

CSS Pension Plan

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

**Third Quarter
September 30, 2008
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Quarterly Update

UNIT PRICES

Over the 3rd Quarter of 2008 the unit price of the Balanced Fund decreased from \$12.6211 to \$11.5521 or 8.47%. Over the same period, the unit price of the Money Market Fund increased from \$11.2877 to \$11.3796 or 0.81%.

BALANCED FUND

Investment Managers	3 rd Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
Addenda: Canadian Bonds	-0.76%	-0.37%	1.36%	1.83%
TD Asset Mgmt: Canadian Bonds	-0.33%	-0.37%	1.84%	1.83%
Addenda: Can. Equities	-18.16%	-18.22%	-13.80%	-13.32%
Scheer Rowlett: Can. Equities	-17.16%	-18.22%		
Northwater: U.S. Mid Cap Equities	-10.80%	-10.62%	-14.88%	-14.37%
Northwater: U.S. Lg Cap Equities	-8.38%	-8.12%	-20.03%	-19.19%
Brandes: Global Equities	-10.79%	-11.19%	-24.45%	-18.35%
Sprucegrove: Non-NA Equities	-12.97%	-16.75%	-20.47%	-23.80%
Thornburg: World Equities	-14.95%	-18.17%	-23.53%	-24.43%
Total Return	-8.47%	-9.03%	-10.45%	-10.10%

Asset Mix (Weightings)

	<u>Sept 30, 2008</u>	<u>Sept 30, 2007</u>
<u>Equities:</u>		
Canadian equities	20.1%	
Foreign equities	35.7%	
Total Equities:	55.8%	62.1%
<u>Fixed Income:</u>		
Bonds	42.5%	
Short term	1.7%	
Total Fixed Income:	44.2%	37.9%
	100%	100%

MONEY MARKET FUND

Investment Manager	3 rd Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
TD Asst Mgmt: Short Term Inv.	0.81%	0.79%	2.81%	2.59%

Asset Mix (Weightings)

	<u>Sept 30, 2008</u>	<u>Sept 30, 2007</u>
<u>Fixed Income</u>		
Short Term:	100%	100%

See page 2 over . . .

COMMENTARY

Canadian equities suffered dramatic losses in the 3rd Quarter of 2008, declining by 18.22% from June 30 to September 30. The Canadian bond market produced more modest losses, falling by 0.37% over the quarter.

Foreign equities also posted significant losses. The S&P 500 Index (U.S. Large Cap Equities), hedged to Canadian dollars, fell 8.12%, while the S&P 400 Index (U.S. Mid Cap Equities), hedged to Canadian dollars, lost 10.62%. The MSCI EAFE Index (Non-North American Equities) declined 16.75%, the MSCI World Index (Global Equities / Developed Markets) was lower by 11.19% and the All Countries World Index (ex US) (Developed Markets plus Emerging Markets) fell 18.17%.

The Canadian dollar rose against the Euro but declined against the U.S. dollar, and to a lesser extent, against EAFE currencies during the quarter. Overall, this slightly increased returns for Canadian investors.

Equities: The Plan's active Canadian equity managers outperformed their benchmark. Addenda Capital (CICL) produced a return of -18.16%, while Scheer Rowlett earned -17.16%. The active Non-North American equity manager was able to add value, losing 12.97%, while the active Global equity manager also posted a loss of 10.79%. The Plan's All Countries equity manager earned -14.95%. The Plan's passive equity managers closely tracked their benchmarks. Passive U.S. Large Cap equities, hedged to Canadian dollars lost 8.38% and passive U.S. Mid Cap equities hedged to Canadian dollars were off by 10.80%.

Fixed Income: The banking crisis had a different effect on government and corporate bonds. The prices of government bonds were bid up by a "flight to safety", while corporate bonds sold off as the likelihood of a recession increased. The Plan's active bond manager underperformed the PC Bond Index, producing a return of -0.76%. The passive bond manager closely tracked its benchmark, with a return of -0.33%.

PHASED RETIREMENT

Until recently, it was not possible to draw pension income while continuing to work and contribute to a pension plan. In December of 2007, however, the Income Tax Act was amended to permit this. As a result, CSS Pension Plan members and their employers can now negotiate "phased retirement" arrangements. Under such an arrangement, the employee can continue to work and contribute to the Pension Plan while receiving a retirement income (i.e., a Monthly Pension or Variable Benefit (VB) payments).

To qualify, certain conditions must be met:

- The employee must be age 55 or older;

- The employee must obtain the agreement of his/her employer;
- During phased retirement the employee may not convert more than 60% of his/her pension funds into a Monthly Pension;
- During phased retirement, the employee can convert all of his/her pension funds into VB payments, however any maximum spending limits for each province still apply.

Phased retirement could be a viable option for members who have already saved enough for full retirement, but are willing to work past their planned retirement date. During the agreed period of phased retirement, the employee could continue to work on a reduced basis while maintaining their income level by starting a partial Monthly Pension or VB payment. Although it is not a requirement that the member reduce his/her work time, this will usually be beneficial to reduce income tax payable.

Phased retirement will not work as well for members who have not saved enough for full retirement. This is because, the employee's additional contributions plus earnings during phased retirement will only replace a small portion of the funds used as retirement income during phased retirement.

As usual, each province seems to be implementing phased retirement in a slightly different manner:

- In Saskatchewan, Alberta and Quebec, pension legislation already permits phased retirement whether the employee wishes to start a Monthly Pension or a VB payment.
- In Manitoba, phased retirement is permitted for members wishing to receive VB payments but not a Monthly Pension.
- The pension laws of other provinces will require amendments to permit phased retirement.

If any of your employees is considering a phased retirement arrangement, we encourage you to contact the CSS Pension Plan for more detailed information on the applicable provincial requirements before finalizing an agreement. Pension regulators recommend that a phased retirement agreement be confirmed in writing.

For more information, please feel free to contact us at 306-244-1539, or send written inquiries to csspen@csspen.com.

SEMINARS & WORKSHOPS

The remaining Retirement Income Options Workshop for 2008 is scheduled for Saturday, November 1st, in Saskatoon, SK.

The remaining Retirement Planning Seminar for this year is scheduled for Thursday, November 13th, in Salmon Arm, BC.

The CSS Pension Plan would greatly appreciate you sharing the information contained in this Quarterly Update with your employees and associates.