2009 CSS Annual Report

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A copy of the Co-operative Superannuation Society Pension Plan's Annual Report, including the complete financial statements of the Pension Plan's operations is distributed to every contributing member, to each retiree who is receiving a monthly income directly from the Pension Plan, and to all former employees of member organizations who still have funds in the Pension Plan.

MISSION & VISION

The Co-operative Superannuation Society (CSS), a non-profit pension society incorporated on a membership basis, serves as administrator and fund holder for the CSS Pension Plan (Registered Pension Plan #0345868). The Society's original Act of incorporation states *"The principal purpose [of the Society] is to provide retirement benefits to and for its members."* For almost seventy years, in partnership with its co-operative and credit union employer members, the Society has administered the CSS Pension Plan following this guiding principle.

Mission

To enable employees of member Co-operatives and Credit Unions to prepare for and fund their retirements, by providing saving and income products and services through a member owned and controlled, non-profit organization..

Vision

CSS membership will be highly valued.

Values

- Service
- Fairness
- Simplicity
- Self-help
- Democratic control
- Integrity
- Trust
- Balance
- Life-long Learning
- Member ownership

Objectives

- To be member-focused;
- To provide practical retirement solutions;
- To earn competitive investment returns;
- To prudently manage risks;
- To communicate openly and understandably;
- To meet and exceed applicable regulatory standards;
- To maintain a position of leadership and influence in the pension sector;
- To employ qualified and committed employees, suppliers and consultants;
- To control expense.

OVERVIEW

The CSS Pension Plan is a defined contribution pension plan, sometimes referred to as a money purchase pension plan. As the name implies, it is the contributions that are defined, not the benefit at retirement. The amount of retirement income a member receives depends upon the amount of pension funds accumulated in his/her account. Three factors influence the amount of funds a member accumulates in his/her pension account: (i) the amount contributed by the member and his/her employer; (ii) the investment earnings on those accumulated contributions, and; (iii) the length of time the pension funds are invested.

At December 31, 2009, the CSS Pension Plan continued to offer two investment options, a Balanced Fund and a Money Market Fund.

The Money Market Fund invests entirely in short-term money market instruments. The Balanced Fund is a broadly diversified portfolio of stocks and bonds. The asset mix as of December 31, 2009 for each Fund appears on the next page *(please refer to Graphs 1 and 2)*.

The Money Market Fund's unit price of $11.4734 at the start of the year increased to $11.5545 at yearend, which translates into a return of 0.71% for 2009. The Balanced Fund's unit price of $10.5034 at the start of the year increased to $12.3245 at yearend, which translates into a return of 17.34% for 2009. The chart on the next page shows how each Fund's unit price changed throughout 2009 *(please refer to Graph 3)*.

There is a potential reward for accepting the risks associated with investing in a diversified portfolio of stocks and bonds like the Balanced Fund. The long-term average return of the Balanced Fund is expected to be higher than that of a lower risk / lower return portfolio, such as the Money Market Fund. However, in the short-term it is possible for the Balanced Fund to have a negative return, which was the case in 2002 and 2008. The chart on the next page shows how the accumulated balance compares by investing contributions of $100 per month into each the Balanced Fund and the Money Market Fund (based on each Fund's benchmark portfolio) *(please refer to Graph 4)*.

At the end of 2009, there was $2,246,838,000 and $81,386,000 in the Balanced Fund and the Money Market Fund respectively.

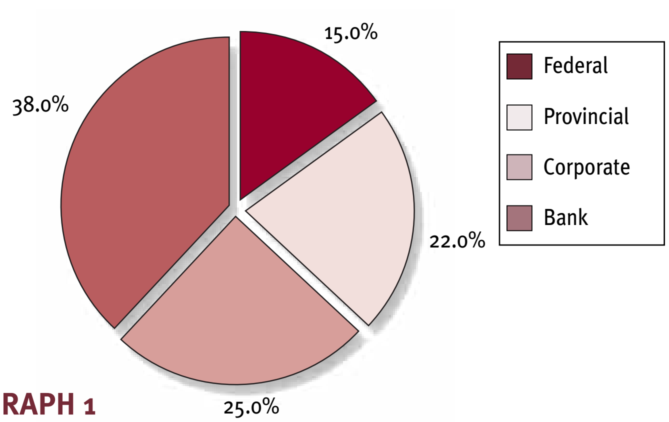
In 2009, the Balanced Fund's return was 17.34%, while its benchmark portfolio's return was 16.77%. For the four-year period ending December 31, 2009, the Balanced Fund's annualized total return was 2.37%, while the benchmark portfolio's return for the same period was 2.26% *(please refer to Graph 5)*.

The chart on the next page shows the Balanced Fund's rates of return for each of the last 10 years *(please refer to Graph 6)*.

The Balanced Fund's real rate of return, which is the return over and above inflation, was 16.04% for 2009 (i.e., 17.34% - 1.30% = 16.04%). The 4, 10 and 20-year average real rates of return, ending December 31, 2009 were 1.75%, 4.35% and 6.96% respectively. The Balanced Fund's long-term real rate of return objective is 4% *(please refer to Graph 7)*.-

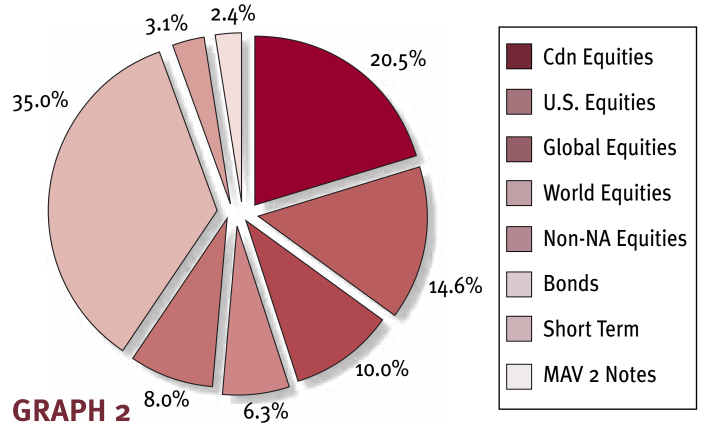
The Pensions Fund (formerly called the Annuity Fund) holds high-quality long-term bonds to support the pensions of approximately 5,900 retired members who are receiving a monthly pension from the Plan (98.76% of the bonds and debentures are rated "A" or better by recognized bond rating agencies). The latest actuarial valuation (dated December 31, 2006), as well as ongoing monthly external estimates confirms that pensions are adequately funded. The next actuarial valuation (dated December 31, 2009) will be prepared in early 2010. At the end of 2009, the market value of the Pensions Fund was $522,825,000 *(please refer to Graph 8)*.

MONEY MARKET FUND



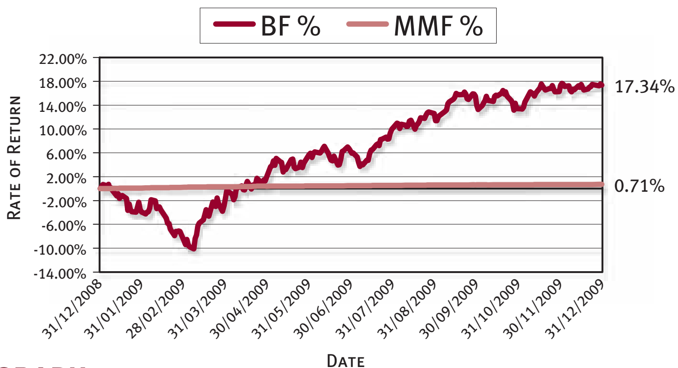
GRAPH 1

BALANCED FUND



GRAPH 2

DAILY UNIT PRICES 2008-2009

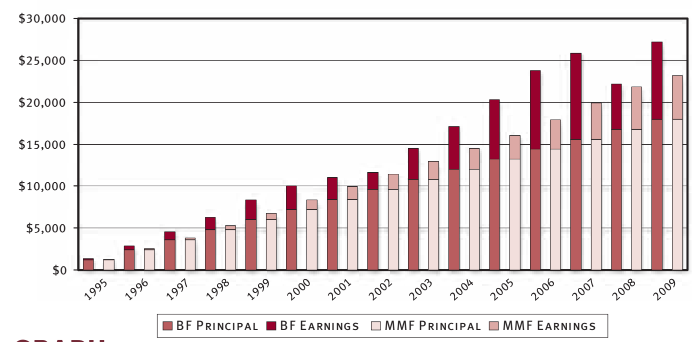


GRAPH 3

BALANCED FUND vs MONEY MARKET FUND

Accumulated Balance: 1995 to 2009

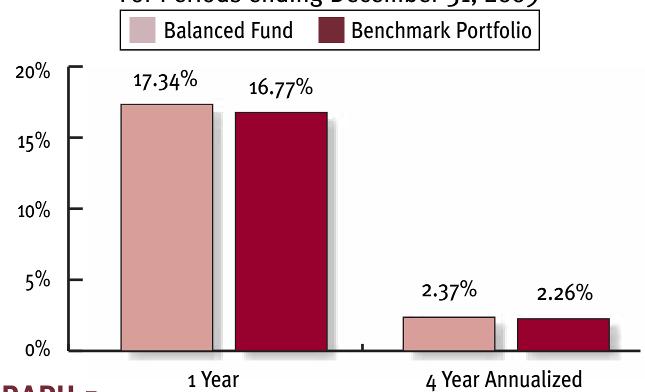
(Contributions of $100/month)



GRAPH 4

BALANCED FUND RETURNS

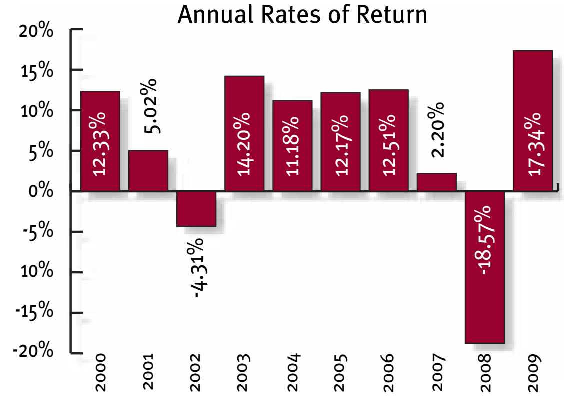
For Periods ending December 31, 2009



GRAPH 5

BALANCED FUND

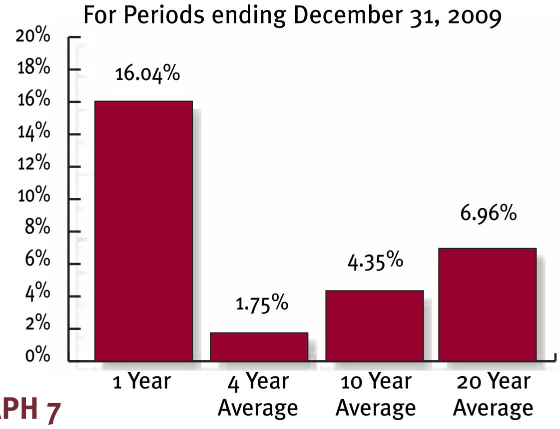
Annual Rates of Return



GRAPH 6

BALANCED FUND REAL RATES RETURN

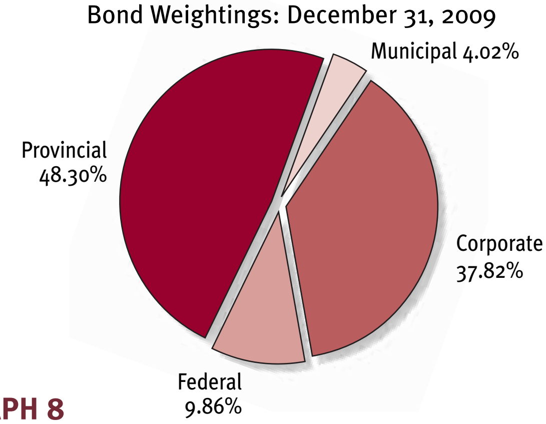
For Periods ending December 31, 2009



GRAPH 7

PENSIONS FUND

Bond Weightings: December 31, 2009



GRAPH 8

DIRECTORS' REPORT

TO BE PRESENTED BY

Peter E. Zakreski, President, to the 2010 Annual Meeting, Friday, March 26, 2010.

On behalf of your Society's Board of Directors, I am pleased to present this summary of operations and results for 2009.

INVESTMENT FUNDS

In 2009, the Plan continued to offer two investment funds to CSS members – the CSS Balanced Fund and the CSS Money Market Fund.

The Balanced Fund's primary objective is long-term growth. It holds mainly equities and fixed income investments. On average, it is expected to produce moderate growth, but with the risk of occasional short-term losses. The Money Market Fund's primary objective is to protect capital. It offers a low risk/low return investment option for members who are near retirement or have already reached their retirement savings objective. The short-term returns of the Money Market Fund are expected to be lower but less volatile than those of the Balanced Fund.

In 2009 the Balanced Fund gained 17.34% as world equity markets rallied strongly beginning on March 9th in response to low interest rates and government stimulus. The Money Market Fund returned only 0.71% as the Bank of Canada lowered its target rate to 0.25% in April. Given its asset mix, the Balanced Fund is expected to produce a higher long-term average return than the Money Market Fund.

