

CSS Pension Plan

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

**Second Quarter
June 30, 2009
Volume 12, Issue 2**

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Quarterly Update

**Attention
General Manager**

UNIT PRICES

Over the 2nd Quarter of 2009 the unit price of the Balanced Fund increased from \$10.2002 to \$11.2098. This represents a gain of 9.89% for the quarter. Over the same period, the unit price of the Money Market Fund increased from \$11.5097 to \$11.5288. This represents a gain of 0.16% for the quarter.

BALANCED FUND

Investment Managers	2 nd Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
Addenda: Canadian Bonds	3.03%	1.25%	4.06%	2.79%
TD Asset Mgmt: Canadian Bonds	1.17%	1.25%	2.65%	2.79%
Addenda: Can. Equities	18.87%	19.97%	15.51%	17.56%
Scheer Rowlett: Can. Equities	22.69%	19.97%	18.05%	17.56%
Northwater: U.S. Mid Cap Equities	18.10%	17.57%	8.14%	7.04%
Northwater: U.S. Lg Cap Equities	15.40%	14.79%	2.99%	1.78%
Brandes: Global Equities	12.18%	11.46%	-2.43%	0.05%
Sprucegrove: Non-NA Equities	13.14%	15.78%	4.57%	1.56%
Thornburg: World (ex US) Equities	15.11%	17.77%	5.49%	7.17%
Total Return	9.89%	10.46%	6.71%	6.09%

Asset Mix (Weightings)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<u>Equities:</u>		
Canadian equities	20.0%	
Foreign equities	40.0%	
Total Equities:	60.0%	59.0%
<u>Fixed Income:</u>		
Bonds	37.3%	
Short term	2.7%	
Total Fixed Income:	40.0%	41.0%
	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.	0.22%*	0.12%	0.61%*	0.45%

* Return before administrative expenses.

Asset Mix (Weightings)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<u>Fixed Income</u>		
Short Term:	100%	100%

grade bonds. The Fund is currently valued at approximately \$100 million. The primary investment objective is to ensure that all pensions being paid to CSS retirees. This is done through a process known as immunization.

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Fiera's task will be to ensure that the structure of the bond portfolio held in the Pensions Fund matches as closely as possible the Plan's pension liability. Fiera will also handle the investment of new funds committed to CSS pensions and will advise the Plan on the monthly conversion rates used to calculate new pensions.

The CSS Board resolved to retain an immunization manager after the recent market collapse caused a small decline in the value of the Pensions Fund. This has resulted in the suspension of the Board's ad hoc pension adjustment program for 2009.

The retainer of Fiera Capital concludes an RFP process that began early in 2009. Previously the immunization of the Pensions Fund was handled internally by CSS, while the investment of the portfolio was managed by Addenda Capital.

In addition to immunizing the Pensions Fund to minimize the risks associated with economic and interest rate uncertainty, Fiera will also manage the Pensions Fund surplus. The costs of this new mandate will be slightly lower than the costs previously paid for management of the CSS Pensions Fund.

SEMINARS & WORKSHOPS

Retirement Income Options (RIO) Workshops for the remainder of 2009 are TENTATIVELY scheduled as follows:

Red Deer AB	September 12, 2009
Brandon MB	October 24, 2009
Prince Albert SK	November 7, 2009
North Battleford SK	November 14, 2009

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 2009 are TENTATIVELY scheduled as follows:

Yorkton SK	October 28, 2009
Calgary AB	November 25, 2009

The RPS is a "full day" seminar 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.

COMMENTARY

Equity markets around the world rallied strongly in the second quarter, as investors hoped that the worst of the global recession might be over. The S&P/TSX (Canadian Equities) earned 19.97% over the quarter, with only one of ten sectors declining slightly (telecommunication services). At the same time, the Canadian bond market, represented by the DEX Universe Bond Index, increased by 1.25%.

Foreign Equities generally produced similar returns when measured in Canadian dollars, with Financials and Information Technology performing best in U.S. markets. The S&P 500 Index (U.S. Large Cap Equities), hedged to Canadian dollars, gained 14.79%, while the S&P 400 Index (U.S. Mid Cap Equities), hedged to Canadian dollars increased by 17.57%. Non-North American Equities also produced double-digit returns in Canadian dollars, with the MSCI EAFE Index (Non-North American Equities) rising 15.78%, the MSCI World Index (Global Equities) improved by 11.46%, while the All Countries World Index (World Equities) added 17.77% for the second quarter.

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

Equities: One of the Balanced Fund's active equity managers, Scheer Rowlett, out performed its benchmark over the second quarter, producing a return of 22.69%, while the other, Addenda Capital, slightly under performed at 18.87%. The Fund's active Non-North American equity manager was unable to add value, gaining 13.14%. The active Global Equity manager out performed its benchmark with a return of 12.18%, while the All Countries World manager failed to add value, producing a return of 15.11%. The Plan's passive equity manager closely tracked its benchmarks.

Fixed Income: Bonds produced moderate gains over the second quarter as the Bank of Canada left its overnight rate unchanged at 0.25% – the lowest level in the Bank's 75-year history. The Plan's active bond manager, Addenda Capital, out performed the index due to an overweight in corporate bonds, producing a return of 3.03%. The Balanced Fund's passive bond manager, TD Asset Management slightly under performed its benchmark.

NEW PENSIONS FUND MANAGER

In June of 2009, Fiera Capital of Toronto was hired to manage the immunization of the CSS Pensions Fund – the segregated bond fund that supports the pensions paid to CSS retirees.

The CSS Pensions Fund holds only long-term, investment-