

MAY 2008

EXAM CSP-RC

**Company/Sponsor Perspective
Retirement Benefits
Canada**

CASE STUDY

CSP-RC morning

Case Study - Course CSP Retirement - CANADA

National Oil Company - Background

National Oil Company (NOC) is a large well-established company that services oil wells all over the country of Gevrey. NOC has been in existence for over 30 years and has more than 10,000 full-time salaried and union hourly employees and up to a further 5,000 non-skilled seasonal employees during the non-winter months. Approximately one-half of the seasonal employees return for another season. The full-time workforce is reasonably stable, but turnover in the last 5 years has been greater than desired, due to competitors recruiting NOC's employees.

Normally, an undergraduate degree is a minimum requirement to obtain entry to the salaried workforce and many employees have graduate degrees. About half of NOC's salaried employees are recruited directly from university with the other half coming from competitors.

The company's financial position varies with the price of oil. As oil prices rise, oil companies become increasingly active and in turn require the services of NOC. Conversely, activity slows as oil prices drop. Despite this, the company is usually in a taxable position.

NOC has managed to be successful by staying on the cutting edge of technology. NOC prides itself in being state of the art in processes and software relevant to its industry. This has helped it to stave off competition from both inside and outside of Gevrey. Although NOC is the largest player in the industry within Gevrey, there are larger players from outside of the country, with which NOC has to compete. From time to time, there are rumors of a takeover of NOC.

Country of Gevrey – Background

Gevrey is a modern developed country with a simplified tax system. Both corporations and individuals are subject to income tax at a flat rate of 40%. Reasonable operating expenses, including contributions to Eligible Retirement Plans (ERPs), reduce taxable income.

No pension legislation exists apart from the rules outlined herein.

Rules that apply to gain ERP status are as follows:

General

- if a company has one or more ERPs, then all employees are entitled to be in at least one of the company's ERPs.

Defined Benefit Plans (DB ERPs)

- employer contributions may not exceed those recommended by an actuary, in accordance with generally accepted actuarial practice
- employer contributions are an eligible expense to reduce the employer's taxable income
- periodic pensions may not exceed \$3,000 per annum for each year of service regardless of form or commencement age
- periodic pensions cannot commence prior to age 55
- investment earnings generated by the ERP pension fund are not taxable
- pension payments are taxed as received in the hands of the recipient
- no employee contributions are permitted

Defined Contribution Plans (DC ERPs)

- employer contributions for any individual plan member cannot exceed \$20,000 annually
- employer contributions are an eligible expense to reduce the employer's taxable income
- investment earnings generated by the ERP pension fund are not taxable until withdrawn
- benefit distributions are taxed as received in the hands of the recipient
- employer contributions may or may not be dependent on employee contributions
- individuals may contribute up to \$20,000 annually
- such contributions are tax deductible to the individual

The tax assistance available under each of the above two arrangements does not depend on the extent of participation under the other one. For example, an individual could participate in a DC ERP and, if eligible under the plans' rules, also a DB ERP of his or her employer.

Supplemental Retirement Plans (SRPs)

Contributions to a retirement plan that does not meet ERP status are not tax-deductible. Benefits paid to participants under such plans are tax deductible to the company and are taxable to participants, when paid to participants. Such a plan is known as a Supplemental Retirement Plan (SRP). An example of an SRP is a plan that restores the benefits lost by the imposition of the ERP maximums.

Retiree Health Care Plans

Employers in Gevrey may provide health care benefits to retirees and their spouses through a separate plan which is not intended to qualify for ERP status. Benefits (including insurance premiums) paid under such plans are tax deductible to the company when paid on behalf of participants. Benefits payable as an indemnity for health related services are not taxable to plan participants at any time.

* * *

No social security pension system exists in Gevrey and there are no state-provided life or health-care benefits.

For financial reporting purposes, Gevrey adopted CICA Accounting Standards, and NOC applied CICA 3461 as at January 1, 2000 with retroactive restatement at that time.

The investment market in Gevrey is well developed, with substantial trading in government and corporate bonds and equities.

Summary of National Oil's Retirement Benefits

NOC maintains three defined benefit plans:

1. a final-average pay defined benefit ERP for its full-time salaried employees;
2. a unit benefit defined benefit ERP for its full-time hourly union staff; and
3. a non-eligible pension plan (referred to as the SRP) for its executives that is supplemental to the
This plan has no assets.

In addition, the company has a defined contribution ERP for its seasonal workforce.

Furthermore, full-time salaried and union employees retiring with the company are covered for their lifetime by health benefits.

