



CSS Pension Plan

A balanced and planned approach to successful retirement for co-operative and credit union employees

**Fourth Quarter
December 31, 2008
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UNIT PRICES

Over the 4th Quarter of 2008 the unit price of the Balanced Fund fell from \$11.5521 to \$10.5034 or 9.08%. Over the same period, the unit price of the Money Market Fund rose from \$11.3796 to \$11.4734 or 0.82%. Component returns for the Balanced Fund and Money Market Fund for the 4th Quarter and for the 2008 year appear below.

BALANCED FUND

Investment Managers	4 th Quarter Returns (%)		2008 Returns (%)	
	CSS	Index	CSS	Index
Addenda: Canadian Bonds	3.36%	4.50%	4.76%	6.41%
TD Asset Mgmt: Canadian Bonds	4.35%	4.50%	6.27%	6.41%
Addenda: Canadian Equities	-23.68%	-22.71%	-34.21%	-33.00%
Scheer Rowlett : Canadian Equities	-25.08%	-22.71%	N/A	N/A
Northwater: U.S. Mid Cap Equities	-28.39%	-28.82%	-39.04%	-39.05%
Northwater: U.S. Lg Cap Equities	-24.05%	-24.46%	-39.26%	-38.96%
Brandes: Global Equities	-7.47%	-9.17%	-30.09%	-25.84%
Sprucegrove: Non-NA Equities	-9.64%	-7.06%	-28.14%	-29.18%
Thornburg: World Equities	-9.65%	-9.83%	-30.91%	-31.86%
Total Return	-9.08%	-9.36%	-18.57%	-18.52%

Asset Mix (Weightings)

	<u>Dec 31, 2008</u>	<u>Dec 31, 2007</u>
Equities:		
Canadian equities	17.3%	
Foreign equities	33.2%	
Total Equities:	50.5%	60.3%
Fixed Income:		
Bonds	47.8%	
Short term	1.7%	
Total Fixed Income:	49.5%	39.7%
	100.0%	100.0%

MONEY MARKET FUND

Investment Manager	4 th Quarter Return (%)		2008 Return (%)	
	CSS	Index	CSS	Index
TD Asst Mgmt: Short Term Inv.	0.93%	0.72%	3.77%*	3.33%

* Return before administrative expenses.

Asset Mix (Weightings)

	<u>Dec 31, 2008</u>	<u>Dec 31, 2007</u>
Fixed Income:		
Short Term:	100.0%	100.0%

2008 FUND RETURNS

The Plan offers members two unitized funds for the investment of their contributions and accumulated benefits – a Balanced Fund and a Money Market Fund. Realized and unrealized gains, losses, dividends, interest and expenses relating to the investment and administration of these funds are allocated to members through daily changes in each fund's unit price. A fund unit price allocates true market returns in real time. A fund unit price also serves as an index, so that the percentage change in the unit price over time is the fund's rate of return. For example, if a fund unit price at the start of the year is \$10 and at the end of the year is \$10.50, the fund has earned a 5% return (e.g. (\$10.50 - \$10.00) / \$10.00). Using the actual 2008 opening and closing unit prices for the Balanced Fund and Money Market Fund produced the following **2008 fund rates of return:**

Balanced Fund: -18.57%
Money Market Fund: 3.56%

The Balanced Fund's 10-year annualized return, as shown in members' 2008 Annual Statements, is 4.71%. This compares favorably with the fund's benchmark, which earned an annualized return of 3.68% over the same period. For more information on the Plan's Balanced Fund or the Money Market Fund, please visit the Plan's website or contact our office.

EQUITY RETURNS

Although year-end rallies helped stocks to recoup some of their 2008 losses, equity markets still suffered substantial declines in the fourth quarter of 2008. North American equities had their worst year since the 1930's while European and Japanese shares posted their worst performance ever.

Canadian equities, as represented by the S&P TSX Composite Index, posted a loss of 22.71% over the quarter. Financials, energy and information technology suffered the greatest declines with consumer staples being the only sector to post a gain. Addenda Capital (previously Co-operators Investments), the Plan's original active Canadian equity manager, under performed its benchmark, earning a return of -23.68%. The Plan's new active Canadian equity manager, Scheer Rowlett, also failed to add value, posting a return of -25.08%.

U.S. equities also experienced double-digit losses, although a falling Canadian dollar helped to reduce these losses for unhedged Canadian investors. EAFE and Emerging Market equities performed slightly better, but also suffered losses over the fourth quarter. The Plan's Global equity manager, Brandes Investment Partners, was able to add value to its benchmark (the MSCI World Index), while losing 7.47%. Our active EAFE equity manager, Sprucegrove Investment Management Ltd., under performed its benchmark (the MSCI EAFE Index), posting a return of -9.64%, while the Plan's All Countries World Equities manager, Thornburg Investment Management, out performed its benchmark posting a loss of 9.65%. The Plan's passive U.S. equity manager, Northwater Capital, closely tracked its benchmarks over the fourth quarter.

BOND RETURNS

The Canadian bond market produced positive returns in the fourth quarter, with the Dex Universe Bond Index showing a total return of 4.5% for the quarter. Government of Canada bonds performed best, as investors continued to seek a safe haven from collapsing equities. Longer maturities were the best-performing sector of the market while corporate bonds lagged. Our active bond manager, Addenda Capital, under performed the index, generating a return of 3.36% while the passive bond manager, TD Asset Management, closely tracked the index over the quarter.

ANNUAL STATEMENTS

2008 Annual Statements for active contributors will be delivered to employers for distribution in early February 2009. When the statements are received they should be distributed **immediately** to member employees. Employers receiving statements for employees who have recently terminated employment, should: (i) forward those statements to their former employees **AND** (ii) immediately notify the Pension Plan of the termination date and home address for each former employee. Occasionally, members may notice a difference in the pension contribution amount shown on their Annual Statement and the pension contribution amount on their T4 slip from their employer. If this occurs, it is because the member's final 2008 contributions arrived at the Pension Plan's office after December 31. Due to unit pricing, contributions must now be recorded in the same year that they are received at the Plan's office. Any 2008 contributions received after December 31 will therefore be included on the member's 2009 Annual Statement, although they may be recorded on the member's T4 slip for 2008.

Member's Annual Statements include information on the Money Market Fund for members who have elected to hold part of their accumulated benefits in this fund. The 2008 Annual Statements also include personal rates of return for most members. Members should note that depending on the length and particulars of their account transaction history, their personal rate of return might be different from the returns earned by the Plan's investment funds. **Personal rates of return are not estimated for members with less than two years in the Plan.** We encourage these members to use fund returns when projecting future balances for purposes of retirement planning.

Because the Plan offers more than one investment fund, not all members will earn the same investment return. The 2008 Annual Statements therefore include pension projections at four different potential rates of return. **Remember that these projections are only estimates!** Members' pension projections are re-calculated every year, based on the *actual* contributions received and the *actual* returns for the year. However, the calculations are also based upon economic assumptions that change from year to year with current economic conditions. Therefore, your projected pension may vary from that shown on past Annual Statements.

You should keep your 2008 Annual Statement in a safe place. If you have any questions about your pension account and wish to contact the Plan by telephone, please have your 2008 Annual Statement ready for reference purposes.

CSS asks all employers to make a special effort to bring the information contained in this newsletter to the attention of their employees prior to the receipt of their 2008 Annual Statements. Your co-operation in this regard is appreciated.