

EDUCATION AND EXAMINATION COMMITTEE
OF THE
SOCIETY OF ACTUARIES

COMPANY/SPONSOR PERSPECTIVE (CSP)
RETIREMENT BENEFITS STUDY NOTE

RETIREMENT BENEFITS CASE STUDY—CANADA

This case study will be used as a basis for examination questions. Be sure to answer the question asked by referring to the case study. For example, when asked for advantages of a particular plan design to the company referenced in the case study, your response should be limited to that company. Other advantages should not be listed, as they are extraneous to the question and will result in no additional credit. Further, if they conflict with the applicable advantages, no credit will be given.

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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 company's ERPs.

Defined Benefit Plans (DB ERPs)

- employer contributions may not exceed those recommended by an actuary, in generally accepted actuarial practice
- employer contributions are an eligible expense to reduce the employer's taxable
- periodic pensions may not exceed \$3,000 per annum for each year of service 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
- employer contributions are an eligible expense to reduce the employer's taxable
- investment earnings generated by the ERP pension fund are not taxable until
- 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 salaried ERP.

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

	2004	2005	2006	2007	2008
Participant Summary - January 1					
<i>Active Participants</i>					
(a) count	4,293	4,305	4,268	4,287	4,250
(b) average age	45.8	46.1	46.6	47.0	47.5
(c) average service	16.0	16.4	16.8	17.3	17.8
(d) average future working lifetime	11.7	11.0	10.8	11.0	10.8
(e) average plan earnings (prior year)	66,000	68,000	71,000	73,000	74,000
<i>Deferred Vested Participants</i>					
(a) count	-	-	-	-	-
<i>Pensioners (incl beneficiaries)</i>					
(a) count	612	640	665	697	736
(b) average age	70.7	70.5	70.2	69.8	69.7
(c) average annual benefit	19,300	19,500	19,700	20,100	20,300

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	528,701	674,049	771,730	859,388	1,003,940
Employer Contributions during prior year	40,145	37,000	39,338	42,134	41,645
Benefit Payments during prior year	(15,110)	(19,480)	(20,500)	(22,000)	(27,000)
Expenses during prior year	-	-	-	-	-
Investment return during prior year	120,313	80,162	68,819	124,419	9,405
Market Value of Assets at January 1 of current year	674,049	771,730	859,388	1,003,940	1,027,990
Rate of return during prior year	22%	12%	9%	14%	1%
<i>Average Portfolio Mix During Prior Year:</i>					
(a) Domestic Large Cap Equities	30%	30%	29%	35%	32%
(b) Domestic Small Cap Equities	30%	27%	28%	22%	21%
(c) Domestic Fixed Income	25%	26%	27%	30%	34%
(d) International Equities	11%	13%	11%	9%	7%
(e) Real Estate	2%	2%	3%	2%	3%
(f) Cash	2%	2%	2%	2%	3%
(g) Total	100%	100%	100%	100%	100%
<i>Asset Class Returns during Prior Year:</i>					
(a) Domestic Large Cap Equities	25%	15%	13%	23%	-2%
(b) Domestic Small Cap Equities	30%	14%	7%	18%	-4%
(c) Domestic Fixed Income	5%	7%	3%	4%	5%
(d) International Equities	40%	12%	17%	10%	5%
(e) Real Estate	3%	3%	12%	8%	10%
(f) Cash	1%	1%	2%	2%	2%

* numbers may not add due to rounding

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

	2004	2005	2006	2007	2008
Funding Valuation - January 1 (numbers in \$000's) *					
1. Actuarial Accrued Liability:					
(a) Active participants	589,768	645,138	707,847	720,460	722,038
(b) Deferred vested participants	-	-	-	-	-
(c) Pensioners	103,942	111,072	117,905	127,909	131,479
(d) Total	693,710	756,210	825,751	848,369	853,517
2. Actuarial Value of Assets	674,049	771,730	859,388	1,003,940	1,027,990
3. Unfunded Actuarial Accrued Liability: (1d)-(2)	19,661	(15,520)	(33,636)	(155,572)	(174,473)
4. Normal Cost (beg. Of year)	36,860	39,338	42,134	41,645	40,564
5. Change in Unfunded AAL during prior year:					
(a) Unfunded AAL at prior valuation date	67,274	19,661	(15,520)	(33,636)	(155,572)
(b) Adjustment for Interest	5,382	1,376	(1,048)	(2,186)	(10,501)
(c) Normal Cost w/interest less contributions	(6,663)	1,146	1,327	1,369	1,406
(d) (Gain)/Loss on investment	(77,015)	(32,365)	(16,092)	(67,904)	58,856
(e) (Gain)/Loss on termination	(2,100)	(8,100)	(11,000)	(8,000)	(13,000)
(f) (Gain)/Loss on salary increases less than expected	(5,000)	(7,000)	2,000	(4,000)	(7,000)
(g) (Gain)/Loss on mortality	(1,400)	(4,000)	(6,800)	1,000	1,500
(h) (Gain)/Loss on retirement	(2,800)	(4,700)	(7,400)	(5,000)	(7,000)
(i) (Gain)/Loss on assumption changes	42,000	19,100	21,000	(37,000)	(43,000)
(j) (Gain)/Loss on expenses	-	-	-	-	-
(k) (Gain)/Loss on all other factors	(16)	(639)	(104)	(214)	(161)
(l) Unfunded AAL at current valuation date	19,661	(15,520)	(33,636)	(155,572)	(174,473)
6. Actuarial Basis					
(a) Interest	7.00%	6.75%	6.50%	6.75%	7.00%
(b) Salary scale	4.00%	3.75%	3.50%	3.50%	3.50%
(c) Consumer Price Index	3.50%	3.00%	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