Extracts of Retirement Benefits Provisions and Financial Information

National Oil Full-Time Salaried Pension Plan

Eligibility	Immediate
Vesting	100% after 5 years of service
Normal Retirement Age	65
Early Retirement Age	55 with 5 years of service
Best Average Earnings	Average annual earnings during 60 consecutive months in which earnings were highest
Earnings	Base pay, excluding overtime and bonuses
Normal Retirement Benefit	2% of best average earnings times years of service, subject to tax system maximum
Accrued Benefit	Benefit calculated as under the normal retirement benefit formula using best average earnings and service as of date of calculation
Early Retirement Benefit	Accrued benefit reduced by 0.25% per month that early retirement precedes age 62
Form of Benefit	If married, 50% joint & survivor benefit, without reduction. If not married, single life annuity
Optional Forms of Benefit	None
Indexing	None
Termination Benefit	Lump sum equal to actuarial present value of accrued benefit
Pre-Retirement Death Benefit	Lump sum equal to actuarial present value of accrued benefit payable to named beneficiary
Disability Benefit	None

National Oil Full-Time Salaried Pension Plan
Historical Actuarial Valuation Results

2003 2004 2005 2006 2007

Participant Summary - January 1

<i>Active Participants</i>					
(a) count	4,243	4,293	4,305	4,268	4,287
(b) average age	45.3	45.8	46.1	46.6	47.0
(c) average service	15.5	16.0	16.4	16.8	17.3
(d) average future working lifetime	11.3	11.7	11.0	10.8	11.0
(e) average plan earnings (prior year)	64,000	66,000	68,000	71,000	73,000
<i>Deferred Vested Participants</i>					
(a) count	-	-	-	-	-
<i>Pensioners (incl beneficiaries)</i>					
(a) count	590	612	640	665	697
(b) average age	70.8	70.7	70.5	70.2	69.8
(c) average annual benefit	19,100	19,300	19,500	19,700	20,100

Plan Assets (numbers in \$000's) *

<i>Change in Plan Assets during Prior Year:</i>					
Market Value of Assets at January 1 of prior year	545,745	528,701	674,049	771,730	859,388
Employer Contributions during prior year	31,532	40,145	37,000	39,338	42,134
Benefit Payments during prior year	(14,660)	(15,110)	(19,480)	(20,500)	(22,000)
Expenses during prior year	-	-	-	-	-
Investment return during prior year	(33,916)	120,313	80,162	68,819	124,419
Market Value of Assets at January 1 of current year	528,701	674,049	771,730	859,388	1,003,940
Rate of return during prior year	-6%	22%	12%	9%	14%
<i>Average Portfolio Mix During Prior Year:</i>					
(a) Domestic Large Cap Equities	27%	30%	30%	29%	35%
(b) Domestic Small Cap Equities	24%	30%	27%	28%	22%
(c) Domestic Fixed Income	34%	25%	26%	27%	30%
(d) International Equities	8%	11%	13%	11%	9%
(e) Real Estate	3%	2%	2%	3%	2%
(f) Cash	4%	2%	2%	2%	2%
(g) Total	100%	100%	100%	100%	100%
<i>Asset Class Returns during Prior Year:</i>					
(a) Domestic Large Cap Equities	-14%	25%	15%	13%	23%
(b) Domestic Small Cap Equities	-18%	30%	14%	7%	18%
(c) Domestic Fixed Income	9%	5%	7%	3%	4%
(d) International Equities	-16%	40%	12%	17%	10%
(e) Real Estate	4%	3%	3%	12%	8%
(f) Cash	2%	1%	1%	2%	2%

* numbers may not add due to rounding

National Oil Full-Time Salaried Pension Plan
Historical Actuarial Valuation Results

