



September 1, 2011

Annual Report

Your personal copy of the MTS Pension Plan 2010 Annual Report was recently distributed. If you have any questions about the information in the Annual Report, or if you have any questions about your personal retirement benefits, please refer to the contact information on the inside front cover of the Annual Report.

Cost of Living Adjustment

The Audit Committee of the Board of Directors of MTS has approved a 1.57% increase to pension payments effective July 1, 2011. This represents the guaranteed annual cost of living adjustment (COLA) of two-thirds of the increase in the Consumer Price Index for Canada during 2010. The combined effect of past COLA increases accounts for approximately 18% of the total benefits paid to retirees in 2010.

Financial Market Volatility

The summer months are usually a quiet time for financial markets; however, this year has been an exception. European government debt concerns combined with the recent downgrade of the long-term credit rating of the USA by Standard & Poor's has led to a dramatic increase in market volatility and renewed speculation regarding the possibility of a double dip recession in the USA. Although the MTS Pension Plan is not invested in USA or European government debt, these events have created economic uncertainty and increased the volatility of the stock markets the Plan invests in. Rest assured the MTS Pension Plan is well diversified with a conservatively structured asset mix that tends to outperform its market index benchmarks during economic downturns, and over the long-term.

The key to a secure defined benefit pension plan is a strong plan sponsor. MTS is in a solid financial position with strong profitability and cash flows. MTS contributed \$58.9 million to the Plan over the past year, and \$393.7 million since inception of the Plan in 1997. MTS employees have contributed \$139.8 million to the Plan since 1997. In addition, MTS has arranged for \$113.0 million in letters of credit to be issued to the Plan. Supporting your pension plan is a responsibility MTS takes very seriously.

If you have any questions regarding this information please contact Benefits Administration at (204) 941-7347 or send an e-mail to mtspensionplan@mts.ca or if you would like more information on your personal retirement benefits please contact the CSSB at (204) 957-8722 or 1-800-432-5134.