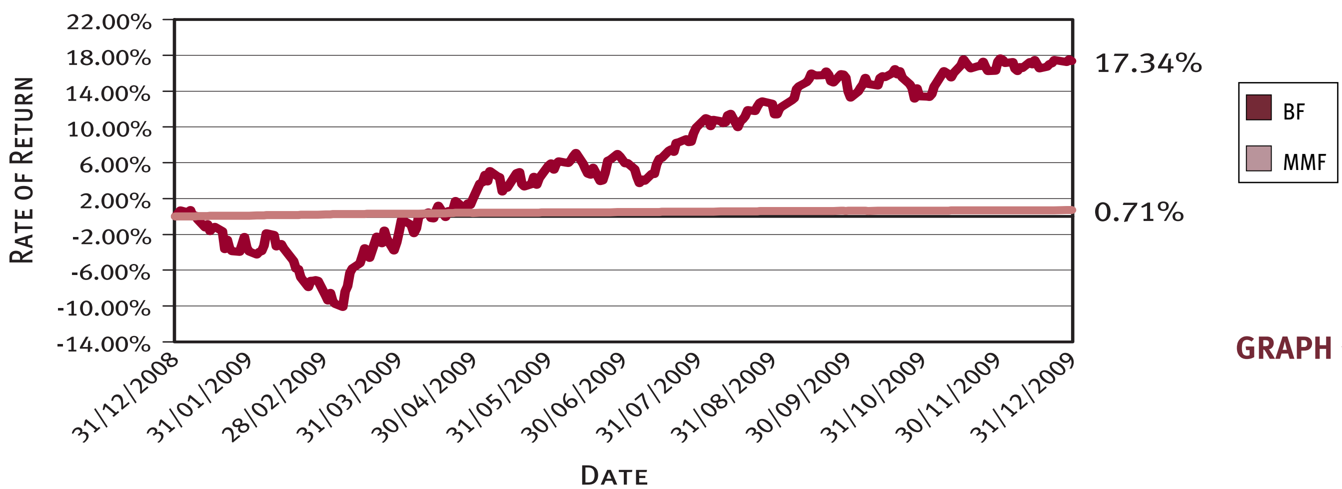
Balanced Fund

From December 31, 2008 to December 31, 2009, the unit price of the Balanced Fund increased from $10.5034 to $12.3245. This represents a gain of 17.34%.[1] This return was allocated to members' accounts on a daily basis through changes in the Balanced Fund's unit price. After allowing for inflation, the real rate of return[2] for the Balanced Fund in 2009 was 16.04%.

1 The unit price for the Balanced Fund includes dividends and interest received as well as realized and unrealized market gains and losses for the year. The unit price is calculated net of the Plan's operating and investment management costs.

2 Real rate of return refers to the non-inflationary growth of a member's equity in the Pension Plan. It is calculated as the fund's total return minus Canada's 2009 inflation rate of 1.3%.

2008-2009 DAILY UNIT PRICES



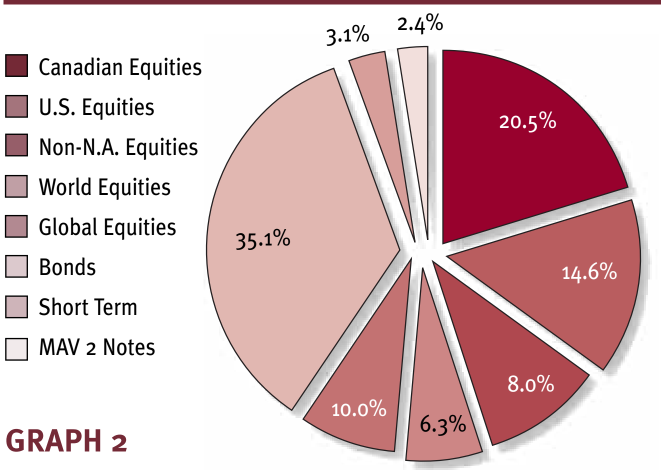
GRAPH 1

The Balanced Fund's average **real** rates of return for the past 4, 10 and 20-year periods are 1.75%, 4.35% and 6.96% respectively. The Balanced Fund's long-term real rate of return objective is 4%.

In 2009, the Balanced Fund's return, at 17.34%, exceeded its combined benchmark at 16.77%. This out performance was generated by the Plan's active Canadian fixed income manager, Addenda Capital, by the Plan's active EAFE Equity manager, Sprucegrove Investments, and by one of the Plan's active Canadian Equity managers, Scheer Rowlett.

Over the year, the equity weighting of the Balanced Fund increased, in the first quarter as a result of a planned rebalancing and thereafter as a result of market gains. At the end of the 2009, the flexible rate MAV 2 notes issued to replace the "frozen" Asset Backed Commercial Paper that ceased trading in 2007, were transferred from our passive synthetic U.S. equities manager to the Plan as these mandates were closed.

BALANCED FUND ASSET MIX
DECEMBER 31, 2009



GRAPH 2

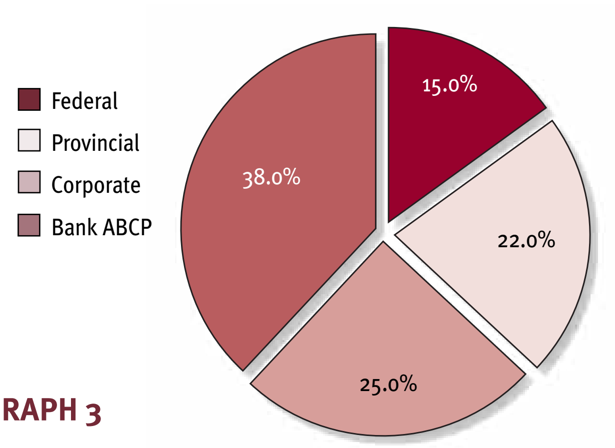
Money Market Fund

In 2009, short-term interest rates fell to historic lows as Canadian and American central banks lowered target rates in response to economic weakness. This decline in target rates lowered the returns on short-term investments significantly. From December 31, 2008 to December 31, 2009, the unit price of the Money Market Fund increased from $11.4734 to $11.5545[3]. This represents a total return of only 0.71%. This return was allocated to members' accounts continuously through changes to the unit price of the Money Market Fund.

In 2009, the Money Market Fund earned a real return[4] of – 0.59%.

The Money Market Fund is invested in only one asset class – Canadian short-term investments. It is expected to produce a lower, but relatively stable return, similar to prevailing short-term interest rates in Canada. The Fund contains high-quality money market instruments, including commercial paper, asset-backed commercial paper sponsored by major banks, and federal and provincial short-term debt.

MONEY MARKET FUND SECTOR MIX
DECEMBER 31, 2009



GRAPH 3

Pensions Fund

The Plan pays monthly pensions to CSS retirees from the Pensions Fund.[5] In 2009, the Plan's annual pension payroll totaled more than $42.4 million while the Pensions Fund produced a gain of 12.61% for the year. Corporate bond prices made a strong recovery from historic lows as the recession eased and corporate profits improved.

3 The unit price for the Money Market Fund is calculated net of the fund's operating and investment management costs.

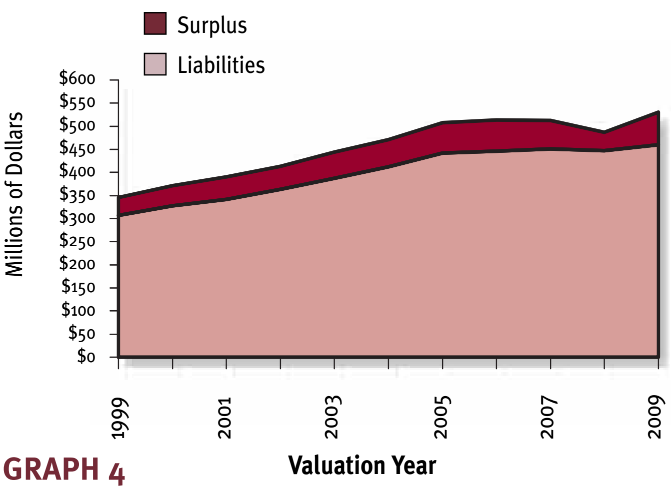
4 Real rate of return refers to the non-inflationary growth of a member's equity in the Pension Plan. It is calculated as the fund's total return minus Canada's 2009 inflation rate of 1.3%.

5 For those retiring members who choose a monthly pension from the Plan, the Pensions Fund is where their equity is transferred, and from which their monthly pension payments are made. The funded status of the Plan's pension liability is tested on a quarterly basis and is actuarially valued every three years.

Funded Status of Pensions

According to pension legislation, an actuarial valuation of the assets held in the Pensions Fund and the Plan's pension liability must be conducted at least every three years. As of December 31, 2006, the date of the last actuarial valuation, the Plan's pension liability was estimated to be fully funded, including a surplus to protect against adverse deviations from assumptions. Monthly estimates, prepared by the Plan's Pensions Fund manager, confirmed that the Plan's pensions continued to be adequately funded to December 31, 2009.

PENSIONS PORTFOLIO - TOTAL ASSETS



GRAPH 4

In 2009, the Pensions Fund recovered its 2008 losses. These losses resulted from falling corporate bond prices, as investors avoided corporate issues and favored government bonds during the "credit crunch". This situation reversed in 2009 as the financial sector stabilized and yield spreads on corporate bonds narrowed significantly. The next actuarial valuation of the Pensions Fund will be completed and filed by June 30, 2010.

2009 Retirements

For over thirty-five years, the Plan has offered members a fixed, annuity-style pension at retirement. In 2009, members' retirements slowed in response to the Balanced Fund's 2008 loss. One hundred and thirty-four members started a CSS pension at an average age of 61.37, converting total equity of approximately $15.5 million. The Plan's pension conversion rate slightly improved in 2009, averaging 5.27%, but fluctuating from 4.8% to 5.6% over the year. Pension costs therefore remained near historic highs.

Since 2006, the Plan has also offered a second retirement income option – Variable Benefit (VB) Payments. VB Payments are simply periodic withdrawals by a retiree from his or her own CSS pension account. VB Payments have the advantage of permitting the member to remain in the Plan after retirement. A VB payment also permits the member to retain ownership and control over unspent funds. However, because VB Payments do not provide a guaranteed income for life like a traditional pension, they leave the member exposed to investment and mortality risk – the risk of market losses and of outliving their accumulated benefits. In 2009, 40 retired members elected to start receiving VB Payments at an average age of 59.56, converting total equity of approximately $11.5 million.

The Plan does not promote one retirement income option over another. The choice is an individual one. The Plan recommends that members consult with their own qualified financial advisor.

Pension Adjustments

Under the CSS Board's ad hoc pension adjustment program, each pension is considered for ad hoc increases on its ninth, fifteenth and twentieth anniversaries. The objective of the program is to ensure that pensioners receive the benefit of "better than expected" earnings within the Pensions Fund, whenever possible. However, no pension is ever decreased as a result of being considered for an ad hoc adjustment.

In 2009, the Board suspended the Plan's ad hoc pension adjustment program on the recommendation of the Plan's actuary. This recommendation was based on the decline in the Pensions Fund's surplus that occurred in 2008. Pensions started in 2000, 1994 and 1989 were therefore not considered for ad hoc increases in the past year.

Given the recovery of the Pensions Fund's surplus in 2009, the Plan's actuary has recently advised that the Plan's ad hoc pension adjustment program can be resumed in 2010. The actuary has also advised that the pensions not considered for adjustments in 2009 can be considered in 2010. The Board has therefore directed Management to review pensions started in 2000, 2001, 1994, 1995, 1989 and 1990 for possible adjustments in 2010.

Transfers and Repayments

In 2009, 2,026 terminated and retired members transferred approximately $68 million out of the Plan, as compared to 2,093 members and $103.8 million in the previous year. One hundred and eighty-three of these members used their funds in the Plan to purchase a Life Income Fund (LIF), a Locked-in Retirement Income Fund (LRIF), a Prescribed Registered Retirement Income Fund (PRRIF) or a Life Annuity from financial institutions or insurers of their choosing.

Condolences

The Board of Directors wishes to extend their condolences to the families and friends of the pensioners who passed away in 2009.

MEMBER SERVICES

Through its member information programs, the Pension Plan continues to promote its vision of a "balanced and planned approach" to retirement saving. Our Plan continues to be recognized as a leader in this area, offering a wide range of materials, information sessions, workshops and seminars.

The Plan's **Retirement Income Options (RIO)** workshop helps members to understand the options for converting their pension funds into retirement income. It also includes basic information on "investment choice" and financial planning. Overall participation in this program increased again in 2009, with over 7,500 members and spouses participating in this workshop since its introduction in 1995. Strong interest in the Plan's **Retirement Planning Seminar (RPS)** also continued in 2009. An equally important education program, primarily designed for new members but available to all, is our **Future Financial Freedom** "self study" financial planning workbook. This publication places a special emphasis on the message that financial planning and saving for retirement should begin at the earliest possible age. Approximately 2,500 copies of the workbook were distributed in 2009. Communication with the Plan's retirees continues through the Annual Report, TimeWise magazine and the Plan's web site.

In 2009, the Plan issued a Request for Proposals to conduct an external review the Plan's publications, seminars and workshops. The objectives of this review are: (i) to compare the Plan with its peers in the DC pension sector, (ii) to simplify and update our member communications, (iii) to expand them to support more investment fund choices and (iv) to expand their delivery through the Plan's website. In November, Mercer was retained to perform this review. They will deliver their recommendations for a new CSS communication strategy in June of 2010.

2009 DEVELOPMENTS

New Pensions Fund Manager

Until 2009, CSS Management rebalanced the Pensions Fund's bond holdings to match the Plan's pension liability on a quarterly basis. In response to the reduction in the Pensions Fund surplus that occurred in 2008, on the recommendation of Management, the Board resolved to hire an external manager capable of applying a more robust process. The Board's objective was to identify and retain an external manager with experience in matching pension assets and liabilities, to ensure that CSS pensions would remain adequately funded in extreme market environments. In the spring of 2009, with the assistance of the Plan's investment consultant, Management conducted a manager search. In July of 2009, Fiera Capital was retained and funded as the Plan's new Pensions Fund manager.

The rebalancing process employed by Fiera produces more detailed and conservative calculations than the internal programs previously used by the Plan. At the same time, the costs of this new external mandate are comparable to the costs previously incurred to invest the assets held in the Pensions Fund without rebalancing. The more conservative process followed by Fiera is expected to reduce the volatility of the Pensions Fund surplus during extreme market events.

New Passive U.S. Equities Manager and Currency Overlay Mandate

In 2000, the Plan established two passive "synthetic" U.S. equities mandates within the CSS Balanced Fund. One tracked the S&P 400 mid cap index and the other tracked the S&P 500 large cap index. At the time that these mandates were created, the Government of Canada had a foreign content limit that prevented CSS from investing these mandates directly into U.S. equities. The two mandates did not contravene this limit because they contained "synthetic" equities. Synthetic equities are created by purchasing equity futures and Canadian short-term investments. These two assets, together, produce a return in Canadian dollars similar to the equity indices on which the futures are based. Since most of the value of the mandate is invested in Canadian short-term investments, they are not considered to be foreign content.