	2003	2004	2005	2006	2007
Funding Valuation - January 1 (numbers in \$000's) *					
1 Actuarial Accrued Liability:					
(a) Active participants	503,569	589,768	645,138	707,847	720,460
(b) Deferred vested participants	-	-	-	-	-
(c) Pensioners	92,406	103,942	111,072	117,905	127,909
(d) Total	595,975	693,710	756,210	825,751	848,369
2 Actuarial Value of Assets	528,701	674,049	771,730	859,388	1,003,940
3 Unfunded Actuarial Accrued Liability: (1d)-(2)	67,274	19,661	(15,520)	(33,636)	(155,572)
4 Normal Cost (beg. Of year)	32,488	36,860	39,338	42,134	41,645
5 Change in Unfunded AAL during prior year:					
(a) Unfunded AAL at prior valuation date	3,906	67,274	19,661	(15,520)	(33,636)
(b) Adjustment for Interest	313	5,382	1,376	(1,048)	(2,186)
(c) Normal Cost w/interest less contributions	298	(6,663)	1,146	1,327	1,369
(d) (Gain)/Loss on investment	78,250	(77,015)	(32,365)	(16,092)	(67,904)
(e) (Gain)/Loss on termination	(2,200)	(2,100)	(8,100)	(11,000)	(8,000)
(f) (Gain)/Loss on salary increases less than expected	(12,000)	(5,000)	(7,000)	2,000	(4,000)
(g) (Gain)/Loss on mortality	200	(1,400)	(4,000)	(6,800)	1,000
(h) (Gain)/Loss on retirement	(1,200)	(2,800)	(4,700)	(7,400)	(5,000)
(i) (Gain)/Loss on assumption changes	-	42,000	19,100	21,000	(37,000)
(j) (Gain)/Loss on expenses	-	-	-	-	-
(k) (Gain)/Loss on all other factors	(293)	(16)	(639)	(104)	(214)
(l) Unfunded AAL at current valuation date	67,274	19,661	(15,520)	(33,636)	(155,572)
6 Actuarial Basis					
(a) Interest	8.00%	7.00%	6.75%	6.50%	6.75%
(b) Salary scale	5.00%	4.00%	3.75%	3.50%	3.50%
(c) Consumer Price Index	3.50%	3.50%	3.00%	3.00%	3.00%
(d) Mortality	GAM83				
(e) Turnover	Based on NOC experience for 1986-1988				
(f) Retirement age	Age 62				
(g) Proportion married and age difference	80% married, male spouse 3 years older than female spouse				
(h) Expenses	Assume all expenses paid by company				
(i) Asset Valuation Method	Market value of assets				
(j) Actuarial Cost Method	Projected unit credit				

* numbers may not add due to rounding

National Oil Full-Time Salaried Pension Plan
Historical Actuarial Valuation Results

Expense Valuation - January 1 (numbers in \$000's) *

	2003	2004	2005	2006	2007
1 Reconciliation of funded status at valuation date:					
(a) Accrued Benefit Obligation	(710,550)	(789,971)	(861,311)	(979,111)	(1,023,263)
(b) Fair Value of Assets	528,701	674,049	771,730	859,388	1,003,940
(c) Funded Status: (a) + (b)	(181,849)	(115,922)	(89,581)	(119,724)	(19,323)
(d) Unamortized net actuarial(gain)/loss	99,393	32,604	1,950	28,400	(70,662)
(e) Accrued benefit asset/(liability)	(82,456)	(83,318)	(87,631)	(91,324)	(89,984)
2 Pension Expense:					
(a) Service Cost (beg. of year)	38,986	44,434	47,699	50,021	52,056
(b) Interest Cost	48,243	51,678	53,956	56,039	61,198
(c) Expected return on assets	(48,730)	(54,799)	(58,624)	(65,265)	(70,963)
(d) Amortization of past service cost	-	-	-	-	-
(e) Amortization of net actuarial (gain)/loss	2,508	-	-	-	-
(f) Pension Expense for year	41,007	41,313	43,031	40,795	42,291
3 Actuarial Basis and Supplemental Data					
(a) Discount rate	6.50%	6.25%	6.00%	5.50%	5.75%
(b) Return on assets	9.00%	8.00%	7.50%	7.50%	7.00%
(c) Salary scale	4.00%	4.00%	3.75%	3.50%	3.75%
(d) Consumer Price Index	3.50%	3.50%	3.00%	3.00%	3.00%
(e) Mortality	GAM83				
(f) Turnover	Based on NOC experience for 1986-1988				
(g) Proportion married and age difference	80% married; male spouses 3 years older than female spouses				
(h) Retirement age	Age 62				
(i) Expenses	Assume all expenses paid by company				
(j) Asset Valuation Method	Market value of assets				
(k) Actuarial Cost Method	Projected unit credit				
(l) Employer contributions	40,145	37,000	39,338	42,134	41,645
(m) Benefit payments	(14,660)	(15,110)	(19,480)	(20,500)	(22,000)

* numbers may not add due to rounding

*National Oil Full-Time Salaried Pension Plan
Reconciliation of Plan Participants (2003 - 2007)*