	2004	2005	2006	2007	2008
Expense Valuation - January 1 (numbers in \$000's) *					
1. Reconciliation of funded status at valuation date:					
(a) Accrued Benefit Obligation	(789,971)	(861,311)	(979,111)	(1,023,263)	(1,047,175)
(b) Fair Value of Assets	674,049	771,730	859,388	1,003,940	1,027,990
(c) Funded Status: (a) + (b)	(115,922)	(89,581)	(119,724)	(19,323)	(19,184)
(d) Unamortized net actuarial(gain)/loss	32,604	1,950	28,400	(70,662)	(71,446)
(e) Accrued benefit asset/(liability)	(83,318)	(87,631)	(91,324)	(89,984)	(90,631)
2. Pension Expense:					
(a) Service Cost (beg. of year)	44,434	47,699	50,021	52,056	50,705
(b) Interest Cost	51,678	53,956	56,039	61,198	65,063
(c) Expected return on assets	(54,799)	(58,624)	(65,265)	(70,963)	(72,434)
(d) Amortization of past service cost	-	-	-	-	-
(e) Amortization of net actuarial (gain)/loss **	-	-	-	-	-
(f) Pension Expense for year	41,313	43,031	40,795	42,291	43,334
3. Actuarial Basis and Supplemental Data					
(a) Discount rate	6.25%	6.00%	5.50%	5.75%	6.00%
(b) Return on assets	8.00%	7.50%	7.50%	7.00%	7.00%
(c) Salary scale	4.00%	3.75%	3.50%	3.75%	4.00%
(d) Consumer Price Index	3.50%	3.00%	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	37,000	39,338	42,134	41,645	40,564
(m) Benefit payments	(15,110)	(19,480)	(20,500)	(22,000)	(27,000)

* numbers may not add due to rounding

** gains/losses exceeding 10% of the greater of the Accrued Benefit Obligation and the Fair Value of Assets are amortized over the average future working lifetime of active participants

**National Oil Full-Time Salaried Pension Plan
Reconciliation of Plan Participants (2003 - 2008)**

	<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
- New Entrants/Rehires	275	-	275
- Terminated Nonvested	(150)	-	(150)
- Terminated Vested (Lump Sum Cashout)	(120)	-	(120)
- Retirement	(40)	40	-
- Death w/ Beneficiary	(2)	2	-
- Death w/o Beneficiary	-	(3)	(3)
- Net change	(37)	39	2
6. Participants as of January 1, 2008	4,250	736	4,986

**National Oil Full-Time Salaried Pension Plan
Age/Svc/Earnings as of January 1, 2008**

Age (Years)	# Participants	Average Salary	Service (Years)					Totals
			< 5	5-10	10-15	15-20	>20	
< 25	160	41,000	150	-	-	-	310	45,800
25-35	210	51,000	162	101	56	-	529	60,800
35-45	195	65,000	200	182	200	198	975	77,000
45-55	190	69,000	160	185	300	743	1,578	80,100
55-65	164	65,000	75	87	75	430	831	78,200
> 65	4	51,000	5	9	5	4	27	55,400
Totals	923	65,000	752	564	636	1,375	4,250	74,000
	Avg Age		47.5					
	Avg Svc		17.8					
	Avg Salary		74,000					