In 2005, the Government of Canada repealed the foreign content limit. Management therefore recommended terminating the two synthetic U.S. equity mandates in favor of a direct investment in the U.S. markets. This recommendation was expected to reduce the tracking error of each mandate and to reduce its cost.

Because the synthetic equity mandates paid their returns in Canadian dollars, they were automatically hedged against changes in the relative values of the Canadian and American dollars. Normally, when a foreign investment is purchased by a Canadian investor, this exposes the Canadian investor to currency risk. This is the risk that the value of the Canadian dollar might rise, causing a reduction in the returns earned on the foreign investment. Because terminating the passive synthetic U.S. equity mandates also terminated the automatic hedge, it became necessary to develop a new currency hedging strategy and retain a currency manager.

In 2009, after consultation with the Plan's investment consultant, Management recommended to the Board that State Street Global Advisors be retained to manage two passive U.S. equity mandates within the CSS Balanced Fund. State Street was also retained to manage a currency hedging overlay structured to reduce the currency risk associated with the new U.S. equity mandates and all of the Plan's other foreign investments. These new passive U.S. equity mandates are expected to produce lower tracking error, while the currency overlay mandate will help to manage the volatility of currency fluctuations on the Plan's foreign equity returns.

Asset Backed Commercial Paper (ABCP)

Members will recall that the Plan's passive synthetic U.S. equities mandates contained approximately $62 million in third-party issued ABCP. In 2007, this ABCP ceased to roll over and went into default. At the end of December 2007, the manager of these mandate wrote down the value of this ABCP to approximately $55 million to reflect its illiquidity. This write down was incorporated in the unit price of the CSS Balanced Fund at the time.

In 2008, an agreement was reached to restructure and reissue the non-trading ABCP as flexible rate MAV 2 notes. At the end of 2008, the external manager further reduced the value of the MAV 2 notes to approximately $32 million. This reduction was believed to represent "fair value" (the price obtainable on an immediate, arm's length sale). However, the manager did not change the value used to determine its pooled fund unit price because: (i) the interest owed on the MAV 2 notes was (and is) being paid and (ii) the manager did not plan to sell the notes, but rather expected to hold them to maturity in 2016 and 2017.

On January 16, 2009, the new notes issued at par, and accrued interest was paid from the date that trading stopped to that date. At the end of 2009, when the passive synthetic equity mandates were closed as noted above, the flexible- rate notes were transferred from the external manager's pooled fund directly to CSS. CSS therefore became responsible to set the value of the notes, both for accounting purposes and for unit pricing purposes.

On the recommendation of the external manager, Management has elected to continue to record the MAV 2 notes at fair value in the Plan's financial statement, while maintaining the previous manager's unit pricing value. Given that the Plan intends to hold the notes to maturity, and since the interest on the notes continues to be paid, the Plan believes that continuing this process will produce the fairest result for CSS members. If the interest on the MAV 2 notes ceases to accrue in the future, or if the eventual redemption of the notes becomes doubtful, both fair value and the value used for unit pricing purposes will be reduced to reflect these events.

Unit Pricing Error

At the end of June, Management discovered an error in the unit price of the Balanced Fund. This was a cumulative error that began in January and was corrected on June 24, 2009. By that date, the price of the Balanced Fund was 0.0678% too low (approximately seven one hundredths of one per cent). The error resulted from changes made to the unit pricing system at the beginning of January. The error caused the daily expense accruals paid by the Pensions Fund and the Money Market Fund not to be added to the value of the Balanced Fund.

The Plan follows the Unit Pricing Guide to Good Practice (the Guide), which establishes best practices for unit pricing of superannuation funds. Following the Guide, the Plan adjusted the accounts of all members who made contributions to or took withdrawals from the Balanced Fund while it was wrongly priced. For members who had no Balanced Fund transactions during the period of the error, the value of their account was automatically corrected when the Balanced Fund's unit price was changed on June 24. As a result, no further adjustment was necessary.

Adjustments for members still in the Plan were debited or credited to their pension account directly. Subject to a minimum threshold of ten dollars, cheques were issued to "paid out" members, while pension calculations were reviewed for those who started a CSS monthly pension from January to June. Where an adjustment was required, this will appear on the members' 2009 Annual Statement. Management and the Board place a high priority on the accuracy of the Plan's record keeping system. The Plan offers a sincere apology to all members affected by this error.

Policy and Planning

The Directors continually monitor the external environment and the changing needs of Plan members to determine the Plan's future direction. The ultimate objective is to improve the Plan's ability to fulfill its mission, which is to enable employees of member Co-operatives and Credit Unions to prepare for and fund their retirements.[6]

At its planning session in 2009, the Board approved the following strategic issues for further consideration and implementation in 2010 and beyond:

• The development of additional fund choices for CSS members;

• The development of electronic communications and education for CSS members;

• A review of the charges paid to the CSS Balanced Fund by the Money Market Fund and the Pensions Fund;

The Board's annual planning process will continue in January of 2010.

6 In 2003, the Board adopted a revised mission/vision statement for the Co-operative Superannuation Society that is reproduced in full on page 1 of this Annual Report

CONCLUSION

Future Return Expectations

The Balanced Fund is the default investment option for CSS members who chose not to provide the Plan with investment instructions. It is structured to produce moderate growth over the long term. Because of its diversified asset mix, its unit price moves up and down with the markets. The fund's unit price is expected to rise in the long run, but occasionally fall in the short run in response to economic cycles and unanticipated events. For members wishing to reduce the likelihood of suffering a short-term loss as they near retirement, the Money Market Fund provides a lower risk/lower return option.

After falling for most of the first quarter of 2009, markets staged a dramatic recovery beginning in mid-March as western governments initiated stimulus programs while central banks injected trillions of dollars into the global financial system. Equity, commodity and energy prices rose in concert for the rest of the year as investors began to realize that another "Great Depression" was unlikely, at least in the near term. The Balanced Fund's broad diversification and fixed income investments produced a return at 17.34%. Nevertheless, at the end of 2009, the Balanced Fund's unit price was still below its 2007 peak.

While 2009 was a very good year for the Balanced Fund, members should not become complacent. Short-term losses will occur again in the future. Such losses are always difficult to bear, particularly for members nearing or already in retirement. However, they are to be expected given the 60% equity / 40% fixed income asset mix held in the Balanced Fund. The Plan's average return over the past sixty years is 8.43%.[7] History shows that markets can out-perform this long-term average for extended periods, as they did from the early 1980's until 2000, and can also under-perform this long-term average over long periods, as they did from 1961 to 1980 and from 2000 to 2009.[8]

Members nearing retirement are reminded that since 2005, they have had the option of moving some or all of their account into the Money Market Fund to reduce short-term risk. Basing such a decision on short-term market conditions, however, is not recommended. Rather, members are encouraged to allocate their pension account based on how and when they intend to start converting their pension funds into retirement income. Members who are not near retirement are encouraged to take a long-term view.

2010 Outlook

In 2009, we were reminded again that markets can move by large amounts in a short time. Thankfully, in this case, the sudden movement was to the upside. For those who were willing and able to stay the course, these gains reinforced the common investment wisdom that "time in the markets" rather than "timing the markets" offers the best opportunity for investment success.

As 2010 begins, many economic forecasters are expecting a weak recovery plagued by continued high unemployment and low consumer spending. As U.S. consumers repay debt and foreclosure rates continue at elevated levels, U.S. real estate values will continue to search for a bottom and corporate revenues will continue to be depressed. Although governments and central banks have made every effort to stimulate the economy, success is far from certain and a double dip recession is still a possibility.

Past experience suggests that a recession following a banking and real estate collapse tends to last longer than average. When government deficits reach their limit and extraordinary liquidity programs come to an end, unless exports, business investment or consumer spending is ready to take up the slack, it is likely that stock and bond prices will again come under pressure. In this uncertain environment, predicting market performance for 2010 is unusually challenging. It is therefore more important than ever for members to make decisions based on their long-term plan, rather than on their short-term expectations and emotions.

Although the past decade produced weak equity returns, particularly in the U.S., over the long term, we expect the Balanced Fund to produce an average return that is generally in line with the Plan's sixty-year average. By posting competitive returns, the Plan will continue to give long-serving CSS members confidence that their accumulated benefits will provide a reasonable level of retirement income. During periods of prolonged market weakness, however, additional voluntary contributions may be necessary, unless members are both willing and able to either delay their retirements or reduce their expectations.

Although average real rates of return are expected to decline from the levels recorded over the past decade, the Board anticipates that the Balanced Fund will continue to exceed its real return objective of 4% over the long term.

Thanks . . .

As we do every year, the Board, on behalf of Plan members, would like to thank our staff, external portfolio managers, custodian, auditors, actuaries, and consultants for their efforts on our behalf. We appreciate their dedication and commitment to our Plan, our members and their retirement goals.

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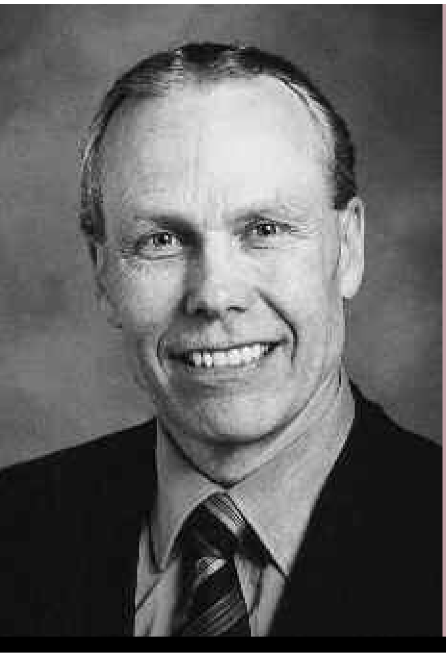
7 This average includes the return of the CSS Pension Plan from 1949 to 2004 and of the CSS Balanced Fund from 2005 to 2009.

8 Over the past 40 years, the S&P 500 Index (U.S. large cap stocks) has taken as long as 19 years (i.e. 1961 to 1980) and as little as 3 years (i.e. 1995 to 1998) to double in value. More recently, over the ten years from 2000 to 2009, the S&P 500 produced a negative annual return. The recent experience of investors must therefore be put in perspective with longer-term market results to develop a suitable long-term investment strategy.

MANAGEMENT REPORT



TO BE PRESENTED BY

Bill Turnbull, General Manager, to the 2010 Annual Meeting, Friday, March 26, 2010

For 2009 the Balanced Fund gained 17.34% while the Money Market Fund returned 0.71%.

INVESTMENT FUND UNIT HOLDERS

Net Assets: After taking into account Investment Income, changes in the Market Value of Investments, Employee and Employer Contributions, Administrative Expenses, Equity Transferred/Paid Out and Variable Benefit payments, and Equity Transferred to the Pensions Fund (formerly the Annuity Fund), the Net Assets held in the Balanced Fund and Money Market Fund combined, increased by $312,800,000 in 2009 *(please refer to Graph 1)*. The market value of these Net Assets was $2,328,224,000 as of December 31, 2009. This includes $2,246,838,000 in the Balanced Fund and $81,386,000 in the Money Market Fund.

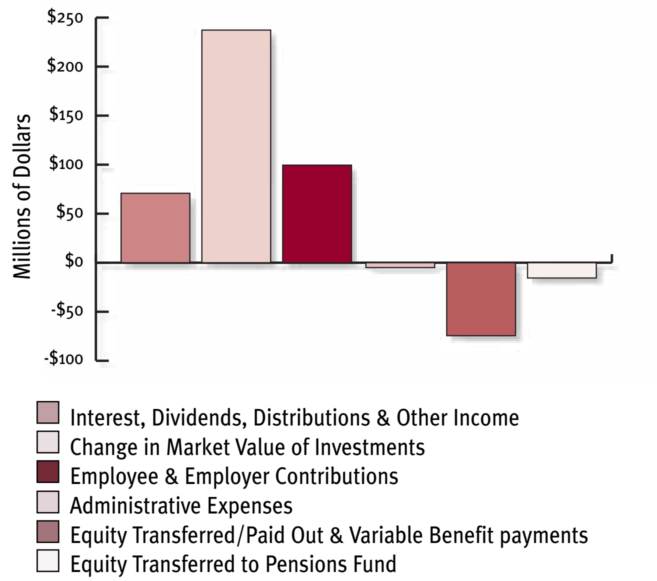
Expenses: In 2009, total expenses for the Balanced Fund equated to approximately 20 basis points of the average market value of assets held in the Fund. This compares very favourably with the Management Expense Ratios (MER) of balanced mutual funds, which are about 2% (i.e., 200 basis points) or more.

The 2009 total expenses for the Money Market Fund equated to approximately 25 basis points of the average market value of assets held in the Fund. This compares very favourably with the Management Expense Ratios (MER) of money market mutual funds, which are about 1% (i.e., 100 basis points) or more.

Returns: 2009 was the fifth year of operation for the Money Market Fund. Members are able to transfer their pension funds from the Balanced Fund into the Money Market Fund, and vice-versa. Both the Money Market Fund and the Balanced Fund are unitized. This means that the current value of a member's pension

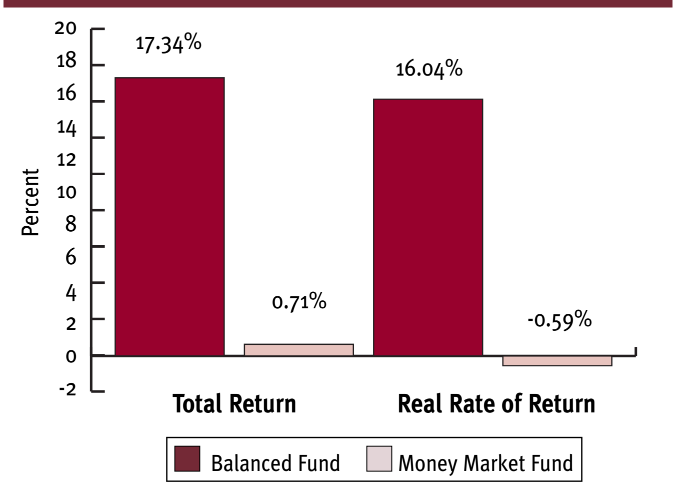
INCREASE/DECREASES IN NET ASSETS

In 2009 Net Assets increased from $2,015,424,000 at the beginning of the year to $2,328,224,000 at year-end



GRAPH 1

2009 RATES OF RETURN



GRAPH 2

funds equals the number of units held in each Fund multiplied by its current unit price. The unit price of each Fund varies daily with the market value of its Net Assets.

