

CSS Pension Plan

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

**Second Quarter
June 30, 2008
Volume 11, Issue 2**

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Quarterly Update

**Attention
General Manager**

UNIT PRICES

Over the 2nd Quarter of 2008 the unit price of the Balanced Fund increased slightly from \$12.5553 to \$12.6211. This represents a gain of 0.52% for the quarter. Over the same period, the unit price of the Money Market Fund increased from \$11.2080 to \$11.2877. This represents a gain of 0.71% for the quarter.

BALANCED FUND

Investment Managers	2 nd Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
Addenda: Canadian Bonds	-0.72%	-0.72%	2.14%	2.21%
TD Asset Mgmt: Canadian Bonds	-0.71%	-0.72%	2.17%	2.21%
Addenda: Can. Equities	9.13%	9.09%	5.26%	5.99%
Scheer Rowlett: Can. Equities	10.70%	9.09%		
Northwater: U.S. Mid Cap Equities	5.17%	5.22%	-4.58%	-4.19%
Northwater: U.S. Lg Cap Equities	-3.02%	-2.86%	-12.71%	-12.05%
Brandes: Global Equities	-6.27%	-2.76%	-15.31%	-8.07%
Sprucegrove: Non-NA Equities	-6.38%	-3.35%	-8.62%	-8.47%
Thornburg: World (ex US) Equities	-3.45%	-2.23%	-10.09%	-7.65%
Total Return	0.52%	1.01%	-2.16%	-1.18%

Asset Mix (Weightings)

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Equities:		
Canadian equities	22.4%	
Foreign equities	36.6%	
Total Equities:	59.0%	62.8%
Fixed Income:		
Bonds	39.4%	
Short term	1.6%	
Total Fixed Income:	41.0%	37.2%
	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.	0.77%	0.55%	1.99%	1.78%

Asset Mix (Weightings)

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Fixed Income		
Short Term:	100%	100%

See page 2 over . . .

COMMENTARY

After a weak start in the first quarter, Canadian Equities posted significant gains in the second quarter, lead by Energy, Materials and Utilities. Although the S&P/TSX began to fall again in June, it still rose by 9.09% over the quarter. The Canadian bond market, however, lost value with the DEX Universe Bond Index falling by 0.72%.

Foreign Equities generally lost value, with Financials performing worst, as investors worried about the effects of recession and inflation on corporate earnings. U.S. Equity returns were mixed during the second quarter of 2008. The S&P 500 Index (U.S. Large Cap Equities), hedged to Canadian dollars, fell 2.86%, while the S&P 400 Index (U.S. Mid Cap Equities), hedged to Canadian dollars, gained 5.22%. Non-North American Equities experienced losses in terms of Canadian dollars, with the MSCI EAFE Index (Non-North American Equities) falling 3.35%. The MSCI World Index (Global Equities) declined 2.76%, while the All Countries World Index (World Equities) fell 2.23% for the second quarter.

The Canadian dollar rose slightly against the U.S. dollar over the second quarter. For Canadian investors, this reduced gains or increased losses on U.S. investments.

Equities: The Plan's active Canadian Equity managers out performed their benchmarks over the quarter, with Addenda Capital (previously CICAL) producing a return of 9.13%, while the Plan's new manager, Scheer Rowlett, earned 10.7%. The active Non-North American equity manager was unable to add value, losing 6.38%. The active Global and World Equities managers under performed their benchmarks, losing 6.27% and 3.45% respectively. The Plan's passive equity manager closely tracked its benchmarks.

Fixed Income: Bonds lost value over the quarter, as fixed income investors worried about inflation. The Plan's active bond manager, Addenda Capital, equalled the index, producing a return of -0.72%. The passive bond manager, TD Asset Management closely tracked the index.

NEW CANADIAN EQUITIES MANAGER

A new active Canadian Equities manager was funded at the end of the first quarter. After completing a portfolio study, the Plan's investment consultant recommended that the Balanced Fund's **passive** Canadian Equities be transferred to an **active** manager.

This move concludes a search and selection process that began in 2007. Scheer Rowlett is expected to add value through active management over the long term after allowing for the higher cost of active management.

CO-OPERATORS INVESTMENTS

On April 22, 2008, the CSS Pension Plan's first and longest serving investment manager, Co-operators Investments Counselling Limited, amalgamated with Addenda Capital, a large institutional fixed income manager based in Quebec. The combined firm will continue its operations as Addenda Capital at offices located in Guelph, Toronto Montreal and Regina. The investment teams managing CSS Pension Plan's Canadian Equities and Fixed Income mandates in Guelph are expected to continue in their current positions. The new firm, Addenda Capital, with over thirty investment professionals, will offer enhanced scale, a broader diversity of investment products and two distinct investment styles.

PENSION INCOME SPLITTING

In 2007 the Income Tax Act was amended to permit retirees to split "eligible pension income" with their spouses for federal income tax purposes. Initially the Plan was advised that income splitting would apply equally to regular monthly pensions and to Variable Benefit (VB) payments. Last November, however, Finance Canada, advised that income splitting would not apply to VB payments until the recipient reaches age 65. This means that CSS Pension Plan members who are receiving a fixed monthly pension can split their pension income with their spouse immediately on retirement, while members who are receiving VB payments cannot. The Plan is currently lobbying the Federal Government to change its position on this matter. Members are encouraged to write to their MP's to express their concern. Letter templates for the use of both employees and employers will be placed on the CSS Pension Plan website by the end of August.

SEMINARS & WORKSHOPS

Retirement Income Options (RIO) Workshops for the remainder of 2008 are TENTATIVELY scheduled as follows:

September 6, 2008	Calgary, AB
October 25, 2008	Winnipeg, MB
November 1, 2008	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 2008 are TENTATIVELY scheduled as follows:

September 30, 2008	Swift Current, SK
November 13, 2008	Salmon Arm, BC

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.