

CSS Pension Plan

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

**Second Quarter
June 30, 2010
Volume 13, Issue 2**

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Quarterly Update

**Attention
General Manager**

UNIT PRICES

Over the 2nd Quarter of 2010 the unit price of the Balanced Fund decreased from \$12.639216 to \$12.161154. This represented a loss of 3.78% for the quarter. Over the same period, the unit price of the Money Market Fund increased from \$11.558592 to \$11.568212. This represented a gain of 0.15% for the quarter.

BALANCED FUND

Investment Managers	2 nd Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
Addenda: Canadian Bonds	2.44%	2.93%	4.46%	4.22%
TD Asset Mgmt: Canadian Bonds	2.94%	2.93%	4.32%	4.22%
Addenda: Can. Equities	-6.49%	-5.51%	-4.70%	-2.55%
Scheer Rowlett: Can. Equities	-6.40%	-5.51%	-3.28%	-2.55%
SSgA: U.S. Mid Cap Equities	-5.30%	-5.30%	-0.03%	-0.02%
SSgA: U.S. Lg Cap Equities	-7.19%	-7.23%	-5.32%	-5.38%
Brandes: Global Equities	-7.28%	-8.53%	-7.06%	-8.61%
Sprucegrove: Non-NA Equities	-5.38%	-9.89%	-4.19%	-12.04%
Thornburg: World (ex US) Equities	-5.54%	-8.30%	-6.62%	-9.85%
Total Return	-3.78%	-4.09%	-1.33%	-2.14%

Asset Mix (Weightings)

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Equities:		
Canadian equities	20.1%	
Foreign equities	37.9%	
Total Equities:	58.0%	60.0%
Fixed Income:		
Bonds	39.8%	
Short term	2.2%	
Total Fixed Income:	42.0%	40.0%
	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.	0.15%*	0.12%	0.24%*	0.17%

* Return before administrative expenses.

Asset Mix (Weightings)

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Fixed Income		
Short Term:	100%	100%

See page 2 over . . .

COMMENTARY

Equity markets softened during the quarter as investors worried about slowing growth and high sovereign debt levels. The S&P/TSX (Canadian Equities) lost 5.51% over the quarter after four straight quarterly gains. Six of ten sectors declined, lead by information technology and financials. At the same time, the Canadian bond market, represented by the DEX Universe Bond Index, increased by 2.93%.

U.S. Equities produced slightly greater losses, even after allowing for currency gains. The S&P 500 Index (U.S. Large Cap Equities) lost 7.23% CAD, while the S&P 400 Index (U.S. Mid Cap Equities) decreased by 5.30% CAD. Broader foreign equity indices also lost value with the MSCI EAFE Index (Non-North American Equities) falling by 9.89% CAD, the MSCI World Index (Global Equities) declining by 8.53% CAD, while the All Countries World Index (World Equities) was off 8.30% CAD.

The Canadian dollar fell 4.6% against the U.S. dollar over the second quarter. This increased gains on the Balanced Fund's U.S. equities, while producing partially offsetting losses on the Plan's currency hedging strategy.

Equities: Both of the Balanced Fund's active Canadian Equity managers underperformed their benchmarks over the second quarter, with SRA producing a return of -6.40%, while Addenda Capital's return was -6.49%. The Fund's active Non-North American Equity manager was able to add value while losing 5.38%. The active Global Equity manager out performed its benchmark with a return of -7.28%, while the All Countries World manager also reduced the loss on its benchmark by producing a return of -5.54%. The Plan's passive U.S. Equity manager, SSgA, closely tracked its benchmarks.

Fixed Income: Bonds produced solid gains over the second quarter as the Bank of Canada increased its overnight rate from 0.25% to 0.50%. The Plan's active bond manager, Addenda Capital, underperformed the index producing a return of 2.44%. The Balanced Fund's passive bond manager, TD Asset Management closely tracked the benchmark index.

IMMEDIATE VESTING

On June 1st the Plan's Rules were changed to provide immediate vesting for all CSS members across Canada. Previously, employer contributions were not vested or owned by the member until he or she completed two years of active service or reached age 45. Under the Plan's new Rules, employer contributions are now owned by employee members as soon as they are deposited to their CSS accounts.

Under the Plan's old Rule, when members left the Plan and withdrew their own contributions before they had vesting, they forfeited the contributions made by their employer. Under the Plan's new Rule, forfeitures will no longer occur.

This Rule change was required by new pension legislation in Manitoba. Similar changes are pending under the pension legislation of Ontario and Canada. Other provinces are expected to follow suit. In the interest of administrative simplicity this new vesting Rule will apply to all CSS members.

CONTRIBUTIONS AFTER BREAKS IN SERVICE

Under pension legislation, pension plans are permitted to credit breaks in services of up to one year when calculating members' pension entitlements. The CSS Pension Plan includes such a provision. Therefore, when an employee member leaves one CSS employer and then starts work with another CSS employer within one year or less, under the Plan's Rules it is as though the employee never left the Plan.

This means that there is no waiting period before the "new hire" must resume making CSS contributions at the second CSS employer. CSS employers should therefore inquire about previous CSS membership as part of their hiring process. Occasionally, previous plan membership does not come to light until several months after the employee starts work at the second employer. In such a case, the second employer is required to make up employer contributions back to the date of hire.

SEMINARS & WORKSHOPS

Retirement Income Options (RIO) Workshops for the remainder of 2010 are TENTATIVELY scheduled as follows:

Calgary, AB	September 11, 2010
Winnipeg, MB	October 30, 2010
Saskatoon, SK	November 20, 2010

All Retirement Income Options (RIO) workshops are scheduled for Saturday mornings from 8:30am to 12:00 noon (local times). Members (and their spouses) receiving an invitation to a RIO are encouraged to attend.

Retirement Planning Seminars (RPS) for the remainder of 2010 are TENTATIVELY scheduled as follows:

Regina, SK	October 6, 2010
Edmonton, AB	November 16, 2010

The RPS is designed for employees aged 50 and over and their spouses. It includes information on 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.