The Money Market Fund invests entirely in high-quality Canadian short-term money market instruments. It is a low risk-low return option designed to preserve capital for those members who are nearing retirement and/or have reached their retirement savings objective. The Money Market Fund's unit price of $11.4734 at the start of the year increased to $11.5545 at yearend, which translates into a return of 0.71%. After taking into account the 2009 national inflation rate of 1.3%, its real rate of return was –0.59% (i.e., 0.71% - 1.3% = –0.59%).

The Balanced Fund is the Plan's default investment option. Accordingly, members' pension funds are entirely invested in the Balanced Fund unless they instruct the Plan otherwise. The Balanced Fund is a broadly diversified portfolio of stocks and bonds. It is designed to provide moderate growth over the long-term. However, it can produce negative returns in the short-term. The Balanced Fund's unit price of $10.5034 at the start of the year increased to $12.3245 at yearend, which translates into a return of 17.34%. Its real rate of return for 2009 was 16.04% (i.e., 17.34% - 1.3% = 16.04%). The Balanced Fund's average real rates of return for the past 4, 10 and 20 year periods are 1.75%, 4.35% and 6.96% respectively.

Employee Members:

The number of non-retired employee members of the CSS Pension Plan continues to increase. Total membership at the end of 2009 was 34,721 (up from 33,662 at the end of 2008). The number of active members (i.e., those members employed by an employer member and contributing to the Plan) at the end of 2009 was 18,574 (up from 17,769 at the end of 2008). The number of inactive members (i.e., those members who have funds in the Plan but are no longer employed by an employer member) was 16,147 at the end of 2009 (up from 15,983 at the end of 2008). The average age of the non-retired members of the Plan continue to gradually increase. The average age at the end of 2009 was 45.86, which was up from 45.55 at the end of 2008 *(please refer to Table 1 and Graph 3)*.

Member Service Activities:

Individual Consultations: Eighty-two individual counselling sessions with members seeking information about the Plan and their retirement income options were held in the Pension Plan's office during 2009. In addition, another nineteen sessions were held in conjunction with member service activities outside the office.

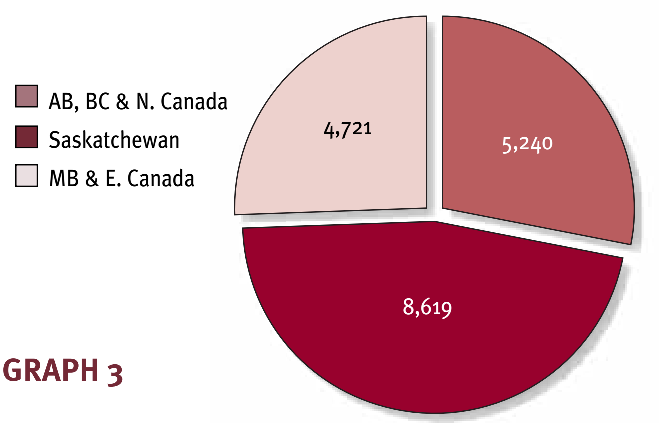
Retirement Income Options (RIO) workshops: The half-day RIO workshop provides participating employees and spouses with an overview of all the retirement income options available for the funds in their pension accounts. Seven RIO workshops were held in Regina, Dauphin, Edmonton, Red Deer, Brandon, Prince Albert and North Battleford. Total attendance for the seven workshops in 2009 was 516 participants (343 members and 173 spouses), making overall attendance to the 86 workshops held since 1995 approximately 7,567.

TABLE 1

AGE DISTRIBUTION

AGE	FEMALE	MALE	TOTAL	TOTAL %
Under 25	884	610	1,494	4.30
25 - 29	1,526	1,068	2,594	7.47
30 - 34	1,943	1,423	3,366	9.69
35 - 39	2,325	1,674	3,999	11.52
40 - 44	2,651	1,795	4,446	12.80
45 - 49	3,744	2,262	6,006	17.30
50 - 54	3,715	2,213	5,928	17.07
55 - 59	2,384	1,786	4,170	12.01
60 - 64	1,141	1,019	2,160	6.22
65 & over	242	316	558	1.61
TOTAL	20,555	14,166	34,721	100.00

REGIONAL DISTRIBUTION: ACTIVE MEMBERS



GRAPH 3

Retirement Planning Seminars (RPS): The RPS is designed for employees aged 50 and over. Through group discussion, various exercises, presentations, and with the help of the seminar facilitator and visiting resource authorities, participants examine various retirement-related topics. Topics include health, wills and estates, housing, the psychology of aging, sources of income and financial planning. Six seminars were held in 2009 in Salmon Arm, Winnipeg, Saskatoon (2), Yorkton and Calgary. Total attendance to the six seminars was 153 (106 members and 47 spouses). Registration to the one-day RPS is limited to 36 participants including spouses.

Pension Projections: During 2009 approximately 2,700 personalized sets of pension projections were prepared for members of the Plan.

TimeWise: The semi-annual TimeWise magazine, which contains articles and information about the Pension Plan and related topics, such as changes to pension legislation and general information about pensions and retirement was published and distributed to all actively contributing members and pensioners in April and October.

Annual Report: The 2008 Annual Report, which contains a full review of the Plan's activities, including a complete investment review and the audited financial statements of the Plan, was published and distributed in April to all members of the Plan.

Quarterly Updates: The Quarterly Update was sent to all employer members in January, April, July and October. The Update contains information about year-to-date Fund performance, the asset mix of each Fund at the end of the quarter, and various topical news items for members. Employers are asked to share the information contained in the Quarterly Update with their employees. Similar information is also posted in the "What's New" section of the web site approximately three weeks after the end of each quarter.

Annual Statements: The 2008 Annual Statements, which provide a comprehensive and detailed report of each member's account, were printed and distributed in February 2009.

Future Financial Freedom (FFF): FFF is a financial planning workbook, which provides an introduction and overview of basic financial planning principles. Approximately 2,500 FFF workbooks were distributed to new members who joined the Pension Plan in 2009.

Web Site: 2009 was the twelfth full-year of operation for the Pension Plan's web site (www.csspen.com). The web site received in excess of 413,650 visits (this compares with 212,400 visits for 2008). As of December 31, 2009 some 4,222 members had an active Personal Access Number allowing them to access their account balances, do pension projections and Variable Benefit (VB) illustrations, etc., via the web site (this compares with 3,159 as of December 31, 2008). Members did more than 3,000 sets of pension projections and VB illustrations via the web site.

To gain on-line access, Members must apply for a Personal Access Number (PAN), which then allows them to set their own User Name and Password.

Trade Shows: The Plan participated in the annual Credit Union Manager's Association conference trade shows for Saskatchewan and Manitoba, which were held in Regina and Brandon respectively.

Payouts and Transfers: In 2009, the Plan processed 709 cash payouts, which amounted to $4,531,241 (an average of $6,391). This compares with 698 cash payouts totaling $5,416,999 in 2008 (an average of $7,760).

In addition to the retiring members that transferred funds into various retirement income products (*see Table 2* – Distribution of Funds at Retirement: 2009), there were a total of 1,084 transfers into Locked-In Retirement Accounts (LIRAs) and RRSPs with various financial institutions in 2009. There were 711 transfers to LIRAs that totaled $41,612,925 for an average of $58,527 (this compares with 678 transfers to LIRAs in 2008 that totaled $58,564,966 for an average of $86,379). The remaining 373 transfers to RRSPs totaled $6,049,437 for an average $16,218 (this compares with 493 transfers to RRSPs in 2008 that totaled $10,281,424 for an average $22,854).

Included in the above transfers were 20 transfers of members' funds as a result of marriage breakdown.

RETIREES

Long-term interest rates increased somewhat in 2009, thus making monthly pensions slightly less costly compared with 2008. In 2009, there were 134 retiring members that started a traditional monthly pension directly from the Plan at an average age of 61.73 years. This compares with the 188 pensions that were started in 2008 at an average age of 60.05 years

There were approximately 5,900 retired members receiving a monthly pension directly from the Plan at the end of 2009. We extend our sincere condolences to the families and friends of the 165 pensioners who passed away in 2009.

In addition to offering monthly pensions, the Plan also offers Variable Benefit (VB)[1] payments to retiring members. This option has been available since September 2006 and is simply periodic withdrawals from the member's account in the Plan. The investment options available to VB payment recipients are the same as those available to the Active and Inactive members. Variable Benefit payments offer retiring members the same flexibility as LIFs, LRIFs, and PRRIFs from financial institutions, but without having to transfer their funds out of the CSS Pension Plan. During 2009, 40 retiring members opted for VB payments as their retirement income option at an average age of 59.56 (please refer to Table 2). This compares with 79 retiring members who opted for VB payments in 2008 at an average age of 59.45. At the end of 2009 there were approximately 240 retired members receiving VB payments from the Plan.

Retiring members of the Plan continue to be attracted to the flexibility offered by retirement income vehicles available through financial institutions (i.e., Life Income Funds, Locked-in Retirement Income Funds, Prescribed RRIFs, Registered Retirement Income Funds,). As a result, in addition to the 134 pensions and 40 VB payments commenced in 2009, there were 233 transfers into lifetime retirement income vehicles with other institutions *(please refer to Table 2)*.

TABLE 2

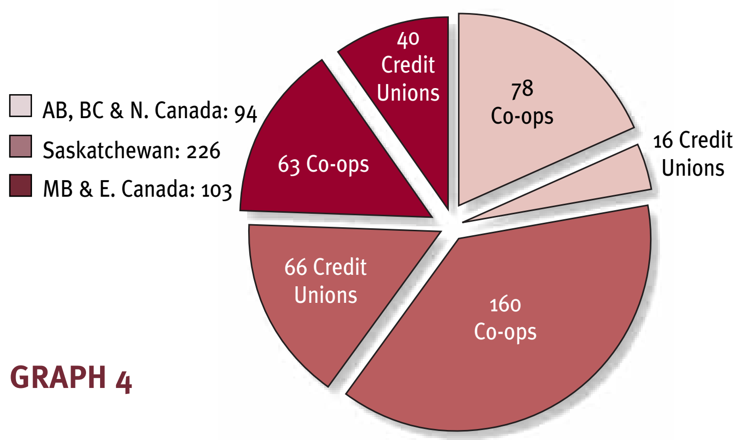
DISTRIBUTION OF FUNDS AT RETIREMENT: 2009

	#	TOTAL	AVERAGE
Monthly pension from CSS Pension Plan	134	$15,499,187	$115,665
Variable Benefit Payments	40	$11,465,829	$286,645
Life Income Funds (LIFs)	48	$4,206,819	$87,642
Locked-in Retirement Income Funds (LRIFs)	3	$64,147	$21,382
Prescribed RRIFs (PRRIFs)	128	$7,711,535	$60,246
Registered Retirement Income Funds (RRIFs)	43	$2,865,680	$66,643
Other Registered Pension Plans	7	$281,721	$40,245
Life Annuities	4	$734,891	$183,722
Total	407	$42,829,809	

EMPLOYER MEMBERS

After taking into account 9 employer amalgamations, 7 employer withdrawals/dissolutions, the number of employers participating in the Plan at year-end was 423 (down from 439 at the end of 2008).

REGIONAL DISTRIBUTION: EMPLOYER MEMBERS



GRAPH 4

1 Variable Benefit payments are available to members whose pension funds are governed by Saskatchewan, Alberta, Manitoba and British Columbia pension legislation.

INVESTMENT REPORT

TO BE PRESENTED BY

Brent Godson, Investment Manager, to the 2010 Annual Meeting, Friday, March 26, 2010.

2009 began with equity markets continuing the free fall that commenced in 2008. However, in March of 2009 markets around the world began to rally. Unprecedented intervention by governments and central bankers stabilized the financial system and provided the foundation for an economic recovery. As the year progressed there were continuing signs of improving economic growth. Correspondingly, investor's appetite for riskier investments such as equities and corporate bonds grew and markets rose.

TABLE 1

2009 MARKET RETURNS	
S&P/TSX Composite Index	35.05%
S&P 500 Index in terms of Canadian dollars	7.39%
S&P 400 Index in terms of Canadian dollars	16.66%
MSCI EAFE Index in terms of Canadian dollars	11.91%
MSCI World Index in terms of Canadian dollars	10.39%
MSCI ACWI ex U.S. in terms of Canadian dollars	20.12%
DEX Universe Bond Index	5.41%

The S&P TSX Composite Index posted a gain of 35.05% for the year, its best performance since 1979. The S&P 500 Index in U.S. currency was up 26.46%, while the MSCI EAFE Index, representing developed non-North American Markets was up 24.72%. Emerging Markets outperformed all developed markets in 2009, with the MSCI EM index gaining 62.29%.

For investors based in Canada, the performance of the Canadian dollar was again a dominant theme. After 2008 when the Loonie was down 18.5% against the U.S. dollar, the Canadian dollar followed with a year in which it was up 15.9% against the U.S. dollar. The Canadian dollar's appreciation reduced returns from unhedged foreign investments. In Canadian dollars, the S&P 500 Index gained 7.39%, the MSCI EAFE Index gained 11.91%, and the MSCI EM Index gained 51.63%.

Canada's bond market once again generated strong returns in 2009. The DEX Universe Bond Index posted a total return of 5.41%. However, the year was a reversal of the trends established in 2008. Investors looked to corporate bonds for improved yields, which was the opposite of 2008, when investors were fleeing corporate issues for the safety of federal government bonds.

CSS BALANCED FUND

The total market value of the CSS BALANCED FUND recovered in 2009 increasing from $1.95 billion at the end of 2008 to $2.25 billion at the end of 2009.