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

2004 2005 2006 2007 2008

Participant Summary

1. Active Participants					
(a) count	45	47	49	52	55
(b) average age	52.4	52.9	53.1	53.6	53.8
(c) average service	17.5	18.1	18.2	18.5	18.6
(d) average future working lifetime	7.0	6.5	6.3	6.1	6.0
(e) average earnings (prior year)	305,000	310,000	315,000	325,000	340,000
2. Deferred Vested Participants					
(a) count	-	-	-	-	-
3. Pensioners (incl beneficiaries)					
(a) count	13	14	15	17	19
(b) average age	68.0	67.6	67.2	66.6	66.1
(c) average annual benefit	12,500	12,900	13,100	14,000	14,500

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

1. Reconciliation of funded status at valuation date:					
(a) Accrued Benefit Obligation	(24,684)	(28,722)	(34,489)	(35,991)	(37,098)
(b) Fair Value of Assets	-	-	-	-	-
(c) Funded Status: (a) + (b)	(24,684)	(28,722)	(34,489)	(35,991)	(37,098)
(d) Unamortized past service costs	-	-	-	-	-
(e) Unamortized net actuarial (gain)/loss	3,320	4,930	7,826	5,809	3,547
(f) Accrued benefit asset/(liability)	(21,364)	(23,792)	(26,663)	(30,181)	(33,551)
2. Pension Expense					
(a) Service cost (beg. of year)	877	959	1,070	1,118	1,162
(b) Interest cost	1,592	1,775	1,950	2,127	2,287
(c) Expected ROA	-	-	-	-	-
(d) Amort of prior svc cost	-	-	-	-	-
(e) Amort of unrec (gain)/loss **	122	317	695	362	-
(f) Pension Expense for year	2,591	3,051	3,715	3,607	3,450
3. Benefit Payments	163	181	197	238	276
4. Actuarial Basis					
(a) Discount rate	6.25%	6.00%	5.50%	5.75%	6.00%
(b) Return on assets	N/A	N/A	N/A	N/A	N/A
(c) Salary scale	4.00%	3.75%	3.50%	3.50%	3.50%
(d) CPI	3.50%	3.00%	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

** gains/losses exceeding 10% of the greater of the Accrued Benefit Obligation and the Fair Value of Assets are amortized over the average future working lifetime of active participants

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

	2004	2005	2006	2007	2008
Participant Summary - January 1					
<i>Active Participants</i>					
(a) count	6,376	6,295	6,253	6,300	6,363
(b) average age	45.5	46.4	47.0	47.2	47.8
(c) average service	16.7	17.3	17.8	18.0	18.7
(d) average future working lifetime	11.5	10.7	10.6	10.8	10.2
(e) average plan earnings (prior year)	38,032	39,500	39,800	39,600	41,000
<i>Deferred Vested Participants</i>					
(a) count	-	-	-	-	-
<i>Pensioners (incl beneficiaries)</i>					
(a) count	1,016	1,034	1,060	1,083	1,088
(b) average age	71.5	71.2	70.8	70.2	70.4
(c) average annual benefit	9,900	10,000	10,800	11,200	11,300

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	306,653	380,717	444,899	504,972	557,208
Employer Contributions during prior year	24,000	33,000	34,400	37,000	32,000
Benefit Payments during prior year	(11,258)	(11,340)	(12,000)	(15,000)	(16,000)
Expenses during prior year	-	-	-	-	-
Investment return during prior year	61,321	42,522	37,674	30,236	24,756
Market Value of Assets at January 1 of current year	380,717	444,899	504,972	557,208	597,964
Rate of return during prior year	20%	11%	8%	6%	4%
<i>Average Portfolio Mix During Prior Year:</i>					
(a) Domestic Large Cap Equities	25%	29%	30%	10%	8%
(b) Domestic Small Cap Equities	25%	20%	21%	0%	0%
(c) Domestic Fixed Income	35%	38%	36%	88%	90%
(d) International Equities	10%	8%	9%	0%	0%
(e) Real Estate	2%	2%	2%	0%	0%
(f) Cash	<u>3%</u>	<u>3%</u>	<u>2%</u>	<u>2%</u>	<u>2%</u>
(g) Total	100%	100%	100%	100%	100%
<i>Asset Class Returns during Prior Year:</i>					
(a) Domestic Large Cap Equities	25%	15%	13%	23%	-2%
(b) Domestic Small Cap Equities	30%	14%	7%	18%	-4%
(c) Domestic Fixed Income	5%	7%	3%	4%	5%
(d) International Equities	40%	12%	17%	10%	5%
(e) Real Estate	3%	3%	12%	8%	10%
(f) Cash	1%	1%	2%	2%	2%

