registration fees
- member communication
- audit services

Other plan expenses decreased 9.6% to \$370,346 in 2008. As anticipated, other plan expenses were lower in 2008 primarily because there were no services incurred related to changes in the investment management structure that had occurred in 2007. Other plan expenses fluctuate from year to year, depending on the initiatives underway.

ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS

The Trustees are responsible for ensuring that an actuarial valuation is done at least once every three years. An actuarial valuation is a forecast of the plan's obligations. It is used to determine the level of required contributions for the period covered by the report - normally three years - and to determine if there is a surplus (more assets than liabilities) or a deficit (more obligations than assets). A surplus may be held as a reserve against future performance or experience losses, used to improve benefits or used to reduce the cost of the plan (the level of required contributions). The Plan Text specifies how any deficit must be reversed and may result in an increase in contributions. The Trustees also approve the assumptions and methodology used in the valuation. Actuarial valuations are provided to the plan's sponsors (Canadian Blood Services and the Participating Unions) for information.

Valuation of the Plan was last completed as of December 31, 2007 and in accordance with the minimum requirements of the Ontario Pension Benefits Act the next valuation must be completed no later than as of December 31, 2010. The actuarial valuation results shown in the financial statements for 2008 are extrapolated based on the membership data as at the last valuation.

The difference between the actuarial value of net assets available for benefits and the actuarial present value of accrued pension benefits at December 31, 2008 was a deficit of \$17,572,437, versus a surplus of \$7,757,473 at December 31, 2007. This decrease is due to the general economic conditions and poor market performance in 2008.

Based on the full valuation results at December 31, 2007, a change in contribution rates was required. The current service cost of the DB Plan has increased since the last valuation. This is attributable to volatility of current financial markets, as well as improved mortality rates. People are living longer, therefore their pensions need to

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last longer, which translates to higher costs and higher contributions. Effective January 1, 2009 the contribution rate increased by 0.15% for both members and Canadian Blood Services. Member contribution rates increased from 5.00% to 5.15% and employer contribution rates increased from 7.00% to 7.15%.

The next valuation of the Plan is scheduled for December 2010. This valuation will take into account all of the factors affecting the assets and liabilities of the Plan. These factors include items such as investment returns, member demographics and salary rates. The Trustees continue to monitor the investment markets and will reassess the contribution requirements at that time.