The Balanced Fund is structured to provide long term capital growth and as a result, the Fund holds a mix of equities and fixed income investments. The current strategic asset mix of the fund is 60% equities and 40% fixed income. Broad asset mix guidelines, which define a minimum and maximum for each asset class, allow for some deviation from the strategic asset mix based on asset class performance in the short term. U.S. and non-North American equities represent two-thirds of the equity investments in the strategic asset mix.

To increase the pool of skills available and reduce

TABLE 2

	MINIMUM	STRATEGIC ASSET MIX	MAXIMUM	CSS BALANCED FUND 31-DEC-08	CSS BALANCED FUND 31-DEC-09
Equities					
Canadian Equities					
Active #1		13.6%		10.8%	12.9%
Active #2		7.6		6.4	7.6
Total Canadian	**14%**	**21.2%**	**26%**	**17.2%**	**20.5%**
Foreign Equities					
U.S.					
Mid cap - Passive		7.1%		5.5%	7.1%
Large cap - Passive		8.1		6.3	7.5
Global		8.9		7.9	10.0
Non-North American					
Active		7.7		6.9%	8.0%
All Countries ex U.S.		7.3		7.3	6.3
Total Foreign	**26%**	**39.1%**	**54%**	**32.9%**	**38.9%**
Total Equities	**40%**	**60.3%**	**65%**	**50.1%**	**59.4%**
Real Estate	0		5		
Fixed Income					
Bonds					
Active		23.6%		28.1%	22.9%
Passive		14.4		19.3	12.2
MAV 2 notes					2.4
Total Bonds	**32%**	**38.0%**	**44%**	**47.4%**	**37.5%**
Mortgages	0		5		
Short Term	1	1.7	10	2.5	3.1
Total Fixed Income	**35%**	**39.7%**	**60%**	**49.9%**	**40.6%**

manager-specific risk, a team of outside investment management firms is employed. Six managers use an "active" management style - they try to add value to the market index against which their performance is judged. Two managers use a "passive" management style - they try to match the return of an index by holding securities that replicate the index.

In 2009, the Plan's Board of Directors approved changes to the management of the Plan's U.S. Equity mandates. The existing passive synthetic U.S. equity mandates with Northwater Capital were transitioned to State Street Global Advisors. Because Northwater's mandates were the Balanced Fund's only currency hedged investments, the transition also required that Management and the Board of Directors review the Fund's hedging strategy. As a result of this review, the Board approved the hiring of a new Currency Overlay Manager, which is also State Street Global Advisors, to hedge the Plan's foreign currency exposure by 50%.

The Balanced Fund's investment performance is measured in three ways:

1. The performance of each asset class is measured against a benchmark that serves as a proxy for the market in which the Fund is invested. For example, the return on the Balanced Fund's actively managed Canadian equities is expected to exceed the total return on an index that is identical to the S&P/TSX Composite Index but limits the size of any constituent stock to 10% of the total capitalization of the index. The return on the Fund's actively managed bonds is expected to exceed the return on the DEX Universe Bond Index. To the extent that the Fund's returns exceed those of the benchmark, the value of active management can be assessed. In the case of passively managed assets, the Fund's

INVESTMENT REPORT

returns are expected to closely track the returns of the benchmark.

2. The Balanced Fund's total return is measured against a composite benchmark. The benchmark portfolio is a hypothetical portfolio that incorporates the weights defined in the Fund's strategic asset mix policy.

   - 20% invested in Canadian equities;
   - 15% in U.S. equities;
   - 10% in global equities;
   - 8% in non-North American (EAFE) equities;
   - 7% in all Countries - ex U.S. equities
   - 38% in bonds; and
   - 2% in short- term investments.

   Effective December of 2009 the benchmark portfolio was modified to include a 50% Hedge to Canadian dollars on the total value of all foreign investments.

   Based on the weights in the benchmark portfolio, the total return objective is calculated, in terms of Canadian dollars, as an aggregate of the returns on the:

   - S&P/TSX Capped Composite Index,
   - Standard and Poor's 500 Index,
   - Standard and Poor's 400 Index,
   - MSCI's World Index,
   - MSCI's Europe, Australasia, and Far East Index,
   - MSCI's All Country World - ex U.S. Index,
   - DEX Universe Bond Index, and
   - DEX 91-day Canadian Treasury Bill Index.

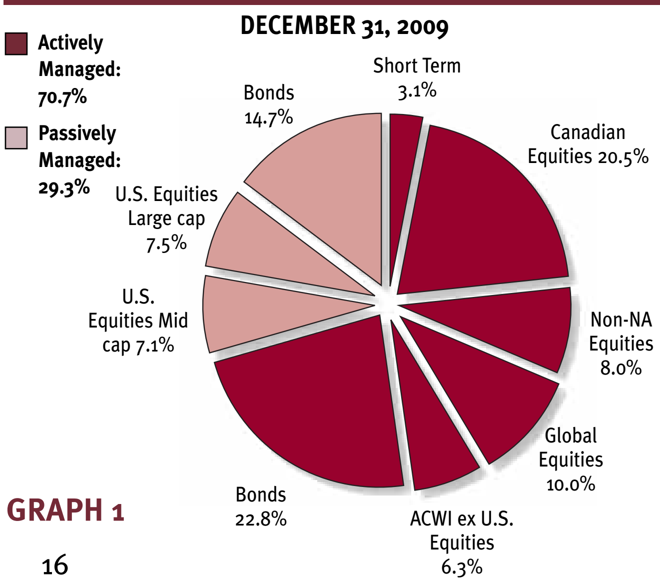
   The Balanced Fund's primary objective is to earn a rate of return that exceeds the return on the benchmark portfolio over rolling four-year periods. Since a longer-term measure is considered to have greater relevance, reliability, and lower volatility than a one-year measure of performance, performance is calculated over a four-year period.

3. Finally, the Balanced Fund's total return is compared with inflation. The long-term investment goal of the Fund is to achieve an annualized return of at least 4% in excess of CPI. This goal, which will be assessed over longer periods of time, i.e. over ten years or more, is consistent with the overall level of investment risk that the Balanced Fund might assume to meet the long-term goals of members invested in the fund.

For 2009, the total return on the CSS BALANCED FUND was **17.34%** net of all fees and expenses while the benchmark portfolio's return was **16.77%**.

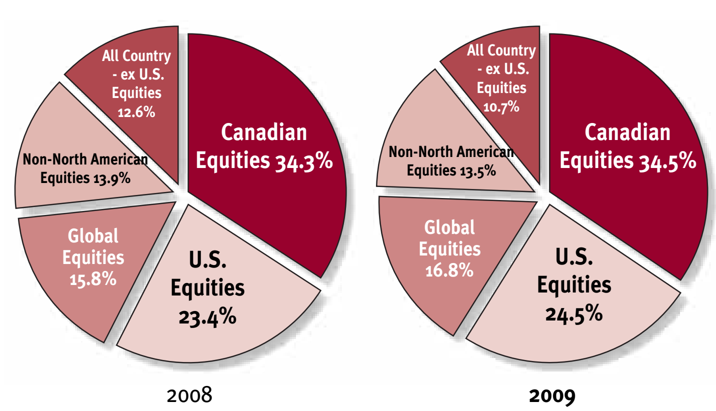
For the four-year period ended December 31, 2009, the portfolio's annualized total return of 2.37% met the primary objective by exceeding the benchmark portfolio's return of 2.26% for the same period.

ACTIVELY MANAGED versus PASSIVELY MANAGED:



GRAPH 1

CSS BALANCED FUND EQUITY INVESTMENTS



GRAPH 2

EQUITY INVESTMENTS

TABLE 3

SECTOR	PORTFOLIO WEIGHT 31-DEC-08	PORTFOLIO WEIGHT 31-DEC-09	S&P/TSX COMPOSITE INDEX WEIGHT 31-DEC-09	S&P/TSX COMPOSITE INDEX 2009 TOTAL RETURN
Financials	28.50%	28.16%	30.40%	45.62%
Information Technology	2.75	3.68	3.50	44.30
Energy	26.04	32.04	27.60	39.46
S&P/TSX Composite				**35.05**
Materials	16.50	18.27	19.40	34.17
Industrials	6.08	6.74	5.60	26.99
Utilities	2.78	0.00	1.70	19.00
Health Care	0.00	0.00	0.50	19.00
Consumer Discretionary	6.26	4.41	4.30	15.13
Consumer Staples	3.07	3.65	2.80	8.14
Telecommunications Services	7.94	3.05	4.30	6.63
Total:	100.00%	100.00%	100.00%	

(please refer to Graph 2)

CANADIAN EQUITIES

The S&P/TSX Composite Index posted a total return of 35.05% for 2009. Consistent with the rest of the world, equity prices fell in January and February of the year before changing direction in March. In the first quarter of 2009 the Index posted a negative return of 2.00%, but followed up with positive returns of 19.97%, 10.61%, and 3.86% in subsequent quarters.

The Financials sector led the S&P/TSX gains in 2009 with a total return of 45.62%. Information Technology was not far behind, posting a total return of 44.30% in the year. Telecom and Consumer Staples sectors were the worst performing sectors with returns of 6.63% and 8.14% respectively.

Canadian Equities - Addenda Capital Inc.

Addenda Capital's active equity management uses a blended approach. Top-down sector emphasis recommended by the North American research team and a bottom up stock selection is combined to create the Canadian portfolio. Addenda Capital's portfolio of Canadian equities provided a total return of 28.75% for 2009 while the S&P/TSX Capped Composite Index recorded a total return of 35.05%.

Underperformance in the portfolio was broad-based with a lack of exposure to Energy merger activity and an underweight in the Materials sector being the primary detractors to performance.

For the four-year period ended December 31, Addenda's actively managed Canadian equities provided the Balanced Fund with an annualized return of 2.07%; the benchmark reported an annualized return of 3.90% for the same period.

The structure of the portfolio of Canadian equities managed by Addenda is shown in *Table 3 above and Table 4 below.*

TABLE 4

TEN LARGEST HOLDINGS IN ADDENDA CAPITAL INC. EQUITIES PORTFOLIO

	Market Value (thousands)	% of actively managed Canadian Equities Portfolio
Royal Bank	$17,297	6.01%
Toronto-Dominion Bank	16,675	5.79
Canadian Natural Resources	15,588	5.41
Suncor Energy	14,017	4.87
Barrick Gold Corp	11,006	3.82
Research in Motion	10,626	3.69
Bank of Nova Scotia	10,307	3.58
Manulife Financial	8,859	3.08
Goldcorp	8,460	2.94
Encana	8,352	2.90

Canadian Equities – Scheer Rowlett & Associates Investment Management LTD.

The Balanced Fund's second active Canadian equity manager, Scheer Rowlett & Associates Investment Management LTD. (Scheer Rowlett) uses a bottom-up value-oriented investment style. The firm believes that a company's earning ability, driven by its fundamentals, provides transparency to the company's worth. Based on this philosophy Scheer Rowlett seeks to invest in undervalued companies with strong or improving fundamentals, healthy financial positions and proven management.

Scheer Rowlett provided a total return of **38.17%** in 2009; the S&P/TSX Composite Index reported a total return of **35.05%** over the same period. Scheer Rowlett's outperformance resulted from security selection in the Materials and Consumer Staples sectors while security selection in the Energy sector and an underweight position in the Utilities sector detracted.

The structure of the portfolio of Canadian equities managed by Scheer Rowlett is shown in *Table 5 below and Table 6 on the following page.*

U.S. EQUITIES

The U.S. economy started to show signs of improvement in 2009 largely as a result of the accommodative monetary and fiscal policies of the U.S. government. Corporate profits strengthened, the housing market demonstrated signs of improvement, and economic growth returned in the latter half of the year. Equity markets, reflecting the increased optimism and improving corporate outlook, posted strong returns for the year. In terms of U.S. dollars, the S&P 500 Index gained 26.46 % on the year. The S&P 400 Index gained 37.38% in 2009.

U.S. Equities - Large Cap and Mid Cap passive

For much of 2009 the Balanced Fund continued to hold units in pooled funds managed by Northwater Capital Management Inc. that combined S&P 500 Index futures contracts and S&P 400 Index futures contracts with Canadian "R-1 middle" or higher rated commercial paper to create synthetic U.S. equity investments hedged into Canadian dollars.

These passive synthetic investments were created when the Government of Canada had limits on the extent of foreign investments held by pension plans. Because these investments did not exceed the foreign content limit and produced a Canadian dollar return similar to U.S. equity indexes on which they were based, they provided a valuable diversification benefit for the Balanced Fund. However, in 2005 the Canadian government repealed the foreign content limit and these synthetic investments became less desirable. Direct investment in the U.S. equity markets had the potential to provide tighter tracking to the benchmark at a similar or lower cost. As a result, Management recommended that the passive synthetic U.S. investments be transitioned to a passive investment manager that invested directly in U.S. equities.

TABLE 5

SECTOR	PORTFOLIO WEIGHT 31-DEC-08	PORTFOLIO WEIGHT 31-DEC-09	S&P/TSX COMPOSITE INDEX WEIGHT 31-DEC-09	S&P/TSX COMPOSITE INDEX 2009 TOTAL RETURN
Financials	28.59%	28.16%	30.40%	45.62%
Information Technology	2.75	3.68	3.50	44.30
Energy	26.04	32.04	27.60	39.46
S&P/TSX Composite				**35.05**
Materials	16.50	18.27	19.40	34.17
Industrials	6.08	6.74	5.60	26.99
Utilities	2.78	0.00	1.70	19.00
Health Care	0.00	0.00	0.50	19.00
Consumer Discretionary	6.26	4.41	4.30	15.13
Consumer Staples	3.07	3.65	2.80	8.14
Telecommunications Services	7.94	3.05	4.30	6.63
Total:	100.00%	100.00%	100.00%	

The required transition from Northwater raised a number of issues for Management and the Board of Directors to consider. First and most obvious was the issue of finding a suitable replacement investment manager. In addition, the Northwater funds were the Plan's only currency hedged investments and as a result a review of the Plan's hedging strategy was appropriate. Finally, the Northwater pooled funds contained illiquid third party ABCP that had since been restructured into Master Asset Vehicle notes (MAV 2). A transition out of Northwater would require the Plan to assume direct ownership of its share of these illiquid notes and to determine their value.