	<u>Active</u>	<u>Pensioners/ Beneficiaries</u>	<u>Total</u>
1. Participants as of January 1, 2003	4,243	590	4,833
- New Entrants/Rehires	375	-	375
- Terminated Nonvested	(120)	-	(120)
- Terminated Vested (Lump Sum Cashout)	(175)	-	(175)
- Retirement	(28)	28	-
- Death w/ Beneficiary	(2)	2	-
- Death w/o Beneficiary	-	(8)	(8)
- Net change	50	22	72
2. Participants as of January 1, 2004	4,293	612	4,905
- New Entrants/Rehires	400	-	400
- Terminated Nonvested	(150)	-	(150)
- Terminated Vested (Lump Sum Cashout)	(200)	-	(200)
- Retirement	(35)	35	-
- Death w/ Beneficiary	(3)	3	-
- Death w/o Beneficiary	-	(10)	(10)
- Net change	12	28	40
3. Participants as of January 1, 2005	4,305	640	4,945
- New Entrants/Rehires	250	-	250
- Terminated Nonvested	(115)	-	(115)
- Terminated Vested (Lump Sum Cashout)	(140)	-	(140)
- Retirement	(30)	30	-
- Death w/ Beneficiary	(2)	2	-
- Death w/o Beneficiary	-	(7)	(7)
- Net change	(37)	25	(12)
4. Participants as of January 1, 2006	4,268	665	4,933
- New Entrants/Rehires	300	-	300
- Terminated Nonvested	(130)	-	(130)
- Terminated Vested (Lump Sum Cashout)	(115)	-	(115)
- Retirement	(35)	35	-
- Death w/ Beneficiary	(1)	1	-
- Death w/o Beneficiary	-	(4)	(4)
- Net change	19	32	51
5. Participants as of January 1, 2007	4,287	697	4,984

**National Oil Full-Time Salaried Pension Plan
Age/Svc/Earnings as of January 1, 2007**

Age (Years)		Service (Years)						Totals
		< 5	5-10	10-15	15-20	>20		
< 25	# Participants	150	140	-	-	-	290	
	Average Salary	39,000	50,000	-	-	-	44,300	
25-35	# Participants	200	160	100	55	-	515	
	Average Salary	51,000	63,000	67,000	71,000	-	60,000	
35-45	# Participants	195	208	186	211	201	1,001	
	Average Salary	64,000	72,000	76,000	83,000	84,000	75,900	
45-55	# Participants	184	163	195	310	755	1,607	
	Average Salary	68,000	71,000	73,000	82,000	84,000	79,100	
55-65	# Participants	168	77	87	81	431	844	
	Average Salary	66,000	70,000	74,000	80,000	81,000	76,200	
> 65	# Participants	4	5	11	6	4	30	
	Average Salary	51,000	57,000	50,000	62,000	58,000	54,800	
Totals	# Participants	901	753	579	663	1,391	4,287	
	Average Salary	63,021	71,048	78,749	87,860	90,030	73,000	

Avg Age 47.0
Avg Svc 17.3
Avg Salary 73,000

National Oil Full-Time Salaried Supplemental Retirement Plan (SRP)

Eligibility	Immediate
Normal Retirement Age	65
Early Retirement Age	55 with 5 years of service
Accrued Benefit	Accrued Benefit calculated under the provisions of the Salaried Pension Plan without regard to tax system maximums <u>less</u> actual Accrued Benefit under the Salaried Pension Plan
Normal Retirement Benefit	Accrued Benefit
Early Retirement Benefit	Accrued Benefit reduced by 0.25% per month that early retirement precedes age 62
Commencement Date and Form of Benefit	Must be same as under Salaried Pension Plan
Indexing	None
Termination Benefit	None
Pre-Retirement Death Benefit	None
Disability Benefit	None

Supplemental Retirement Plan
Historical Valuation Results - January 1

2003 2004 2005 2006 2007

Participant Summary

1. Active Participants					
(a) count	43	45	47	49	52
(b) average age	51.9	52.4	52.9	53.1	53.6
(c) average service	17.0	17.5	18.1	18.2	18.5
(d) average future working lifetime	7.5	7.0	6.5	6.3	6.1
(e) average earnings (prior year)	300,000	305,000	310,000	315,000	325,000
2. Deferred Vested Participants					
(a) count	-	-	-	-	-
3. Pensioners (incl beneficiaries)					
(a) count	12	13	14	15	17
(b) average age	68.5	68.0	67.6	67.2	66.6
(c) average annual benefit	12,000	12,500	12,900	13,100	14,000

