



Discussion and Analysis

FUNDING POSITION

The Plan's liabilities are estimated through an actuarial valuation of the assumptions and projections of the Plan's commitment to long-term disability beneficiaries. The most recent valuation was completed as at December 31, 2008 by Morneau Sobeco, an actuarial firm appointed by the Board of Trustees.

Plan Changes and the Expected Impact

Significant changes to the Plan's benefits were implemented in 2009. A lower premium level has reduced estimated revenue to the Plan by \$5.6 million in 2009 and, while no formal valuation has been completed as yet, it is expected that the benefit changes will increase the cost of new claims by approximately \$3.2 million in the first year. The total impact of these changes is estimated to be \$8.8 million in 2009. We note that, even after these changes, annual premiums are expected to be sufficient to fund the full cost of new claims in 2009 plus provide a reasonable margin for adverse deviation.

Strong Funding Position

During 2009 investment market performance was substantially better than 2008 and produced returns well in excess of the valuation rate of 5.5%. This has resulted in an increase in the Plan's estimated funded position due to the additional investment returns generated in 2009.

To maintain maximum financial flexibility, claims in payment are increased for inflation retroactively after confirming the Plan's continuing financial strength. After reviewing the 2009 results, the Board recommended that claims that have been in force for 24 months or more as of December 31, 2009 be indexed for increases in the Consumer Price Index since December 31, 2008, or the date when claims exceeded 24 months, whichever is later. Reflecting the very modest level of inflation recently, this change has increased Plan liabilities by only \$0.2 million.

The following table shows the funding position of the LTD Plan for the last four years

YEAR END	2006	2007	2008	2009
Assets (minus accounts payable) \$ millions	68.6	77.5	74.9	92.3
Accrued Liabilities for Benefits \$ millions	63.7	59.6	60.4	64.7
Surplus/Deficit \$ millions	4.9	18.0	16.6	27.6
Funded Ratio	108%	130%	128%	143%

Source: Morneau Sobeco

The Plan has adopted a biennial schedule for valuations; accordingly, the next formal actuarial valuation of the Plan is scheduled for December 31, 2010. Analysis of actual claims costs under the new benefit structure will be available then.