First, Management recommended and the Board agreed to adopt a passive currency overlay strategy to hedge 50% of the Balanced Fund's foreign currency exposures. In this strategy a Currency Manager is hired to reduce some of the risk or volatility of all foreign currency exposures in the portfolio. With this decision in hand, Management undertook a search for new passive U.S. Equity and Currency Overlay managers. On November 5th the Board approved the appointment of State Street Global Advisors (SSgA) as the Balanced Fund's Passive U.S. Equities Manager (S&P 500 and S&P 400) and Currency Overlay Manager. The assets previously held in the Northwater pooled funds were transitioned to SSgA beginning on December 15, 2009 and concluding on December 22, 2009. The Currency Overlay strategy was implemented as part of this transition and was completed on December 31 with a 50% hedge of the Balanced Fund's foreign currency exposures.

In conjunction with the transition to SSgA, the Balanced Fund's proportionate share of MAV 2 notes were transferred to a new custodial account in the name of the Plan. Previously, for purposes of establishing the unit values of its pooled funds, Northwater had valued these notes at a transactional value that did not equal the value determined by Canadian generally accepted accounting principles (GAAP). It was Northwater's view that the valuation required by GAAP, being based on current sale prices, did not reflect the potential value of the notes to a long-term investor, whose intention was to hold them to maturity. The carrying value for the Plan's share of MAV 2 notes within the pooled funds as determined by Northwater, therefore, was approximately 25 million more than the fair value determined under GAAP. After considering the recommendations of Northwater and the other options available, Management and the Board elected to continue to carry the MAV 2 notes using the same valuation method previously used by Northwater. A more detailed review of these valuation differences can be found in the **NOTES TO THE FINANCIAL STATEMENTS**.

Because the transition to a new manager occurred in December of 2009, a full year's performance for these mandates is not available, but for the 11 months ending November 30th, passively managed U.S. large cap equities provided the Balanced Fund with return of **23.06%**. The S&P 500 Index hedged to Canadian dollars reported an annualized return of **21.64%** for the same period.

For the 11 months ended November 30th, passively managed U.S. mid cap equities provided the Balanced Fund with a return of **27.87%**; the S&P 400 Index hedged to Canadian dollars reported an annualized return of **26.69%** for the same period.

TABLE 6

TEN LARGEST HOLDINGS IN SCHEER ROWLETT EQUITIES PORTFOLIO

	Market Value (thousands)	% of actively managed Canadian Equities Portfolio
Royal Bank	$13,829	8.14%
Bank of Nova Scotia	12,851	7.56
Toronto-Dominion Bank	12,737	7.50
Suncor Energy Inc	12,378	7.28
Barrick Gold Corp	10,290	6.06
Canadian Imperial Bank of Comm	9,820	5.78
Canadian Natural Resources	8,520	5.01
Agrium Inc	8,433	4.96
Talisman Energy	7,118	4.19
Rogers Communications Inc	5,260	3.10

INTERNATIONAL EQUITIES

Emerging markets, and in particular China, led the global upturn in the latter half of 2009. Australia, benefitting from its trading position with Asia and a healthy banking sector, outperformed most of the other developed markets. Japan was the weakest performer in the Pacific Rim as it continued to suffer from high debt

INVESTMENT REPORT

TABLE 7

COUNTRY RETURNS AND WEIGHTINGS - MSCI INDICES								
SECTOR	2009 RETURN IN **LOCAL CURRENCY**	2009 RETURN IN **CANADIAN DOLLARS**	**MSCI EAFE** WEIGHTING 31-DEC-09	**SPRUCEGROVE** WEIGHTING 31-DEC-09	**MSCI WORLD** WEIGHTING 31-DEC-09	**BRANDES** WEIGHTING 31-DEC-09	**MSCI ACWI EX US** WEIGHTING 31-DEC-09	**THORNBURG** WEIGHTING 31-DEC-09
DEVELOPED MARKETS								
EUROPE								
Austria €	38.74%	21.61%	0.32%		0.15%		0.23%	
Belgium €	52.59	33.75	0.97		0.46		0.68	
Denmark	32.28	15.98	0.87		0.41		0.61	3.50
Finland €	7.68	-5.62	1.12	1.40	0.53	1.43	0.79	
France €	27.73	11.96	11.06	3.60	5.19	7.24	7.78	9.40
Germany €	21.25	6.28	8.10	3.80	3.80	3.64	5.69	6.50
Greece €	21.15	6.19	0.51		0.24		0.36	1.70
Ireland €	8.78	-4.64	0.27	5.10	0.13		0.19	1.00
Italy €	22.63	7.49	3.47	3.60	1.63	4.48	2.44	
Netherlands €	37.82	20.80	2.69	2.70	1.26	6.68	1.89	2.50
Norway	54.34	58.87	0.80		0.37		0.56	
Portugal €	36.04	19.24	0.32		0.15	0.96	0.22	
Spain €	39.01	21.85	4.60	1.20	2.16	1.63	3.24	2.00
Sweden	48.22	39.41	2.53		1.19	1.26	1.78	1.90
Switzerland	21.71	6.42	7.70	13.50	3.62	1.03	5.42	8.20
United Kingdom	27.59	21.70	21.63	18.80	10.16	6.35	15.22	19.40
Total:			**66.96%**	**53.70%**	**31.52%**	**34.70%**	**47.10%**	**56.10%**
PACIFIC RIM								
Australia	36.78%	49.83%	8.43%	2.60%	3.96%		5.93%	2.20%
Hong Kong	60.23	36.00	2.34	4.30	1.10		1.65	2.10
Japan	9.12	-9.77	20.68	20.30	9.71	15.29	14.55	8.70
New Zealand	20.79	27.73	0.11		0.05		0.08	
Singapore	69.52	47.73	1.48	4.90	0.70		1.04	
Total:			**33.04%**	**32.10%**	**15.52%**	**15.29%**	**23.25%**	**13.00%**
Canada	32.63%	32.63%			4.86%		7.27%	6.50%
United States	26.25	7.22			48.18	45.82		
EMERGING MARKETS								
ASIA								
China	62.37%	37.19%		0.40%			4.01%	8.20%
India	93.71	66.41		2.00			1.67	
Indonesia	95.00	81.81					0.42	
Korea	58.41	34.33		3.90		0.33	2.85	
Malaysia	50.48	28.32		0.80			0.59	1.00
Philippines	61.03	36.91					0.09	
Taiwan	74.67	40.22					2.54	
Thailand	69.26	39.70					0.30	0.60
LATIN AMERICA								
Brazil	70.48%	90.67%		1.70%		2.21%	3.79%	4.70%
Chile	47.71	45.29					0.32	
Colombia	67.49	51.57					0.14	
Mexico	47.66	29.38		0.20		0.44	0.97	4.20
Peru	68.85	56.26					0.13	
EUROPE AND MIDDLE EAST								
Czech Republic	20.57%	13.27%					0.09%	
Hungary	74.90	52.71		0.70			0.12	
Israel	54.31	23.57					0.62	2.90
Poland	36.66	23.19					0.28	
Russia	84.61	67.93					1.42	
Turkey	91.81	40.18					0.33	1.30
AFRICA								
Egypt	39.19%	10.63%					0.11%	
Morocco	-7.62	-18.58					0.04	
South Africa	25.70	27.66		1.80			1.55	
Total:				**11.50%**		**2.98%**	**22.38%**	**22.90%**
Cash				2.70		1.21		1.50
Total:			**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

levels. In the Euro zone, Germany lead the pack but others including Greece, Spain and Ireland suffered from large fiscal deficits. The United Kingdom lagged other developed markets as it suffered from high consumer debt levels and the costs of massive fiscal stimulus and bank bailouts.

The EAFE index (MSCI's Europe, Australasia, and Far East Index) returned 24.72% in terms of local currencies. Returns to Canadian investors were negatively impacted as the Canadian dollar strengthened against most currencies in 2009. The EAFE index return in Canadian dollars was 11.91%. For 2009, MSCI's EM (Emerging Markets) Index posted a total return of 62.29% in terms of local currencies and 51.63% in terms of Canadian dollars.

Non-North American Equities

The Balanced Fund's investment in actively managed non-North American equities consists of units in a pooled fund holding a diverse portfolio of companies located in Europe, and the Pacific Basin. The manager of the pool, Sprucegrove Investment Management Ltd, takes a long-term view and focuses on the selection of individual companies using a bottom-up, research-driven approach. Country and sector exposures are residuals of the stock selection process.

The pool invests in high quality companies at attractive valuation levels - a "value" orientation. This approach provides a double margin of safety - both in the fundamental strength of the business and in the price paid for it. As a result of this approach, returns may lag in periods of exceptionally strong market performance and tend to outperform in periods of very weak market performance.

For 2009, the pooled fund provided a total return of **17.03%** while MSCI's EAFE Index reported a total return of **11.91%** in terms of Canadian dollars. Holdings in Japan, Switzerland and emerging markets were the primary source of outperformance, whereas the lack of holdings in Australia detracted from performance. From a sector perspective, investments in Consumer Discretionary, Utilities, and Industrials added value, while security selection in the Materials sector hurt performance *(please refer to Table 8)*.

For the four years ended December 31, actively managed non-North American equities provided an annualized total return of -0.26%; the EAFE Index reported an annualized return of -1.52% for the same period.

TABLE 8

TEN LARGEST HOLDINGS IN NON-NORTH AMERICAN EQUITIES POOL

	Country	% of actively managed pool
Novarits	Switzerland	4.20%
Nestle	Switzerland	3.50
Total	France	3.00
HSBC	U.K.	3.00
CRH	Ireland	2.90
Swatch	Switzerland	2.40
Royal Dutch Schell	U.K.	2.30
Honda Motor	Japan	2.10
Carnival	U.K.	2.00
Smasung Electronics	South Korea	1.90

All Country World - ex U.S. Equities

Thornburg Investment Management manages our portfolio of equities from all countries excluding the U.S.

Thornburg's philosophy is to invest in promising companies with sound business fundamentals at a discount to their intrinsic value. The manager looks for companies, which fall into one of three categories: basic value stocks, consistent earners, or emerging franchises. Basic value stocks are sound companies with well-established businesses that are selling at low valuations relative to the company's net assets or potential earning power. Consistent earners are

TABLE 9

TEN LARGEST HOLDINGS IN ACWI EX US PORTFOLIO

	Country	% of ACWI Equities Portfolio
Teva Pharmaceuticals	Israel	2.96%
Industrial Commercial Bank	China	2.69
Komatsu Limited	Japan	2.57
LVMH Hennessy	France	2.42
Toyota Motors	Japan	2.28
Nestle SA	Switzerland	2.27
BHP Billiton	Australia	2.21
SAP AG	Germany	2.21
Hong Kong Exchange	Hong Kong	2.15
Novo - Nordisk	Denmark	2.13

companies with steady earnings and dividend growth that are selling at attractive values and priced below historical norms. The third and final category are emerging franchises which are value-priced companies in the process of establishing a leading position in a product, service or market that is expected to grow at an above average rate.

This portfolio of non-North American and Emerging Market equities produced a return of **15.76%** in 2009; the portfolio's benchmark – MSCI's All Country - ex U.S. Index – reported a **20.12%** return for the same period. From a sector perspective, underweight positions in the Materials sector and an overweight position in Healthcare were the primary detractors from performance on the year, while an underweight position in Utilities was positive for performance. Stock selection in the Information Technology and Materials sectors also hurt performance while stock selection in the Consumer Discretionary and Industrials added value *(please refer to Table 9 on previous page)*.

Global Equities

The Balanced Fund's portfolio of global equities is managed by Brandes Investment Partners, LP. This portfolio holds a mix of U.S. and non-North American equities. A bottom-up "value" style of management is employed. Sound businesses trading at attractive valuations and offering long-term appreciation potential with a reasonable margin of safety are sought out and held. While the manager monitors short-term market developments, their investment philosophy focuses on a company-by-company analysis with a long-term perspective.

The Balanced Fund's portfolio of global equities provided a total return of **5.60%** for 2009 while the benchmark index reported **10.39%** in terms of Canadian dollars. Investments in the Japanese Financial sector detracted from performance, while investments in the U.S. Technology Sector were the largest contributors to portfolio performance in the year *(please refer to Table 10)*.

For the four-year period ended December 31, actively managed global equities provided the Balanced Fund with an annualized return of –4.84%; the benchmark index reported an annualized return of –2.45% for the same period.

TABLE 10

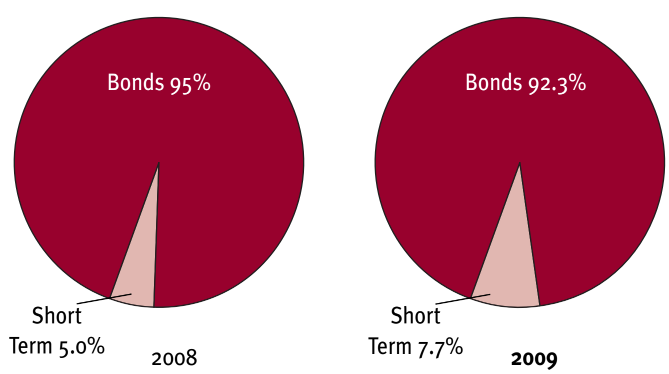
TEN LARGEST HOLDINGS IN GLOBAL EQUITIES PORTFOLIO

	Country	% of Global Equities Portfolio
Phizer Inc.	US	3.60%
Deutsche Telecom	Germany	3.59
Microsoft	US	3.55
Texas Instruments	US	3.52
Dow Chemical	US	3.01
Sannofi-Aventis	France	2.96
Telecom Italia	Italy	2.75
Carrefour SA	France	2.73
Glaxosmithkline	UK	2.38
Verizon Communications	US	2.36

FIXED INCOME INVESTMENTS

At the end of 2009, 40.6% of the CSS BALANCED FUND was in fixed income investments (49.9% at the end of 2008).

CSS BALANCED FUND FIXED INCOME INVESTMENTS



GRAPH 4

BONDS

Over the year, the DEX Bond Universe Index reported a total return of 5.41% (total return is an aggregate of interest income and gains or losses in price). In a reversal of 2008, the Corporate sector lead the DEX and the Federal sector trailed as investors traded the safety of Government issues for higher yielding Corporate issues. Corporate bonds were up 16.26% on the year while Federal bond issues were down 0.21% on the year. The Provincial sector reported intermediate returns of 4.72%

Medium Term Bonds as measured by the Mid Term Index had the strongest performance on the year at 7.54%. The Long Term Bond Index was next with a 5.49% return and the Short Term Index lagged with a return of 0.44%.

