

CSS Pension Plan

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

Third Quarter
September 30, 2009
Volume 12, Issue 3

Inside this Issue

1 Unit Prices

Balanced Fund

Money Market Fund

2 Commentary

Phased Retirement Update

U.S. Equity Manager Change

Seminars & Workshops

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: csspen@csspen.com



Quarterly Update

UNIT PRICES

Over the 3rd Quarter of 2009 the unit price of the Balanced Fund increased from \$11.2098 to \$12.1321 or 8.23%. Over the same period, the unit price of the Money Market Fund increased from \$11.5289 to \$11.5454 or 0.14%.

BALANCED FUND

Investment Managers	3 rd Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
Addenda: Canadian Bonds	3.87%	2.71%	8.09%	5.58%
TD Asset Mgmt: Canadian Bonds	2.74%	2.71%	5.46%	5.58%
Addenda: Can. Equities	8.39%	10.61%	25.20%	30.04%
Scheer Rowlett: Can. Equities	12.40%	10.61%	32.92%	30.04%
Northwater: U.S. Mid Cap Equities	19.05%	19.24%	28.74%	27.64%
Northwater: U.S. Lg Cap Equities	14.92%	15.01%	18.35%	17.06%
Brandes: Global Equities	8.82%	8.54%	6.18%	8.59%
Sprucegrove: Non-NA Equities	12.46%	10.41%	17.60%	12.13%
Thornburg: World Equities	7.60%	10.61%	13.51%	18.55%
Total Return	8.23%	8.09%	15.49%	14.67%

Asset Mix (Weightings)

	Sept 30, 2009	Sept 30, 2008
Equities:		
Canadian equities	20.2%	
Foreign equities	41.3%	
Total Equities:	61.5%	55.8%
Fixed Income:		
Bonds	35.6%	
Short term	2.9%	
Total Fixed Income:	38.5%	44.2%
	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.	0.21%*	0.09%	0.82%*	0.54%

*MMF returns shown are gross of fees.

Asset Mix (Weightings)

	Sept 30, 2009	Sept 30, 2008
Fixed Income		
Short Term Investments:	100%	100%

See page 2 over . . .

COMMENTARY

Canadian equities extended the rally that began in March of 2009, rising by 10.61% from June 30 to September 30. Canadian bonds also improved significantly over the quarter, posting a return of 2.71%. The Canadian dollar rose against the U.S. dollar in the 3rd Quarter. This slightly decreased the Plan's returns on unhedged U.S. investments.

Equities: The Plan's active equity managers' performance over the quarter varied. Addenda Capital produced a return of 8.39%, while Scheer Rowlett earned 12.40%. The active Non-North American equity manager was able to add value, earning 12.46%, while the active Global equity manager posted a more modest gain of 8.82%. The Plan's All Countries equity manager earned 7.60%. The Plan's passive equity manager closely tracked its benchmarks. Passive U.S. Large Cap equities, hedged to Canadian dollars rose 14.92% while passive U.S. Mid Cap equities hedged to Canadian dollars were up by 19.05%.

Fixed Income: Long-term bonds were the best performing segment of the market in the 3rd Quarter. Corporate bonds continued to post solid gains as corporate yield spreads narrowed from historically wide levels. The Plan's active bond manager out performed the PC Bond Index, producing a return of 3.87%. The passive bond manager closely tracked its benchmark, with a return of 2.74%.

PHASED RETIREMENT UPDATE

To qualify for phased retirement, a CSS employee member must be at least 55 years old and have the written consent of his/her employer. In most cases, phased retirement will involve shorter work hours and starting a partial pension to make up the missing wages. In fact, this is assumed in the Plan's definition of phased retirement, which speaks of "electing to receive **partial** retirement benefits".

Recently the Plan has been asked if employees can start a full pension or variable benefit payment while continuing to work full-time. While there is no provision in the Income Tax Act or the Plan's rules specifically requiring that the employee's hours of work be reduced, CSS has advised these employees that this was not the intention of the Plan's phased retirement rule. They have also been advised that their employer could withhold consent.

Members applying to start retirement income while still working full-time was never anticipated, since this causes all of the member's retirement income to be taxed at his/her maximum marginal tax rate. As a result of these inquiries, the Plan's phased retirement rule is being referred back to the Delegates at the Society's next Annual Meeting for further consideration.

PASSIVE U.S. EQUITY MANAGER CHANGE

In 2000, CSS hired Northwater Capital as its passive U.S. Equity manager. Northwater was selected, in part, because it offered a synthetic U.S. Equities product that was not

covered by the Government of Canada's foreign content limit. A second advantage of this product was that its return was automatically hedged into Canadian dollars, thereby eliminating the volatility associated with currency fluctuations.

In 2005, Canada's foreign content limit was eliminated. Management has therefore been considering closing these mandates so that the funds realized can be invested in the cash markets with a passive U.S. equity manager. By making this change, Management expects that the returns on these mandates will more closely track their benchmarks. This change will also require the Plan to review its currency hedging strategy, since a direct investment in U.S. equities will not be automatically hedged, like the synthetic mandates were.

Terminating the Northwater mandates will also raise another issue. Members might recall that the short-term investments backing the Northwater mandates contained non-bank Asset Backed Commercial Paper (ABCP). This ABCP (which became frozen as a result of the credit crunch in 2007) was restructured and reissued as medium-term floating rate notes in 2008. Although a partial write down on the value of the ABCP was taken at the end of 2007, a further write down may be necessary when the Northwater mandates are closed. Additional information on this issue will be posted on the CSS website as it becomes available.

SEMINARS & WORKSHOPS

Retirement Income Options (RIO) Workshops for the remainder of 2009 are scheduled as follows:

Prince Albert SK	November 7, 2009
North Battleford SK	November 14, 2009

Retirement Income Options (RIO) workshops are typically scheduled for Saturday mornings from 8:30am to 12:00 noon (local times).

Retirement Planning Seminars (RPS) for the remainder of 2009 are scheduled as follows:

Yorkton SK	October 28, 2009
Calgary AB	November 25, 2009

The RPS is a "full day" seminar designed for members aged 50 and over and their spouses. Through group discussion, exercises and presentations, 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.