

# CSS Pension Plan

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

**First Quarter  
March 31, 2008  
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# Quarterly Update

**Attention  
General Manager**

## UNIT PRICES

Over the 1<sup>st</sup> Quarter of 2008 the unit price of the Balanced Fund decreased from \$12.899032 to \$12.555289 or 2.66%. Over the same period, the unit price of the Money Market Fund increased from \$11.078833 to \$11.207981 or 1.17%.

## BALANCED FUND

Investment Managers	1 <sup>st</sup> Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
CICL: Canadian Bonds	2.87%	2.95%	2.87%	2.95%
TD Asset Mgmt: Canadian Bonds	2.91%	2.95%	2.91%	2.95%
CICL: Can. Equities	-3.55%	-2.84%	-3.55%	-2.84%
TD Asset Mgmt: Can. Equities	-3.77%	-2.84%	-3.77%	-2.84%
Northwater: U.S. Mid Cap Equities	-9.27%	-9.27%	-9.27%	-9.27%
Northwater: U.S. Lg Cap Equities	-9.99%	-9.47%	-9.99%	-9.47%
Brandes: Global Equities	-9.64%	-5.45%	-9.64%	-5.45%
Sprucegrove: Non-NA Equities	-2.39%	-5.30%	-2.39%	-5.30%
Thornburg: World (ex U.S.) Equities	-6.88%	-5.55%	-6.88%	-5.55%
<b>Total Return</b>	<b>-2.66%</b>	<b>-2.20%</b>	<b>-2.66%</b>	<b>-2.20%</b>

## Asset Mix (Weightings)

	<u>March 31, 2008</u>	<u>31/03/2007</u>
<b>Equities:</b>		
Canadian equities	<b>20.5%</b>	
Foreign equities	<b>37.6%</b>	
<b>Total Equities:</b>	<b>58.1%</b>	61.4%
<b>Fixed Income:</b>		
Bonds	<b>40.2%</b>	
Short term	<b>1.7%</b>	
<b>Total Fixed Income:</b>	<b>41.9%</b>	38.6%
	<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.	1.17%	1.23%	1.17%	1.23%

## Asset Mix (Weightings)

	<u>March 31, 2008</u>	<u>31/03/2007</u>
<b>Fixed Income</b>		
Canadian Short Term:	<b>100%</b>	100%

## COMMENTARY

See page 2 over . . .

Canadian stocks declined . . . . . 2008,

while Canadian bonds posted solid gains. U.S. and EAFE (Non-North American) equities suffered greater losses during the quarter, as an international banking crisis and a slowing U.S. economy worried equity investors.

The S&P/TSX, lead by the materials and energy sectors, lost 2.84%. The DEX Bond Universe Index rose by 2.95%. The S&P 500 Index (U.S. Large Cap Equities), hedged to Canadian dollars, lost 9.47%, while the S&P 400 Index (U.S. Mid Cap Equities), hedged to Canadian dollars, fell 9.27%. The MSCI EAFE Index (Non-North American Equities) valued in Canadian dollars declined by 5.3%. The MSCI World Index (Global Equities) valued in Canadian dollars was off by 5.45%, while the ACWI (ex US) index lost 5.55%.

The Canadian dollar was slightly weaker against the American dollar over the quarter, falling from \$1.0015 to \$0.9742 U.S. For Canadian investors, a weaker Canadian dollar reduced losses on foreign equities.

**Equities:** Equities lost value in the first quarter of 2008. The Plan's active Canadian equity manager under performed its benchmark, producing a return of -3.55%. The active Non-North American equity manager, however, was able to add value over the quarter, earning -2.39%. The active Global equity manager under performed its benchmark, earning -9.64%. The active ACWI equity manager also under performed, posting a return of -6.88%. The Plan's passive Canadian equity manager under performed its benchmark, while the passive U.S. equity manager closely tracked the S&P 400, but under performed the S&P 500.

**Fixed Income:** Bond prices rose as central banks reduced interest rates sharply in the 1<sup>st</sup> quarter of 2008. Longer maturities under performed in the first quarter. Corporate bonds also under performed in reaction to the sub prime and banking crisis in the U.S. The Plan's active bond manager, CICL, under performed its benchmark slightly, producing a return of 2.87%. The passive bond manager, TD Asset Management closely tracked its benchmark, with a return of 2.91%.

**2008 FEDERAL BUDGET**

Two important changes that will benefit CSS Pension Plan members were included in the 2008 Federal Budget. Assuming that these amendments pass, members will have greater flexibility as they save for and enter retirement.

Beginning in 2009, Canadians 18 and over will be able to contribute up to \$5,000 per year to a new Tax Free Savings Account (TFSA). Contributions will not be deductible, but withdrawals will not be taxable. All investment earnings within this new form of registered plan, including interest, capital gains and dividends, will accrue tax-free.

Unused TFSA contribution room will carry forward. Going forward, the maximum contribution amount will be indexed to inflation in \$500 dollar increments.

Monies contributed to a TFSA will have to be invested in the same types of "qualified investments" permitted for RRSP's and RRIF's. Individuals will be able to contribute to a TFSA for their legal or common law spouse provided that the spouse has contribution room available. The balance in a TFSA will be transferred to a spouse or partner on death. There will be no age limits for contributions to, or withdrawals from, a TFSA.

The 2008 Budget will also provide more flexibility to Plan members whose accounts are governed by Federal pension legislation (mainly those working in Nunavut or the Territories). Once the 2008 Budget passes, members governed by Federal legislation will be able to unlock up to 50% of their pension funds at retirement. Members with account balances less than one half of the YMPE will be able to unlock their entire accounts at retirement. Finally, members facing financial hardship will be able to unlock about \$22,000 per year.

**SEMINARS & WORKSHOPS**

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

May 3, 2008	Russell, MB
June 7, 2008	Grande Prairie, AB
September 6, 2008	Calgary, AB
October 25, 2008	Winnipeg, MB
November 1, 2008	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 Seminars (RPS) for the remainder of 2008 are TENTATIVELY scheduled as follows:

May 14, 2008	Saskatoon, SK
June 12, 2008	Brandon, MB
September 30, 2008	Swift Current, SK
November 13, 2008	Salmon Arm, BC

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.**