Bonds – Active

This active bond portfolio, which is managed by Addenda Capital, provided a total return of **8.65%** for the year, while the DEX Universe Bond Index reported a total return of **5.41%**. Addenda had built an overweight position in corporate bonds in 2007 and 2008 and that strategy paid off in 2009 as corporate spreads narrowed. The manager's strong out-performance in 2009 more than overcame underperformance in 2008 from the strategy.

For the four-year period ending December 31, this portfolio of bonds provided an annualized total return of 5.34%; the DEX Universe Bond Index reported an annualized return of 4.88% for the same period.

TABLE 11

	DEX Universe Bond Index	CSS Actively Managed Bonds
Weights:		
Federal	46.89%	35.08%
Provincial	24.22	24.45
Municipal	1.39	2.10
Corporate	27.50	38.37
Portfolio Characteristics:		
Yield	3.32%	3.55%
Duration	5.91 years	5.83 years
Term	8.71 years	9.10 years

This is a portfolio of high quality bonds. 90.40% of the bonds and debentures in this portfolio are rated "A" or better by recognized bond-rating agencies.

Bonds – passive

The Balanced Fund holds units in a pooled fund managed by TD Asset Management that replicates the DEX Universe Bond Index - all characteristics of the index are matched as closely as practicable in the pooled fund.

The total return on this core portfolio is expected to closely track the performance of the index. For 2009, this pooled fund reported a total return of **5.28%** while the DEX Universe Bond Index showed a return of **5.41%**.

For the four years ended December 31, passively managed bonds provided the Balanced Fund with an annualized total return of 4.80%; the benchmark index reported an annualized return of 4.88% for the same period.

TABLE 12

	Universe Bond Index	Pooled Fund
Weights:		
Federal	46.89%	46.77%
Provincial	24.22	24.20
Municipal	1.39	1.54
Corporate	27.50	27.49
Portfolio Characteristics:		
Yield	3.32%	3.34%
Duration	5.91 years	5.92 years
Term	8.71 years	8.70 years

SHORT-TERM

The Balanced Fund's short-term portfolio contains units of a pooled fund managed by TD Asset Management that is invested in high-quality, short-term Canadian fixed income securities including commercial paper, bank issued ABCP, bankers' acceptances, and treasury bills.

For 2009, the Balanced Fund's short-term investments provided a return of **0.96%**; the DEX 91-day Canadian Treasury Bill Index reported a return of **0.62%**.

CSS MONEY MARKET FUND

In 2005, the Plan began to offer a second fund to members, the CSS MONEY MARKET FUND. The goal of this fund is to earn an interest rate competitive with Canadian short-term investments, while protecting against short-term volatility as members approach retirement. To achieve this objective, the Plan holds units in a pooled fund managed by TD Asset Management that is invested in high-quality short-term Canadian fixed income securities including commercial paper, bank issued ABCP, bankers' acceptances, and treasury bills.

For 2009, the CSS MONEY MARKET FUND provided a return of **0.71% net of fees**; the DEX 91-day Canadian Treasury Bill Index reported a return of **0.62%** for the same period.

CSS PENSIONS FUND

The total market value of the CSS PENSIONS FUND increased from $495 million at the end of 2008 to $523 million at the end of 2009.

In 2009 the Board of Directors approved Management's recommendation to hire Fiera Capital Inc. as immunization manager for the Pensions Fund. Prior to this time, Management had performed an internal immunization process and executed any required trades through Addenda Capital. However the market volatility of 2008, together with the need to replace existing immunization software and data, resulted in the Plan exploring external management of the Fund. In July of 2009, pursuant to the Board of Director's approval, the Pensions Fund was transitioned to Fiera Capital Inc. Fiera's strategy is to provide tight duration matching in early years, with more freedom to add value in later years. Key rate durations of the assets and liabilities are monitored and tested under a number of scenarios to ensure the portfolio is immunized. Immunization is a portfolio management technique that attempts to render a portfolio immune to changes in interest rates by matching the present value and duration of assets with the present value and duration of liabilities.

The primary objective for this portfolio as set out in the Plan's investment policy is to ensure that the value of the assets meets or exceeds the present value of the liabilities discounted at the internal rate of return of those assets. As stated in the **NOTES TO THE FINANCIAL STATEMENTS**, an actuarial valuation at December 31, 2006 found that the value of the assets exceeded that of the Plan's pension liabilities. Ongoing analysis by Fiera Capital indicates that, at the end of 2009, the Plan's pension liabilities remained adequately funded.

Bonds and debentures made up 97.8% of the Pensions Fund at the end of 2009; 2.2% of the portfolio consisted of high quality short-term investments.

BONDS

The assets held in the Pensions Fund provided a total return of 12.61% for the year, while the DEX Universe Bond Index reported a total return of 5.41%.

TABLE 13

	Universe Bond Index	Pensions Fund Bonds
Weights:		
Federal	46.89%	9.86%
Provincial	24.22	48.30
Municipal	1.39	4.02
Corporate	27.50	37.82
Portfolio Characteristics:		
Yield	3.32%	4.40%
Duration	5.91 years	8.02 years
Term	8.71 years	17.48 years

This portfolio is mainly made up of high quality bonds. 98.76% of the bonds and debentures held are rated "A" or better by recognized bond rating agencies.

BOARD OF DIRECTORS

PRESIDENT:
Peter Zakreski
Senior Vice President - Human Resources
Federated Co-operatives Limited
Saskatoon SK

VICE PRESIDENT:
Earl Hanson
AVP, Relationship Banking
Innovation Credit Union
Swift Current SK

Richard Noonan
Vice President, Human Resources
Calgary Co-operative Association
Calgary AB

Brian Peto
Vice President Business Services
Credit Union Central of Manitoba
Winnipeg MB

Doug Wiebe
Regional Manager
Federated Co-operatives Limited
Regina SK

Audri Wilkinson
Associate Vice President Strategic Relationship Management
Concentra Financial
Winnipeg MB

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

To the Members of the Co-operative Superannuation Society Pension Plan:

The financial statements of the Co-operative Superannuation Society ("the Society") and the CSS Pension Plan ("the Plan") have been prepared by Plan Management and approved by the Society's Board of Directors. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the contents of the financial statements and the financial information contained within the annual report.

Plan management is responsible for the integrity, objectivity and consistency of the financial information presented. The Plan maintains records and develops and maintains systems of internal controls and supporting procedures to provide reasonable assurance that the assets under administration by the Society are safeguarded and controlled and that transactions comply with the Society's Act of Incorporation and Bylaws and the Plan's Rules and Statement of Investment Policies and Goals.

The Board of Directors of the Society has oversight responsibility for the Plan's systems of internal controls. The Board oversees Management's responsibility for the financial statements by reviewing them with Management and the Society's external auditors before approving them for issuance to the members.

The Society's external auditors, Meyers Norris Penny LLP, have conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing tests and other procedures as they consider necessary to express an opinion in their Auditors' Report. The external auditors have full and unrestricted access to Management and the Board to discuss any findings related to the integrity of the Society's financial reporting and the adequacy of the Plan's internal control systems.

WG Turnbull
General Manager
CSS Pension Plan
And Secretary-Treasurer
Co-operative Superannuation Society

Brent Godson
Investment Manager
CSS Pension Plan

January 25, 2010

AUDITORS' REPORT

To the Members of Co-operative Superannuation Society Pension Plan:

We have audited the statement of net assets available for benefits of Co-operative Superannuation Society Pension Plan as at December 31, 2009 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibliity of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2009 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Saskatoon, Saskatchewan
January 25, 2010

Chartered Accountants

CO-OPERATIVE SUPERANNUATION SOCIETY PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

as at December 31, 2009
(Thousands of dollars)

INVESTMENT FUNDS

	Balanced Fund	Money-Market Fund	2009 Total	2008 Total
Assets				
Investments *(Note 3)*	$2,234,468	$ 81,282	$ 2,315,750	$ 2,022,876
Accrued investment income	5,695	—	5,695	6,226
Cash	5,258	—	5,258	4,174
Accounts receivable				
Employee contributions	446	—	446	454
Employer contributions	431	—	431	410
Due from brokers	2,320	—	2,320	—
Captial assets	21	—	21	29
Interfund balance *(Note 8)*	—	135	135	200
	2,248,639	81,417	2,330,056	2,034,369
Liabilities				
Accounts payable	1,774	31	1,805	1,462
Due to brokers	—	—	—	17,399
Interfund balance *(Note 8)*	27	—	27	84
	1,801	31	1,832	18,945
Net assets available for benefits	2,246,838	81,386	2,328,224	2,015,424
Represented by:				
Member contribution accounts *(Note 7)*			2,328,224	2,015,424

PENSIONS FUND

	2009 Total	2008 Total
Assets		
Investments *(Note 3)*	517,769	489,307
Accrued investment income	5,461	5,545
	523,230	494,852
Liabilities		
Accounts payable	298	326
Interfund balance *(Note 8)*	107	116
	405	442
Net assets available for benefits	522,825	494,410
Represented by:		
Pension reserve	522,825	494,410

Approved on behalf of the Board

.... Director .... Director

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31, 2009
(Thousands of dollars)

INVESTMENT FUNDS

	Balanced Fund	Money-Market Fund	2009 Total	2008 Total
Increase in assets				
Investment income				
Interest	$ 38,560	$ 509	$ 39,069	$ 48,893
Dividends				
Canadian dividends	12,038	–	12,038	10,970
Foreign dividends	11,269	–	11,269	11,547
Pooled fund distributions	8,224	–	8,224	7,587
Increase (decrease) in market value of investments	237,308	(41)	237,267	(520,900)
Other	234	–	234	633
	307,633	468	308,101	(441,270)
Contributions				
Employee	51,041	826	51,867	50,636
Employer	46,877	785	47,662	46,555
Interfund transfers	(26,828)	26,828	–	–
	71,090	28,439	99,529	97,191
Total increase (decrease) in assets	378,723	28,907	407,630	(344,079)
Decrease in assets				
Administrative expenses				
Investment services	4,317	–	4,317	4,334
Investment transaction costs	298	–	298	923
Salaries and employment costs	943	–	943	904
Operations	417	–	417	407
Membership control	181	–	181	155
Administrative expenses recovery	(1,434)	206	(1,228)	(1,244)
	4,722	206	4,928	5,479
Equity repayments	57,352	10,779	68,131	105,092
Variable benefit payments	3,685	2,379	6,064	6,451
Non-vested funds to be returned to contributing employer	208	–	208	202
Equity transferred to Pensions Fund	10,418	5,081	15,499	24,213
	71,663	18,239	89,902	135,958
Total decrease in assets	76,385	18,445	94,830	141,437
Increase (decrease) in net assets	302,338	10,462	312,800	(485,516)
Net assets available for benefits, beginning of year	1,944,500	70,924	2,015,424	2,500,940
Net assets available for benefits, end of year	2,246,838	81,386	2,328,224	2,015,424

CO-OPERATIVE SUPERANNUATION SOCIETY PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31, 2009
(Thousands of dollars)

PENSIONS FUND

	2009	2008
Increase in assets		
Investment income		
Interest	25,859	26,232
Decrease in market value of investments	30,705	(30,590)
Other	28	22
Equity transferred from Investment Funds	15,499	24,213
Total increase in assets	72,091	19,877
Decrease in assets		
Pension paid	42,448	41,532
Interest on interfund balance	—	2
Administrative expenses	1,228	1,244
Total decrease in assets	43,676	42,778
Decrease in net assets	28,415	(22,901)
Net assets available for benefits, beginning of year	494,410	517,311
Net assets available for benefits, end of year	522,825	494,410

For the year ended Dec. 31, 2009

1. DESCRIPTION OF PLAN

A summary description of the Co-operative Superannuation Society Pension Plan (the Plan) appears below. For complete information, refer to the Co-operative Superannuation Society's Act of Incorporation, its Bylaws, and the Rules and Regulations of the Co-operative Superannuation Society Pension Plan.

(a) General

The Co-operative Superannuation Society ("the Society") is a non-profit pension society incorporated on a membership basis by a private Act of the Saskatchewan Legislature. The Society serves as administrator of the Co-operative Superannuation Society (CSS) Pension Plan and as trustee of three unitized investment funds – the CSS Balanced Fund, the CSS Money Market Fund and the CSS Pensions Fund.

The Co-operative Superannuation Society Pension Plan ("the Plan") is a multi-employer defined contribution pension plan. The Plan's purpose is to enable employees of member Co-operatives and Credit Unions to prepare for and fund their retirements by providing tax-deferred saving and income products and services through a member owned and controlled non-profit organization.

Member employees bear the risk of investment losses and are the sole beneficiaries of investment gains.

The Plan includes 420 independent co-operatives and credit unions and more than 33,000 of their current and past employees. The Plan also pays retirement income to more than 6,000 of their retired employees. Each of these employers, employees and retirees is a member of the Plan. Actively contributing employers and employees, and retirees receiving pensions or variable benefit payments from the Plan, are members of the Society.

The Plan is registered under the Income Tax Act and the Saskatchewan Pension Benefits Act (Registration Number 0345868) and is not subject to income taxes.

(b) Funding Policy

Each participating employer must establish a required contribution rate for its employees between 0% and 9% of salary or compensation. Employers must deduct employees' required contributions from their salary and match that contribution with an employer contribution of an equal amount. If the employee required contribution rate is set at 0%, the employer must still contribute a minimum of 1% of salary or compensation. The Plan permits both employees and employers to make additional voluntary contributions to the Plan. The total of all contributions to the Plan may not exceed the annual limit prescribed by the *Income Tax Act*.

(c) Vesting

Employer contributions vest in employees when they complete two years of continuous service or when their age plus years of completed continuous service equals or exceeds a factor of 45.

(d) Investment Funds

The Plan offers its members two funds for the investment of their contributions and accumulated benefits – the CSS Balanced Fund and the CSS Money Market Fund. The number and type of investment funds offered to members is determined by the Society's Board of Directors.

