

CSS Pension Plan

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

Second Quarter
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Quarterly Update

Attention
General Manager

UNIT PRICES

Over the 2nd Quarter of 2006 the unit price of the Balanced Fund declined from \$11.6297 to \$11.3825. This represents a loss of 2.13% for the quarter. Over the same period, the unit price of the Money Market Fund increased from \$10.3077 to \$10.3990. This represents a gain of 0.89% for the quarter.

BALANCED FUND

Investment Managers	2 nd Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
CICL: Canadian Bonds	-1.07%	-1.02%	-1.36%	-1.45%
TD Asset Mgmt: Canadian Bonds	-1.03%	-1.02%	-1.48%	-1.45%
CICL: Can. Equities	-2.48%	-3.50%	3.80%	4.19%
TD Asset Mgmt: Can. Equities	-3.49%	-3.50%	4.22%	4.19%
Northwater: U.S. Mid Cap Equities	-3.48%	-3.35%	3.63%	3.71%
Northwater: U.S. Lg Cap Equities	-1.72%	-1.68%	2.16%	2.19%
Brandes: Global Equities	-3.14%	-5.16%	3.88%	0.97%
Sprucegrove: Non-NA Equities	-4.00%	-4.00%	4.80%	4.88%
Northwater: Non-NA Equities	-3.56%	-3.67%	4.14%	4.67%
Total Return	-2.13%	-2.23%	1.47%	1.14%

Asset Mix (Weightings)

	June 30, 2006	June 30, 2005
Equities:		
Canadian equities	20.9%	
Foreign equities	34.1%	
Total Equities:	55.0%	54.7%
Fixed Income:		
Bonds	43.8%	
Short term	1.2%	
Total Fixed Income:	45.0%	45.3%
	100%	100%

MONEY MARKET FUND

Investment Manager	2 nd Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
TD Asst Mgmt: Short Term Inv.	0.89%	0.94%	1.67%	1.79%

Asset Mix (Weightings)

	June 30, 2006	June 30, 2005
Fixed Income		
Short Term:	100%	100%

See page 2 over . . .

COMMENTARY

Canadian stock and bond markets both lost ground in the 2nd quarter of 2006, with the S&P/TSX falling by approximately 13% over the two months from April 19th to June 13th, before recovering somewhat at the end of June. Information technology, health care and financials lead the decline. The S&P/TSX was down 3.5% for the second quarter. The Canadian bond market also ended the second quarter in negative territory with the Scotia Capital Universe Bond Index falling by 1.02% from March 31 to June 30.

U.S. equity returns were also weaker, with investors continuing to worry about high oil prices and the risk of inflation. During the second quarter of 2006, the S&P 500 Index (U.S. Large Cap Equities), hedged to Canadian dollars, declined 1.68%, while the S&P 400 Index (U.S. Mid Cap Equities), hedged to Canadian dollars, lost 3.35%. Losses on Non-North American equities were similar, with the MSCI EAFE Index (Non-North American Equities) falling 4.00%, and the MSCI World Index (Global Equities) declining 5.16%.

The Canadian dollar rose by 4.6% against the U.S. dollar over the second quarter, while its performance was mixed against EAFE currencies. For Canadian investors, these currency movements reduced returns on U.S. equities, while returns on Non-North American equities in Canadian dollars varied.

Equities: Equities entered the second quarter strongly before selling off in May and June as investors worried about inflation and higher interest rates. Canadian equities, Non-North American and U.S. Equities all posted losses over the quarter. The Plan's active Canadian equity manager outperformed its benchmark, producing a return of -2.48%. The active Non-North American equity manager was unable to add value, losing 4.00%. The active Global equity manager outperformed its benchmark, earning -3.14%. The Plan's passive equity managers closely tracked their benchmarks. Passive Canadian equities were down 3.49%, passive Non-North American equities lost 3.56%, passive U.S. Large Cap equities fell 1.72%, and passive U.S. Mid Cap equities declined 3.48%.

Fixed Income: The Bank of Canada raised rates twice in the second quarter of 2006, causing bond prices to fall. The U.S. Federal Reserve also continued tightening with 0.25% increases on May 10 and June 29. Longer maturities fared worst in the second quarter with long-term bonds losing 2.9%. The Plan's active bond manager, CICL, underperformed the index, producing a return of -1.07%. The passive bond manager, TD Asset Management closely tracked its benchmark, with a return of -1.03%.

VARIABLE BENEFIT PAYMENTS

The CSS Pension Plan is preparing to introduce a new retirement income option for members who wish to stay in the Plan after retirement but do not want an annuity-style pension. The new option is called Variable Benefit (VB) Payments. On May 10th Saskatchewan's pension legislation was amended to make VB Payments legal in Saskatchewan. Similar amendments were passed in BC in 2004 and are expected in Alberta and Manitoba in the future.

VB Payments are simply periodic withdrawals of your own funds from your CSS Account. The funds withdrawn are deposited electronically to your credit union or bank account. VB Payments do not offer a guaranteed income for life like a pension. However, they provide more flexibility in terms of investment and payment choices during retirement.

With VB Payments, you maintain ownership of your balance and have limited control over how much to withdraw each year. In all provinces, there is a minimum withdrawal requirement beginning in the year that you turn 70. In most provinces there is also a maximum withdrawal limit. Under Saskatchewan pension legislation, there is no maximum.

VB Payment application forms and information will be available on the Plan's website (www.csspen.com) in August or can be obtained by contacting the Plan's office at 306-244-1539. Applications are now being accepted to start VB Payments beginning in September 2006.

SEMINARS & WORKSHOPS

Retirement Income Options (RIO) Workshops for the remainder of 2006 are TENTATIVELY scheduled as follows:

September 9	Red Deer, AB
October 14 & 18	Saskatoon, SK
October 28	Winnipeg, MB

Retirement Income Options (RIO) workshops are typically scheduled for Saturday mornings from 8:30am to 12:00 noon (local times). However, this year the Plan will try one evening session on Wednesday, October 18th in Saskatoon.

Retirement Planning Seminars (RPS) for the remainder of 2006 are TENTATIVELY scheduled as follows:

October 3	Brandon, MB
November 15	Regina, SK

The RPS is designed for members aged 50 and over and their spouses. Through group discussion, exercises and presentations participants examine various retirement-related topics, including health, wills and estates, housing, the psychology of aging, sources of income and financial planning.

The CSS Pension Plan would greatly appreciate you sharing the information contained in this Quarterly Update with your employees and associates.