Expense Valuation Results (numbers in \$000's) *

1. Reconciliation of funded status at valuation date:					
(a) Accrued Benefit Obligation	(21,127)	(24,684)	(28,722)	(34,489)	(35,991)
(b) Fair Value of Assets	-	-	-	-	-
(c) Funded Status: (a) + (b)	(21,127)	(24,684)	(28,722)	(34,489)	(35,991)
(d) Unamortized past service costs	-	-	-	-	-
(e) Unamortized net actuarial (gain)/loss	1,839	3,320	4,930	7,826	5,809
(f) Accrued benefit asset/(liability)	(19,289)	(21,364)	(23,792)	(26,663)	(30,181)
2. Pension Expense					
(a) Service cost (beg of year)	798	877	959	1,070	1,118
(b) Interest cost	1,420	1,592	1,775	1,950	2,127
(c) Expected ROA	-	-	-	-	-
(d) Amort of prior svc cost	-	-	-	-	-
(e) Amort of unrec (gain)/loss	-	122	317	695	362
(f) Pension Expense for year	2,219	2,591	3,051	3,715	3,607
3. Benefit Payments	144	163	181	197	238
4. Actuarial Basis					
(a) Discount rate	6.50%	6.25%	6.00%	5.50%	5.75%
(b) Return on assets	N/A	N/A	N/A	N/A	N/A
(c) Salary scale	4.00%	4.00%	3.75%	3.50%	3.50%
(d) CPI	3.50%	3.50%	3.00%	3.00%	3.00%
(e) All other assumptions	Same as for Full-time Salaried Pension Plan				

* numbers may not add due to rounding

National Oil Full-Time Hourly Union Pension Plan

Eligibility	Immediate
Vesting	100% after 5 years of service
Normal Retirement Age	65
Early Retirement Age	55 with 10 years of service
Normal Retirement Benefit	\$75 per month times years of service for terminations/ retirements during 2003, 2004, and 2005 \$80 per month times years of service for terminations/ retirements during 2006 and beyond
Accrued Benefit	Benefit calculated as under the normal retirement benefit formula based on service and multiplier as of date of calculation.
Early Retirement Benefit	Unreduced benefit at 62 with 30 years of service, otherwise reduced by 0.25% per month that early retirement precedes Normal Retirement Age.
Form of Benefit	If married, 50% joint & survivor benefit without reduction If not married, single life annuity.
Optional Forms of Benefit	None
Post-Retirement Indexing	Lesser of 1% or CPI each year after pension commencement
Termination Benefit	Lump sum equal to actuarial present value of accrued benefit assuming no indexing
Pre-Retirement Death Benefit	Lump sum equal to actuarial present value of accrued benefit assuming no indexing, payable to named beneficiary
Disability Benefit	None

National Oil Full-Time Hourly Union Pension Plan
Historical Actuarial Valuation Results

2003 2004 2005 2006 2007

Participant Summary - January 1

<i>Active Participants</i>					
(a) count	6,437	6,376	6,295	6,253	6,300
(b) average age	45.1	45.5	46.4	47.0	47.2
(c) average service	16.2	16.7	17.3	17.8	18.0
(d) average future working lifetime	11.8	11.5	10.7	10.6	10.8
(e) average plan earnings (prior year)	37,100	38,032	39,500	39,800	39,600
<i>Deferred Vested Participant's</i>					
(a) count	-	-	-	-	-
<i>Pensioners (incl beneficiaries)</i>					
(a) count	985	1,016	1,034	1,060	1,083
(b) average age	71.0	71.5	71.2	70.8	70.2
(c) average annual benefit	9,800	9,900	10,000	10,800	11,200

Plan Assets (numbers in \$000's) *

<i>Change in Plan Assets during Prior Year:</i>					
Market Value of Assets at January 1 of prior year	306,848	306,653	380,717	444,899	504,972
Employer Contributions during prior year	19,000	24,000	33,000	34,400	37,000
Benefit Payments during prior year	(9,883)	(11,258)	(11,340)	(12,000)	(15,000)
Expenses during prior year	-	-	-	-	-
Investment return during prior year	(9,311)	61,321	42,522	37,674	30,236
Market Value of Assets at January 1 of current year	306,653	380,717	444,899	504,972	557,208
Rate of return during prior year	-3%	20%	11%	8%	6%
<i>Average Portfolio Mix During Prior Year:</i>					
(a) Domestic Large Cap Equities	21%	25%	29%	30%	10%
(b) Domestic Small Cap Equities	23%	25%	20%	21%	0%
(c) Domestic Fixed Income	47%	35%	38%	36%	88%
(d) International Equities	2%	10%	8%	9%	0%
(e) Real Estate	2%	2%	2%	2%	0%
(f) Cash	5%	3%	3%	2%	2%
(g) Total	100%	100%	100%	100%	100%
<i>Asset Class Returns during Prior Year:</i>					
(a) Domestic Large Cap Equities	-14%	25%	15%	13%	23%
(b) Domestic Small Cap Equities	-18%	30%	14%	7%	18%
(c) Domestic Fixed Income	9%	5%	7%	3%	4%
(d) International Equities	-16%	40%	12%	17%	10%
(e) Real Estate	4%	3%	3%	12%	8%
(f) Cash	2%	1%	1%	2%	2%

