

CSS Pension Plan

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

Second Quarter
June 30, 2007
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Quarterly Update

**Attention
General Manager**

UNIT PRICES

Over the 2nd Quarter of 2007 the unit price of the Balanced Fund increased from \$12.8368 to \$13.0420. This represents a gain of 1.60% for the quarter. Over the same period, the unit price of the Money Market Fund increased from \$10.7221 to \$10.8248. This represents a gain of 0.96% for the quarter.

BALANCED FUND

Investment Managers	2 nd Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
CICL: Canadian Bonds	-1.89%	-1.67%	-0.97%	-0.78%
TD Asset Mgmt: Canadian Bonds	-1.70%	-1.67%	-0.79%	-0.78%
CICL: Can. Equities	5.62%	6.28%	8.12%	9.05%
TD Asset Mgmt: Can. Equities	6.29%	6.28%	9.07%	9.05%
Northwater: U.S. Mid Cap Equities	5.42%	5.27%	11.24%	11.11%
Northwater: U.S. Lg Cap Equities	5.82%	5.69%	6.17%	6.10%
Brandes: Global Equities	-0.45%	-1.79%	1.59%	-0.21%
Sprucegrove: Non-NA Equities	-2.57%	-1.89%	-0.97%	1.23%
Non-NA Equities – Transition	6.26%	N/A	9.60%	N/A
Total Return	1.60%	1.52%	3.35%	3.53%

Asset Mix (Weightings)

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Equities:		
Canadian equities	21.8%	
Foreign equities	41.0%	
Total Equities:	62.8%	55.0%
Fixed Income:		
Bonds	36.4%	
Short term	0.8%	
Total Fixed Income:	37.2%	45.0%
	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.	0.96%	1.03%	1.97%	2.08%

Asset Mix (Weightings)

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Fixed Income		
Short Term:	100%	100%

See page 2 over . . .

COMMENTARY

Canadian stocks gained ground in the 2nd quarter of 2007, with the S&P/TSX rising by approximately 6.28% over the quarter. The Canadian bond market, however, ended the second quarter in negative territory with the Universe Bond Index falling by 1.67% from March 31 to June 30.

U.S. Equity returns, excluding currency, were also positive during the second quarter of 2007. The S&P 500 Index (U.S. Large Cap Equities), hedged to Canadian dollars, rose 5.69%, while the S&P 400 Index (U.S. Mid Cap Equities), hedged to Canadian dollars, gained 5.27%. Non-North American Equities, however, experienced losses in terms of Canadian dollars, with the MSCI EAFE Index (Non-North American Equities) falling 1.89%, and the MSCI World Index (Global Equities) declining 1.79%.

The Canadian dollar rose by 8.45% against the U.S. dollar over the second quarter. For Canadian investors, this reduced returns on U.S. investments.

Equities: Canadian Equities, Non-North American and U.S. Equities all posted gains in local currencies over the quarter. The Plan's active Canadian equity manager under performed its benchmark, producing a return of 5.62%. The active Non-North American equity manager was unable to add value, losing 2.57%. The active Global equity manager outperformed its benchmark, losing -0.45%. The Plan's passive equity managers closely tracked their benchmarks.

Fixed Income: Fixed income investments sold off significantly over the quarter, as investors realized that interest rate cuts expected for later in the year were less likely to materialize. The Plan's active bond manager, CICL, under performed the index, producing a return of -1.89%. The passive bond manager, TD Asset Management closely tracked its benchmark, with a return of -1.70%.

NEW ACTIVE EAFE MANAGER SELECTED

A new active Non-North American Equity (EAFE) mandate was added to the Balanced Fund in the second quarter of 2007. Thornburg Investment Management will manage the funds previously held in the passive synthetic EAFE mandate managed by Northwater Capital Management. This move concludes a search and selection process that began in 2006. Thornburg is expected to add value to this mandate through active management over the long term. The new mandate, however, will no longer be hedged to Canadian dollars.

PENSION INCOME SPLITTING

Effective January 1, 2007, up to 50% of a retiree's pension income may be split with his/her spouse for federal income tax purposes. This includes all income to which the \$2,000 pension exemption applies – that is, variable benefits or

pension payments received directly from the CSS Pension Plan at any age, or payments from a LIF, LRIF, PRRIF or RRIF starting at age 65. Spouses wishing to split pension income must file their 2007 tax returns together. They must also sign and file a joint election with each return. To split pension income, spouses must be Canadian residents and cohabiting at year-end. Any tax savings resulting will be refunded by CRA. A number of provinces have also introduced similar pension income splitting provisions when calculating provincial income tax payable.

MANITOBA VARIABLE BENEFIT PAYMENTS

Variable Benefit (VB) Payments became available to Manitoba retirees on June 12, 2007. 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 72. In most provinces, including Manitoba, there is also a maximum withdrawal limit. Manitoba VB application forms and information will be available on the Plan's website (www.csspen.com) by the end of July, or can be obtained immediately by contacting the Plan's office at 306-244-1539.

SEMINARS & WORKSHOPS

Retirement Income Options (RIO) Workshops for the remainder of 2007 are TENTATIVELY scheduled as follows:

September 8, 2007	Lethbridge, AB
October 13, 2007	Brandon, MB
November 3, 2007	Saskatoon, SK

Retirement Income Options (RIO) workshops are typically scheduled for Saturday mornings from 8:30am to 12:00 noon (local times).

Retirement Planning Seminars (RPS) for the remainder of 2007 are TENTATIVELY scheduled as follows:

October 30, 2007	Red Deer, AB
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The RPS is a "full day" seminar designed for members aged 50 and over and their spouses.

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