* numbers may not add due to rounding

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

	2004	2005	2006	2007	2008
Funding Valuation - January 1 (numbers in \$000's) *					
1. Actuarial Accrued Liability:					
Active Multiplier	\$ 75	\$ 75	\$ 80	\$ 80	\$ 80
(a) Active participants	329,507	380,324	455,351	523,917	540,906
(b) Deferred vested participants	-	-	-	-	-
(c) Pensioners	100,584	105,985	119,059	133,426	132,780
(d) Total	430,091	486,309	574,410	657,342	673,686
2. Actuarial Value of Assets	380,717	444,899	504,972	557,208	597,964
3. Unfunded Actuarial Accrued Liability: (1d)-(2)	49,374	41,411	69,438	100,134	75,721
4. Normal Cost (beg. Of year)	19,731	21,984	25,582	29,106	28,925
5. Change in Unfunded AAL during prior year:					
(a) Unfunded AAL at prior valuation date	35,549	49,374	41,411	69,438	100,134
(b) Adjustment for Interest	2,844	3,456	2,795	4,513	6,008
(c) Normal Cost w/Interest less contributions	(8,260)	(13,043)	(12,093)	(10,958)	(2,107)
(d) (Gain)/Loss on investment	(36,280)	(15,114)	(6,887)	3,302	9,156
(e) (Gain)/Loss on termination	(16,000)	(6,000)	(5,000)	(3,000)	(11,000)
(f) (Gain)/Loss on salary increases less than expected	-	-	-	-	-
(g) (Gain)/Loss on mortality	(1,000)	(1,200)	(1,900)	500	750
(h) (Gain)/Loss on retirement	(1,000)	(750)	(550)	(300)	(6,000)
(i) (Gain)/Loss on assumption changes	73,000	24,200	23,400	37,500	(21,000)
(j) (Gain)/Loss on expenses	-	-	-	-	-
(k) (Gain)/Loss on all other factors	521	487	(197)	(861)	(220)
(l) Change in active benefit multiplier	-	-	28,459	-	-
(m) Unfunded AAL at current valuation date	49,374	41,411	69,438	100,134	75,721
6. Actuarial Basis					
(a) Interest	7.00%	6.75%	6.50%	6.00%	6.25%
(b) Salary scale	N/A	N/A	N/A	N/A	N/A
(c) Consumer Price Index	3.50%	3.00%	3.00%	3.00%	3.00%
(d) Mortality	GAM83				
(e) Turnover	Based on NOC experience for 1986-1988				
(f) Retirement age	Age 62, with appropriate early retirement reduction, if any				
(g) Proportion married and age difference	80% married, male spouses 3 years older than female spouses				
(h) Expenses	Assume all expenses paid by company				
(i) Post-retirement indexing	1.00%	1.00%	1.00%	1.00%	1.00%
(j) Asset Valuation Method	Market value of assets				
(k) Actuarial Cost Method	Unit credit				

* numbers may not add due to rounding

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

	2004	2005	2006	2007	2008
Expense Valuation - January 1 (numbers in \$000's) *					
1. Reconciliation of funded status at valuation date:					
(active multiplier)	\$ 75	\$ 75	\$ 80	\$ 80	\$ 80
(a) Accrued Benefit Obligation	(487,061)	(551,307)	(677,386)	(686,874)	(704,050)
(b) Fair Value of Assets	380,717	444,899	504,972	557,208	597,964
(c) Funded Status: (a) + (b)	(106,344)	(106,408)	(172,414)	(129,666)	(106,086)
(d) Unamortized past service costs	31,077	27,240	59,202	51,988	44,775
(e) Unamortized net actuarial (gain)/loss	49,829	59,924	98,779	59,600	30,683
(f) Accrued benefit asset/(liability)	(25,438)	(19,244)	(14,433)	(18,077)	(30,628)
2. Pension Expense:					
(a) Service Cost (beg. of year)	22,691	25,282	30,698	30,464	30,274
(b) Interest Cost	31,508	34,255	38,615	40,816	43,579
(c) Expected return on assets	(31,327)	(34,232)	(38,810)	(33,942)	(36,448)
(d) Amortization of prior service cost	3,837	3,837	7,214	7,214	7,214
(e) Amortization of net actuarial (gain)/loss **	98	448	2,928	-	-
(f) Pension Expense	26,806	29,589	40,644	44,551	44,620
3. Actuarial Basis and Supplemental Data					
(a) Discount rate	6.25%	6.00%	5.50%	5.75%	6.00%
(b) Return on assets	8.00%	7.50%	7.50%	6.00%	6.00%
(c) Salary scale	N/A	N/A	N/A	N/A	N/A
(d) Consumer Price Index	3.50%	3.00%	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	33,000	34,400	37,000	32,000	35,000
(n) Benefit payments	(11,258)	(11,340)	(12,000)	(15,000)	(16,000)