* numbers may not add due to rounding

National Oil Full-Time Hourly Union Pension Plan
Historical Actuarial Valuation Results

	2003	2004	2005	2006	2007
Funding Valuation - January 1 (numbers in \$000 s) *					
1 Actuarial Accrued Liability:					
Active Multiplier	\$ 75	\$ 75	\$ 75	\$ 80	\$ 80
(a) Active participants	250,499	329,507	380,324	455,351	523,917
(b) Deferred vested participants	-	-	-	-	-
(c) Pensioners	91,704	100,584	105,985	119,059	133,426
(d) Total	342,202	430,091	486,309	574,410	657,342
2 Actuarial Value of Assets	306,653	380,717	444,899	504,972	557,208
3 Unfunded Actuarial Accrued Liability: (1d)-(2)	35,549	49,374	41,411	69,438	100,134
4 Normal Cost (beg. Of year)	15,463	19,731	21,984	25,582	29,106
5 Change in Unfunded AAL during prior year:					
(a) Unfunded AAL at prior valuation date	6,839	35,549	49,374	41,411	69,438
(b) Adjustment for interest	547	2,844	3,456	2,795	4,513
(c) Normal Cost w/interest less contributions	(4,694)	(8,260)	(13,043)	(12,093)	(10,958)
(d) (Gain)/Loss on investment	34,224	(36,280)	(15,114)	(6,887)	3,302
(e) (Gain)/Loss on termination	(1,500)	(16,000)	(6,000)	(5,000)	(3,000)
(f) (Gain)/Loss on salary increases less than expected	-	-	-	-	-
(g) (Gain)/Loss on mortality	200	(1,000)	(1,200)	(1,900)	500
(h) (Gain)/Loss on retirement	(250)	(1,000)	(750)	(550)	(300)
(i) (Gain)/Loss on assumption changes	-	73,000	24,200	23,400	37,500
(j) (Gain)/Loss on expenses	-	-	-	-	-
(k) (Gain)/Loss on all other factors	184	521	487	(197)	(861)
(l) Change in active benefit multiplier	-	-	-	28,459	-
(m) Unfunded AAL at current valuation date	35,549	49,374	41,411	69,438	100,134
6 Actuarial Basis					
(a) Interest	8.00%	7.00%	6.75%	6.50%	6.00%
(b) Salary scale	N/A	N/A	N/A	N/A	N/A
(c) Consumer Price Index	3.50%	3.50%	3.00%	3.00%	3.00%
(d) Mortality					
(e) Turnover					
(f) Retirement age					
(g) Proportion married and age difference					
(h) Expenses					
(i) Post-retirement indexing	1.00%	1.00%	1.00%	1.00%	1.00%
(j) Asset Valuation Method					
(k) Actuarial Cost Method					

* numbers may not add due to rounding

National Oil Full-Time Hourly Union Pension Plan
Historical Actuarial Valuation Results

Expense Valuation - January 1 (numbers in \$000's) *

	2003	2004	2005	2006	2007
1. Reconciliation of funded status at valuation date:					
(active multiplier)	\$ 75	\$ 75	\$ 75	\$ 80	\$ 80
(a) Accrued Benefit Obligation	(431,107)	(487,061)	(551,307)	(677,386)	(716,405)
(b) Fair Value of Assets	306,653	380,717	444,899	504,972	557,208
(c) Funded Status: (a) + (b)	(124,454)	(106,344)	(106,408)	(172,414)	(159,197)
(d) Unamortized past service costs	34,913	31,077	27,240	59,202	51,988
(e) Unamortized net actuarial (gain)/loss	66,824	49,829	59,924	98,779	89,132
(f) Accrued benefit asset/(liability)	(22,717)	(25,438)	(19,244)	(14,433)	(18,077)
2. Pension Expense:					
(a) Service Cost (beg. of year)	20,102	22,691	25,282	30,698	30,464
(b) Interest Cost	29,007	31,508	34,255	38,615	42,514
(c) Expected return on assets	(28,234)	(31,327)	(34,232)	(38,810)	(33,942)
(d) Amortization of prior service cost	3,837	3,837	3,837	7,214	7,214
(e) Amortization of net actuarial (gain)/loss	2,010	98	448	2,928	1,620
(f) Pension Expense	26,721	26,806	29,589	40,644	47,869
3. Actuarial Basis and Supplemental Data					
(a) Discount rate	6.50%	6.25%	6.00%	5.50%	5.75%
(b) Return on assets	9.00%	8.00%	7.50%	7.50%	6.00%
(c) Salary scale	N/A	N/A	N/A	N/A	N/A
(d) Consumer Price Index	3.50%	3.50%	3.00%	3.00%	3.00%
(e) Mortality	GAM83				
(f) Turnover	Based on NOC experience for 1986-1988				
(g) Retirement age	Age 62, with appropriate early retirement reduction, if any				
(h) Proportion married and age difference	80% married, male spouses 3 years older than female spouses				
(i) Expenses	Assume all expenses paid by company				
(j) Post-retirement indexing	1.00%	1.00%	1.00%	1.00%	1.00%
(k) Asset Valuation Method	Market value of assets				
(l) Actuarial Cost Method	Projected unit credit				
(m) Employer contributions	24,000	33,000	34,400	37,000	32,000
(n) Benefit payments	(9,883)	(11,258)	(11,340)	(12,000)	(15,000)

