

CSS Pension Plan

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

**First Quarter
March 31, 2006
Volume 9, Issue 1**

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Co-operative Superannuation
Society Pension Plan
PO Box 1850
Saskatoon, SK S7K 3S2
Phone: (306)244-1539
Fax: (306)244-1088
Internet: www.csspen.com
e-mail: css@csspen.com



Quarterly Update

**Attention
General Manager**

UNIT PRICES

Over the 1st Quarter of 2006 the unit price of the Balanced Fund increased from \$11.217259 to \$11.630248 or 3.68%. Over the same period, the unit price of the Money Market Fund increased from \$10.227989 to \$10.307687 or 0.78%.

BALANCED FUND

Investment Managers	1 st Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
CICL: Canadian Bonds	-0.29%	-0.43%	-0.29%	-0.43%
TD Asset Mgmt: Canadian Bonds	-0.45%	-0.43%	-0.45%	-0.43%
CICL: Can. Equities	6.44%	7.98%	6.44%	7.98%
TD Asset Mgmt: Can. Equities	7.99%	7.98%	7.99%	7.98%
Northwater: U.S. Mid Cap Equities	7.37%	7.31%	7.37%	7.31%
Northwater: U.S. Lg Cap Equities	3.94%	3.93%	3.94%	3.93%
Brandes: Global Equities	7.25%	6.46%	7.25%	6.46%
Sprucegrove: Non-NA Equities	9.17%	9.25%	9.17%	9.25%
Northwater: Non-NA Equities	7.98%	8.65%	7.98%	8.65%
Total Return	3.68%	3.46%	3.68%	3.46%

Asset Mix (Weightings)

	<u>March 31, 2006</u>	<u>31/03/2005</u>
Equities:		
Canadian equities	22.6%	
Foreign equities	34.3%	
Total Equities:	56.9%	56.5%
Fixed Income:		
Bonds	41.7%	
Short term	1.4%	
Total Fixed Income:	43.1%	43.5%
	100%	100%

MONEY MARKET FUND

Investment Manager	1 st Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
TD Asst Mgmt: Short Term Inv.	0.78%	0.84%	0.78%	0.84%

Asset Mix (Weightings)

	<u>March 31, 2006</u>	<u>31/03/2005</u>
Fixed Income		
Short Term:	100%	100%

See page 2 over . . .

COMMENTARY

Canadian stocks posted strong gains in the 1st quarter of 2006, while Canadian bonds suffered a small loss. U.S. equity returns were also good, but not quite as strong as Canadian equities, while EAFE (Non-North American) equities performed best over the quarter.

The S&P/TSX, lead by materials, industrials and information technology, returned 7.98%. The Scotia Capital Universe Bond Index fell by 0.43%. The S&P 500 Index (U.S. Large Cap Equities), hedged to Canadian dollars, rose 3.93%, while the S&P 400 Index (U.S. Mid Cap Equities), hedged to Canadian dollars, increased by 7.31%. The MSCI EAFE Index (Non-North American Equities) valued in local currencies advanced by 9.25%. The MSCI World Index (Global Equities) gained 6.46%.

The Canadian dollar was weaker against the American dollar, finishing at \$0.8562 U.S. The Canadian dollar also fell against the basket of EAFE currencies. For Canadian investors, these currency movements slightly improved returns on investments in foreign equities.

Equities: Equities produced unusually good returns in the first quarter of 2006. The Plan's active Canadian equity manager under performed its benchmark of 7.98%, producing a return of 6.44%. The active Non-North American equity manager was also unable to add value, earning 9.17%. The active Global equity manager out performed its benchmark of 6.46%, earning 7.25%. The Plan's passive equity managers closely tracked their benchmarks. Passive Canadian equities earned 7.99%, passive Non-North American equities gained 7.98%, passive U.S. Large Cap equities rose 3.94% and passive U.S. Mid Cap equities gained 7.37%.

Fixed Income: Bond prices fell as yields rose in response to tightening by central banks. The Bank of Canada raised its overnight rate to 3.75%. The U.S. Federal Reserve also continued tightening with 0.25% increases in the federal funds rate in January and March. Longer maturities underperformed in the first quarter, with corporate bonds outperforming federal, municipal and provincial issues. The Plan's active bond manager, CICL, out performed its benchmark of -0.43%, producing a return of -0.29%. The passive bond manager, TD Asset Management closely tracked its benchmark, with a return of -0.45%.

VARIABLE BENEFITS

The Plan's Rules were amended at the 2006 Annual Meeting on March 31, to permit the Plan to pay Variable Benefits to retirees. Variable Benefits are simply periodic withdrawals from your own CSS account. This new retirement income option will allow members who do not want a pension to stay in the Plan after retirement. The Plan is currently preparing to offer Variable Benefits in the fall

of 2006. However, changes to the pension legislation of each Province will be necessary before Variable Benefits will be available. At the date of writing, necessary changes have already been passed in BC and are expected to pass in Saskatchewan later this spring. Amendments to AB and MB pension legislation are expected some time next year.

CSS BOARD ELECTIONS

Two Director elections were held at the 2006 Annual Meeting. Wayne King of Concentra Financial was re-elected to the Board as an employer Director for a three-year term by acclamation. The two other employer Directors are Peter Zakreski of Federated Co-op in Saskatoon, and Laura Vance, of the Federated Co-op Board of Directors.

Earl Hanson of Southwest Credit Union in Swift Current was re-elected to the Board as an employee Director for a three-year term by acclamation. Audri Wilkinson of Concentra Financial in Winnipeg and Gerry St. Pierre of Barrhead & District Co-op in Alberta are the Plan's other two employee Directors.

SEMINARS & WORKSHOPS

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

April 29, 2006	Dauphin, MB
June 3, 2006	Calgary, AB
September 9, 2006	Red Deer, AB
October 14 & 26, 2006	Saskatoon, SK
November 4, 2006	Winnipeg, MB

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

May 12, 2006	Edmonton, AB
June 14, 2006	Saskatoon, SK
October 3, 2006	Brandon, MB
November 15, 2006	Regina, SK

The RPS is designed for employees aged 50 and over and their spouses. Through group discussion, various exercises, presentations, and with the help of visiting resource authorities 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.