* numbers may not add due to rounding

** gains/losses exceeding 10% of the greater of the Accrued Benefit Obligation and the Fair Value of Assets are amortized over the average future working lifetime of active participants

**National Oil Full-Time Hourly Union Pension Plan
Reconciliation of Plan Participants (2003 - 2008)**

	<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
- New Entrants/Rehires	130	-	130
- Terminated Nonvested	(25)	-	(25)
- Terminated Vested (Lump Sum Cashout)	(30)	-	(30)
- Retirement	(10)	10	-
- Death w/ Beneficiary	(2)	1	(1)
- Death w/o Beneficiary	-	(6)	(6)
- Net change	63	5	68
6. Participants as of January 1, 2008	6,363	1,088	7,451

**National Oil Full-Time Hourly Union Pension Plan
Age/Svc/Earnings as of January 1, 2008**

Age (Years)	# Participants	Average Salary	Service (Years)					Totals
			< 5	5-10	10-15	15-20	>20	
< 25	210	27,000	100	-	-	-	310	
25-35	250	28,000	130	90	62	-	532	
35-45	290	28,000	365	333	659	441	2,088	
45-55	120	26,000	165	280	660	886	2,111	
55-65	110	25,000	76	95	187	802	1,270	
> 65	12	21,000	11	13	9	7	52	
Totals	992	27,100	847	811	1,577	2,136	6,363	
Avg Age		47.8						
Avg Svc		18.7						
Avg Salary		41,000						

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

2004 2005 2006 2007 2008

Participant Summary

(a) number participating during prior year	6,200	6,300	6,250	6,500	6,600
(b) average age	30.0	30.5	30.9	28.9	28.5
(c) average pay	23,000	24,000	26,000	29,000	31,000

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	40,503	42,861	50,608	57,560	63,069
Employee Contributions during prior year	7,130	7,560	8,125	9,425	10,230
Company Contributions during prior year	4,278	4,536	4,875	5,655	6,138
Benefit Payments during prior year	(13,020)	(13,230)	(13,125)	(13,650)	(13,860)
Expenses during prior year	-	-	-	-	-
Investment return during prior year	3,970	8,882	7,076	4,079	643
Market Value of Assets at January 1 of current year	42,861	50,608	57,560	63,069	66,220
Rate of return during prior year	10%	21%	14%	7%	1%

* 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

	2004	2005	2006	2007	2008
Expense Valuation Results - January 1 (numbers in \$000's) *					
1. Reconciliation of funded status at valuation date:					
(a) Accrued Benefit Obligation					
(i) actives	(588,515)	(646,104)	(734,147)	(775,708)	(816,512)
(ii) retirees	(372,071)	(438,277)	(511,869)	(539,740)	(565,677)
(iii) total	(960,586)	(1,084,381)	(1,246,016)	(1,315,448)	(1,382,189)
(b) Fair Value of Assets	0	0	0	0	0
(c) Surplus: (a) + (b)	(960,586)	(1,084,381)	(1,246,016)	(1,315,448)	(1,382,189)
(d) Unrecognized prior service costs	0	0	0	0	0
(e) Unrecognized (gain)/loss	95,630	140,417	212,937	182,584	147,003
(f) Accrued benefit asset/(liability)	(864,956)	(943,964)	(1,033,078)	(1,132,865)	(1,235,186)
2. Expense					
(a) Service cost (beg. of year)	36,782	40,381	45,884	48,482	51,032
(b) Interest cost	61,726	66,883	70,449	77,650	85,153
(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	1,950	5,453	3,190	552
(f) Expense for year	98,508	109,214	121,787	129,321	136,738
3. Benefit Payments	19,500	20,100	22,000	27,000	28,000
4. Average Future Working Lifetime to Retirement	16.90	16.40	16.20	16.00	15.90
5. Average Future Working Lifetime to FEA	9.90	9.40	9.20	9.00	8.90
6. Actuarial Basis					
(a) Discount rate	6.25%	6.00%	5.50%	5.75%	6.00%
(b) Return on assets	N/A	N/A	N/A	N/A	N/A
(c) Medical trend					
Initial rate	6.50%	6.00%	5.50%	6.00%	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	2010	2011
(d) CPI	3.50%	3.00%	3.00%	3.00%	3.00%
(e) Per capita claims cost	8,300	8,450	8,800	9,500	9,900
(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

** gains/losses exceeding 10% of the Accrued Benefit Obligation are amortized over the average future working llifetime of active participants