* numbers may not add due to rounding

*National Oil Full-Time Hourly Union Pension Plan
Reconciliation of Plan Participants (2003 - 2007)*

	<u>Active</u>	<u>Pensioners/ Beneficiaries</u>	<u>Total</u>
1. Participants as of January 1, 2003	6,437	985	7,422
- New Entrants/Rehires	200	-	200
- Terminated Nonvested	(100)	-	(100)
- Terminated Vested (Lump Sum Cashout)	(120)	-	(120)
- Retirement	(40)	40	-
- Death w/ Beneficiary	(1)	1	-
- Death w/o Beneficiary	-	(10)	(10)
- Net change	(61)	31	(30)
2. Participants as of January 1, 2004	6,376	1,016	7,392
- New Entrants/Rehires	120	-	120
- Terminated Nonvested	(75)	-	(75)
- Terminated Vested (Lump Sum Cashout)	(100)	-	(100)
- Retirement	(25)	25	-
- Death w/ Beneficiary	(1)	1	-
- Death w/o Beneficiary	-	(8)	(8)
- Net change	(81)	18	(63)
3. Participants as of January 1, 2005	6,295	1,034	7,329
- New Entrants/Rehires	150	-	150
- Terminated Nonvested	(80)	-	(80)
- Terminated Vested (Lump Sum Cashout)	(75)	-	(75)
- Retirement	(35)	35	-
- Death w/ Beneficiary	(2)	2	-
- Death w/o Beneficiary	-	(11)	(11)
- Net change	(42)	26	(16)
4. Participants as of January 1, 2006	6,253	1,060	7,313
- New Entrants/Rehires	148	-	148
- Terminated Nonvested	(30)	-	(30)
- Terminated Vested (Lump Sum Cashout)	(40)	-	(40)
- Retirement	(30)	30	-
- Death w/ Beneficiary	(1)	1	-
- Death w/o Beneficiary	-	(8)	(8)
- Net change	47	23	70
5. Participants as of January 1, 2007	6,300	1,083	7,383

**National Oil Full-Time Hourly Union Pension Plan
Age/Svc/Earnings as of January 1, 2007**

Age (Years)	Service (Years)						Totals
	< 5	5-10	10-15	15-20	> 20		
< 25	# Participants 197 Average Salary 25,500	90 31,300	- -	- -	- -	287 27,300	
25-35	# Participants 260 Average Salary 26,800	120 31,800	91 37,800	62 38,300	- -	533 31,100	
35-45	# Participants 270 Average Salary 27,000	350 32,200	320 39,400	659 44,300	441 46,600	2,040 39,700	
45-55	# Participants 116 Average Salary 25,000	160 32,200	300 38,600	688 43,000	895 46,800	2,159 42,200	
55-65	# Participants 95 Average Salary 24,500	62 28,700	94 36,400	186 39,900	801 46,400	1,238 42,100	
> 65	# Participants 8 Average Salary 20,600	9 21,600	12 25,700	8 24,600	6 25,100	43 23,600	
Totals	# Participants 946 Average Salary 26,100	791 31,600	817 38,400	1,603 42,900	2,143 46,500	6,300 39,600	
	Avg Age 47.2						
	Avg Svc 18.0						
	Avg Salary 39,600						

