

# CSS Pension Plan

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

**First Quarter  
March 31, 2007  
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# Quarterly Update

**Attention  
General Manager**

## UNIT PRICES

Over the 1<sup>st</sup> Quarter of 2007 the unit price of the Balanced Fund increased from \$12.620869 to \$12.836765 or 1.71%. Over the same period, the unit price of the Money Market Fund increased from \$10.615698 to \$10.722075 or 1.00%.

## BALANCED FUND

Investment Managers	1 <sup>st</sup> Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
CICL: Canadian Bonds	0.93%	0.91%	0.93%	0.91%
TD Asset Mgmt: Canadian Bonds	0.92%	0.91%	0.92%	0.91%
CICL: Can. Equities	2.37%	2.60%	2.37%	2.60%
TD Asset Mgmt: Can. Equities	2.62%	2.60%	2.62%	2.60%
Northwater: U.S. Mid Cap Equities	5.52%	5.55%	5.52%	5.55%
Northwater: U.S. Lg Cap Equities	0.34%	0.39%	0.34%	0.39%
Brandes: Global Equities	2.05%	1.61%	2.05%	1.61%
Sprucegrove: Non-NA Equities	1.64%	3.18%	1.64%	3.18%
Northwater: Non-NA Equities	3.14%	3.64%	3.14%	3.64%
<b>Total Return</b>	<b>1.71%</b>	<b>1.98%</b>	<b>1.71%</b>	<b>1.98%</b>

## Asset Mix (Weightings)

	<u>March 31, 2007</u>	<u>31/03/2006</u>
<b>Equities:</b>		
Canadian equities	21.0%	
Foreign equities	40.4%	
<b>Total Equities:</b>	<b>61.4%</b>	56.9%
<b>Fixed Income:</b>		
Bonds	37.1%	
Short term	1.5%	
<b>Total Fixed Income:</b>	<b>38.6%</b>	43.1%
	<b>100%</b>	100%

## MONEY MARKET FUND

Investment Manager	1 <sup>st</sup> Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
TD Asst Mgmt: Short Term Inv.	1.00%	1.04%	1.00%	1.04%

## Asset Mix (Weightings)

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

See page 2 over . . .

## **COMMENTARY**

Canadian stocks posted decent gains in the 1<sup>st</sup> quarter of 2006, while Canadian bonds did not fare quite as well. The returns on U.S. equities varied widely by market cap, while EAFE (Non-North American) equities continued to advance over the quarter.

The S&P/TSX, lead by the telecom, industrial and consumer discretionary sectors, returned 2.6%. The Scotia Capital Universe Bond Index rose by 0.91%. The S&P 500 Index (U.S. Large Cap Equities), hedged to Canadian dollars, rose only 0.39%, while the S&P 400 Index (U.S. Mid Cap Equities), hedged to Canadian dollars, increased by 5.55%. The MSCI EAFE Index (Non-North American Equities) valued in Canadian dollars advanced by 3.18%. The MSCI World Index (Global Equities) gained 1.61%.

The Canadian dollar was slightly stronger against the American dollar, finishing at \$0.8661 U.S. The Canadian dollar also rose against the EAFE basket of currencies. For Canadian investors, these currency movements slightly reduced returns on investments in foreign equities.

**Equities:** Equities produced more modest returns in the first quarter of 2007. The Plan's active Canadian equity manager under performed its benchmark, producing a return of 2.37%. The active Non-North American equity manager was also not able to add value over the quarter, earning 1.64%. The active Global equity manager out performed its benchmark, earning 2.05%. The Plan's passive equity managers closely tracked their benchmarks with the exception of the passive EAFE mandate.

**Fixed Income:** Bond prices fell slightly as inflation continued to exceed the target ranges of the Bank of Canada and the U.S. Federal Reserve. Longer maturities under performed in the first quarter, with corporate bonds continuing to out perform government issues. The Plan's active bond manager, CICL, out performed its benchmark slightly, producing a return of 0.93%. The passive bond manager, TD Asset Management closely tracked its benchmark, with a return of 0.92%.

## **2007 FEDERAL BUDGET**

Three important changes to the tax treatment of pension income were introduced in the 2007 Federal Budget. Assuming that these amendments pass, CSS members will have greater flexibility as they approach and enter retirement.

Beginning on January 1, legal and common law spouses will be permitted to split their pension income when they file their tax returns. Both spouses will have to agree. By reducing the differential in their incomes, the couple will be able to reduce their combined tax bill. Several provinces have already introduced corresponding amendments to their provincial tax laws. Pension income

splitting will eliminate one of the more serious disadvantages of a DC pension plan as compared to an RRSP – that is, the inability to make spousal contributions to the pension plan.

Also in 2007, the maximum age of deferral for registered plans under the Income Tax Act will increase from 69 back to 71. This will allow pension plan members and RRSP holders to delay the start of retirement income payments until the beginning of the year in which they will reach the age of 72.

Finally, the Income Tax Act will be amended to permit pension plans to offer "phased retirement". Currently, contributing to a pension plan and drawing a pension at the same time is prohibited. Assuming that this provision passes, and provided that your employer agrees, once you qualify for retirement, you could work part-time, continue to contribute to CSS on your part-time earnings, and draw a partial pension all at the same time.

To permit phased retirement, Plan amendments will be required.

## **SEMINARS & WORKSHOPS**

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

April 28, 2007	Edmonton, AB
June 2, 2007	Portage la Prairie, MB
September 8, 2007	Lethbridge, AB
October 13, 2007	Brandon, MB
November 3, 2007	Saskatoon, SK

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 2007 are TENTATIVELY scheduled as follows:

May 10, 2007	Winnipeg, MB
June 6, 2007	Saskatoon, SK
October 30, 2007	Red Deer, AB

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.**