National Oil Part-Time DC Pension Plan

Eligibility	Immediate
Vesting	Immediate
Employee Contributions	Employee may defer between 1% to 20% of pay
Employer Contributions	3% of pay
Plan Fund Investment Options	The employer invests in funds elected by employee
Account Balance	Contributions are accumulated in member's individual account earning a rate of return based on the investments elected by the employee
Loans/Withdrawals	Not permitted.
Benefit on Termination or Retirement	Account balance is payable to employee upon termination or retirement. Employee has the option to leave the balance in the fund or withdraw entire balance immediately upon termination or retirement.
Benefit on Death	Account balance is payable to named beneficiary

National Oil Part-Time DC Pension Plan
Historical Results - January 1

2003 2004 2005 2006 2007

Participant Summary

(a) number participating during prior year	5,900	6,200	6,300	6,250	6,500
(b) average age	29.5	30.0	30.5	30.9	28.9
(c) average pay	22,000	23,000	24,000	26,000	29,000

Plan Assets (numbers in \$000's) *

<i>Change in Plan Assets during Prior Year.</i>					
Market Value of Assets at January 1 of prior year	41,300	40,503	42,861	50,608	57,560
Employee Contributions during prior year	6,490	7,130	7,560	8,125	9,425
Company Contributions during prior year	3,894	4,278	4,536	4,875	5,655
Benefit Payments during prior year	(12,390)	(13,020)	(13,230)	(13,125)	(13,650)
Expenses during prior year	-	-	-	-	-
Investment return during prior year	1,209	3,970	8,882	7,076	4,079
Market Value of Assets at January 1 of current year	40,503	42,861	50,608	57,560	63,069
Rate of return during prior year	3%	10%	21%	14%	7%

* numbers may not add due to rounding

National Oil Full-Time Salaried and Union Retiree Health Benefit Program

Eligibility	Immediate
Earliest Retirement Age	55 and 10 years of service
Retirement benefit	Retirees and their spouses may elect to participate in a self insured health plan, with 100% the of cost of the plan paid by the employer.
Death benefit	Coverage continues for the life of the spouse after death of an eligible employee
Benefits Covered	\$0 deductible; \$0 copay No lifetime maximum Office visits Hospital visits Surgery Prescription drugs

Retiree Health and Welfare Program
Historical Valuation Results

2003 2004 2005 2006 2007

Expense Valuation Results - January 1 (numbers in \$000's) *

1. Reconciliation of funded status at valuation date:					
(a) Accrued Benefit Obligation					
(i) actives	(550,581)	(588,515)	(646,104)	(734,147)	(775,708)
(ii) retirees	(281,151)	(372,071)	(438,277)	(511,869)	(539,740)
(iii) total	(831,732)	(960,586)	(1,084,381)	(1,246,016)	(1,315,448)
(b) Market Value of Assets	0	0	0	0	0
(c) Surplus: (a) + (b)	(831,732)	(960,586)	(1,084,381)	(1,246,016)	(1,315,448)
(d) Unrecognized prior service costs	0	0	0	0	0
(e) Unrecognized (gain)/loss	38,128	95,630	140,417	212,937	182,584
(f) Accrued benefit asset/(liability)	(793,604)	(864,956)	(943,964)	(1,033,078)	(1,132,865)
2 Expense					
(a) Service cost (beg of year)	34,411	36,782	40,381	45,884	48,482
(b) Interest cost	55,690	61,726	66,883	70,449	77,650
(c) Expected ROA	0	0	0	0	0
(d) Amort of prior svc cost	0	0	0	0	0
(e) Amort of unrec (gain)/loss	0	0	1,950	5,453	3,190
(f) Expense for year	90,101	98,508	109,214	121,787	129,321
3. Benefit Payments	18,750	19,500	20,100	22,000	27,000
4 Average Future Working Lifetime to Retirement	16.70	16.90	16.40	16.20	16.00
5 Average Future Working Lifetime to FEA	9.70	9.90	9.40	9.20	9.00
6. Actuarial Basis					
(a) Discount rate	6.50%	6.25%	6.00%	5.50%	5.75%
(b) Return on assets	N/A	N/A	N/A	N/A	N/A
(c) Medical trend					
Initial rate	7.00%	6.50%	6.00%	5.50%	6.00%
Annual decrease	0.50%	0.50%	0.50%	0.50%	0.50%
Ultimate rate	4.50%	4.50%	4.50%	4.50%	4.50%
Year ultimate trend rate reached	2008	2008	2008	2008	2010
(d) CPI	3.50%	3.50%	3.00%	3.00%	3.00%
(e) Per capita claims cost	8,125	8,300	8,450	8,800	9,500
(f) Retirement assumption	Age 62 with 10 years of service				
(g) All other demographic assumptions	Same as those used for pension plans				

* numbers may not add due to rounding