Members are permitted, but not required to choose how they wish to distribute their contributions and accumulated benefits among the investment funds offered. Members who do not make a choice are invested in the Plan's default investment option, which is the CSS Balanced Fund.

(e) Retirement

Employees who no longer work for an employer member of the Plan may apply for retirement benefits upon reaching age 50 or once the employee's age plus years of completed continuous service reaches a factor of 75. Phased retirement, as permitted under the *Income Tax Act* and provincial pension legislation, is also available to employees who have reached age 55.

The Plan offers retirees two internal retirement income options – a fixed monthly pension and a variable benefit payment option. Members' accumulated benefits may also be transferred to an insurer or financial institution licensed to provide retirement income products. Retirees must start a retirement income from the Plan or transfer their benefits into a self-directed lifetime retirement income product no later than the maximum age of deferral under the *Income Tax Act*.

(f) Pensions

The accumulated benefits of retirees who choose to start a fixed monthly pension are transferred into the CSS Pensions Fund – a segregated portfolio that secures the Plan's pension liability. Monthly pension payments are paid from this Fund. The Plan offers single life, and joint life pensions. Pensions provided by the Plan may receive periodic ad hoc increases, subject to the solvency of the CSS Pensions Fund and the policies adopted by the Plan's Board of Directors.

(g) Variable Benefit Payments

The accumulated benefits of members who choose to start a variable benefit payment remain in their account and under their control, invested in the Plan's Investment Funds as directed by the member. Variable benefit payments are periodic withdrawals taken directly from the member's accumulated benefits. Members may select a monthly or annual payment. Members receiving variable benefit payments have control over the amounts withdrawn, subject to the limits in the *Income Tax Act* and applicable pension legislation. Depending on the member's investment returns and payment choices, a variable benefit payment may not provide a lifetime retirement income.

(h) Disability Pensions

In the event of termination due to health, injury or disability, a pension or variable benefit payment may commence at any age, subject to the Plan receiving acceptable medical confirmation.

(i) Death Benefits

In the event of a member's death prior to starting a pension or variable benefit payment, the member's accumulated benefits are paid to the member's spouse, beneficiary or estate in accordance with the member's designation, but subject to the provisions of the *Income Tax Act* and applicable pension legislation. The Plan provides immediate vesting of employer contributions on the death of a member.

(j) Termination Options

Upon final termination of employment with any employer participating in the Plan, an employee member has the following options:

Accumulated benefits locked-in for pension

The member may:

i) leave locked-in benefits in the Plan to commence a pension or variable benefit payment when eligible to do so, or;

ii) provided that the member has not started a pension, he/she may transfer locked-in benefits to a registered plan with an insurer or financial institution licensed to provide retirement income products that meets the conditions prescribed by the *Income Tax Act* and applicable pension legislation.

Accumulated benefits not locked-in for pension

The member may:

i) leave non-locked-in benefits in the Plan to commence a pension or start a variable benefit payment, or;

ii) provided that the member has not started a pension, he/she may withdraw non-locked-in benefits in the form of a cash payment net income tax or as a qualified transfer to a registered plan with an insurer or financial institution.

(k) Administrative and Investment Expense

All Plan expenses are paid directly from the CSS Balanced Fund. Expenses associated with the administration of and the investment of the assets held in the CSS Pensions Fund and the CSS Money Market Fund are reimbursed in the form of an administrative charge paid from the CSS Pensions Fund or the CSS Money Market Fund to the CSS Balanced Fund on a monthly basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The statements present the combined operations of the Co-operative Superannuation Society and the Co-operative Superannuation Society Pension Plan, independent of participating employers and plan members.

Investment Transactions and Income

Investment transactions are recognized on the trade date (the date upon which substantial risks and rewards have been transferred). Investment transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

Investment income consists of earned income (interest and dividends), realized gains and losses on disposal of investments, and unrealized gains and losses resulting from changes in the market value of investments, including pooled fund distributions.

Average cost reflects the purchase cost of the investment and includes direct acquisition costs *(please refer to Table A)*.

Investment Valuation

Fixed income and equity investments are stated at market values as determined by reference to quoted year-end prices provided by independent investment services organizations. Pooled funds are stated at the year-end unit values, which reflect the market value of their underlying securities.

Short-term investments are recorded at cost, which together with accrued interest or discount earned, approximates market value.

Foreign Currency Translation

Transactions in foreign currencies are translated into Canadian dollars at rates of exchange prevailing on the transaction date. Investments denominated in foreign currencies and held at the end of the year are translated at exchange rates in effect at year-end. The resulting realized and unrealized gains and losses are included in investment income.

Financial Instruments

The carrying amounts of the Plan's receivables, payables, and accruals approximate fair value due to their short-term nature.

TABLE A

CATEGORY	BASIS OF VALUATION
Interest Income	Accrual basis
Dividend Income	Accrual basis on the ex-dividend date
Realized gains and losses for investments sold	Difference between proceeds on disposal and the average cost
Unrealized gains and losses for investments held	Difference between market value and the average cost

Derivative Financial Instruments

Derivative financial instruments are financial contracts, the value of which is derived from changes in underlying assets or indices as measured at the closing date of the period being reported. Derivative transactions are conducted in the over-the-counter market directly between two counter parties or on regulated exchange markets. All derivative financial instruments are recorded at market value using market prices. Where quoted market values are not readily available, appropriate valuation techniques are used to determine market value.

Future Accounting Policy Changes

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has issued an exposure draft proposing to adopt International Financial Reporting Standards (IFRS) effective January 1, 2011. Currently, Pension Plans are not required to convert to IFRS, but are to continue to comply with current standards. The Plan is monitoring the transition to IFRS and is assessing the impact that the adoption of IFRS will have on its financial statements when conversion is required.

3. INVESTMENTS

The Society serves as trustee of three unitized investment funds. These are the CSS Money Market Fund, the CSS Pensions Fund and the CSS Balanced Fund. The structures of these three funds are determined by the Society's Board of Directors, which sets the Plan's Investment Policy. The Plan's Investment Policy conforms to the legal requirements and best practice guidelines applicable to pension trusts.

CSS Money Market Fund

The CSS Money Market Fund contains Canadian short-term investments *(please refer to Table B)*.

CSS Pensions Fund

The CSS Pensions Fund contains Canadian bonds and short-term investments. An

. . . continued on page 35

TABLE B

CSS MONEY MARKET FUND (THOUSANDS OF DOLLARS)

Investment Type	2009 Market Value	2009 Investment Percentage	2008 Market Value	2008 Investment Percentage
Canadian Short-term investments	$ 81,282	100.0%	71,046	100.0%

TABLE C

CSS PENSIONS FUND (THOUSANDS OF DOLLARS)

Investment Type	2009 Market Value	2009 Investment Percentage	2008 Market Value	2008 Investment Percentage
Custodial Cash Accounts	$ 16		$ 22	
Short-term	11,413		3,298	
	11,429	2.2%	3,320	0.7%
Bonds and Debentures				
Federal	51,054		52,060	
Provincial	243,197		260,259	
Municipal	11,059		5,462	
Corporate	201,030		168,206	
	506,340	97.8%	485,987	99.3%
Total	$ 517,769	100.0%	$ 489,307	100.0%

TABLE D

CSS BALANCED FUND (THOUSANDS OF DOLLARS)

Investment Type	2009 Market Value	2009 Investment Percentage	2008 Market Value	2008 Investment Percentage
Custodial Cash Accounts	$ 4,478		$ 6,650	
Short-term	84,223		49,837	
	88,701	4.0%	56,487	2.9%
Bonds and Debentures				
Federal	175,997		152,502	
Provincial	116,769		156,863	
Municipal	10,540		12,774	
Corporate	219,899		192,338	
Corporate – foreign	8,215		32,146	
Pooled Fund	278,008		378,739	
	809,428	36.2%	925,362	47.4%
Equities				
Canadian shares	467,152		339,896	
Pooled Fund U.S. Indexed	–		229,696	
	467,152	20.9%	569,592	29.2%
Translated to Canadian dollars				
U.S.	106,405		63,266	
Pooled Fund U.S. Indexed	330,335			
Non-North American	249,911		201,153	
Pooled Fund Non-North American	182,536		135,970	
	869,187	38.9%	400,389	20.5%
Total	2,234,468	100.0%	1,951,830	100.0%

TABLE E

MAV 2 NOTES (thousands of dollars)	Face Value	Discount	Fair Value
Class A1	$ 32,862	41%	$ 19,389
Class A2	21,623	54	9,947
Class B	3,925	91	353
Class C	1,809	98	36
Class 13 (1A Tracking)	993	100	–
Total	**$ 61,212**	**51%**	**$ 29,725**

immunization strategy is employed by the Pensions Fund Manager to ensure that cash flows from the fund will meet the Plan's pension payroll, and to render the portfolio immune to changes in interest rates *(please refer to Table C)*.

CSS Balanced Fund

The CSS Balanced Fund contains Canadian and foreign equities, Canadian bonds, short-term investments and units in pooled funds *(please refer to Table D)*.

MAV 2 Notes/Asset Backed Commercial Paper

On January 1, 2009, the CSS Pension Plan held units in two institutional pooled fund trusts containing non-trading and illiquid third-party issued asset-backed commercial paper.

The total value of the paper held within these pools as at December 31, 2008 was $54,257,969 (or $61,915,449 face value less a $7,657,480 discount).

On January 21, 2009, subject to the Montreal Accord, the investments were restructured and the original paper was replaced with new longer-term floating –rate notes. These notes were issued via new trusts called Master Asset Vehicles (MAV 1 and MAV 2). The pooled funds managed by Northwater Capital became an investor in MAV 2. The credit quality of the notes continued to be uncertain.

In December of 2009, the Plan's investments in the Northwater pooled fund trusts were redeemed and its U.S. equity investment transitioned to State Street Global Advisors. The illiquid MAV 2 notes were transferred from the pooled fund trust to a CSS Pension Plan custodial account.

In accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), the MAV 2 notes must be reported at their fair value. CSS Pension Plan has determined the fair value of the MAV 2 notes using recent market prices for the notes to the extent that prices are available. The market prices were based on bids received from multiple dealers and reflect an illiquid market *(please refer to Table E)*.

For the purpose of calculating and reporting the unit price of the CSS Balanced Fund, the Plan has established a value other than fair value as determined according to GAAP. This value is consistent with the value calculated by the manager of the institutional pooled funds from which the notes were transferred to CSS in December of 2009. Given that the Plan's current intention is to hold the MAV 2 notes to maturity, this value is expected to better reflect the final recovery realized on behalf of Plan members.

As at December 31, 2009 the value used for calculating and reporting the CSS Balanced Fund's unit price reflected a discount of 10.2% from the original MAV 2 notes' face value. The value used for unit pricing was therefore $25,240,639 greater than the fair value of the assets according to GAAP as shown above. This equates to a difference of $0.14 per unit or 1.136%.

The table below reconciles the Balanced Fund transactional value for Member accounts as at December 31, 2009 with the net assets available for benefits in accordance with GAAP *(please refer to Table F)*.

Both the fair value according to GAAP recorded in the Plans financial statement and the value used to determine the unit price of the CSS Balanced Fund are estimates based on current information that may become more complete or change. As a result, either or both estimates of value may differ materially from the values reported in

TABLE F

(Total Fund in thousands of dollars)	Total Fund	Per Unit
Net Assets available for Benefits	$ 2,246,838	$ 12.19
Unrealized Loss on MAV 2 notes	25,240	0.14
Other Adjustments as per Note 7	(1,432)	(0.01)
Tranctional Value for Member Accounts	**$ 2,270,646**	**$ 12.32**

subsequent periods or from the actual value realized on any final sale or liquidation of the notes.

4. RISK MANAGEMENT

The net assets available for benefits in the Plan's Investment Funds and Pensions Fund consist almost entirely of financial instruments. The risks of holding financial instruments include interest rate risk, credit risk, foreign exchange risk, market risk and liquidity risk.

Significant financial risks are related to the investments held on behalf of Plan members. These financial risks are managed by having an investment policy, which is approved annually by the Board of Directors. The investment policy provides guidelines to the Plan's investments managers for the asset mix of the portfolio regarding quality and quantity of fixed term investments and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. The Board reviews regular compliance reports from its investment managers and custodian as to their compliance with the investment policy.

Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position, and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of some of the Plan's assets is affected by changes in nominal interest rates.

The Plan manages interest rate risk in the CSS Balanced Fund by establishing a target asset mix that provides for a mix of interest-sensitive investments and investments subject to other risks. A portion of the interest-sensitive investments is actively managed to allow for anticipation of interest rate movements to mitigate or take advantage of changes in interest rates. *(please refer to Tables G, H and I on next page)*.

Credit Risk

Credit risk refers to the potential loss arising from a party being unable to meet its financial obligation. Credit risk within investments is managed through the Plan's Statement of Investment Policies and Goals. The investment policy establishes limits on the credit exposure to security issuers. At time of purchase, bonds and debentures must have a minimum rating of "BBB" or better for the CSS Balanced Fund and "A" or better for the CSS Pensions Fund, and short-term investments must be rated as "R-1 low" or better (ratings as provided by a recognized bond rating agency). As at December 31, 2009, 100% (2008-100%) of the Plan's short-term investments were rated "R-1 low" or better and 90.40% (2008-93.13%) of the bonds and debentures held in the CSS Balanced Fund and 98.76% (2008 – 95.63%) of the bonds and debentures held in the CSS Pensions Fund were rated "A" or better.

The Plan is also subject to credit risk through its use of forward currency contracts. These contracts are entered into between the Plan and approved counter parties. The credit risk associated with these contracts is mitigated by establishing a minimum number of counter parties, and through credit analysis of counterparties performed by the Currency Manager.

The Plan is also subject to credit risk through its securities lending program. Under this program, collateral is pledged to the Plan by various counter parties for securities out on loan to the counter parties.

The Plan has entered into a securities lending agreement with its custodian, CIBC Mellon Global Securities Services Company, to enhance portfolio returns. The securities lending program operates by lending the Plan's available securities to approved borrowers. Credit risk associated with the securities lending program is mitigated by requiring borrowers to provide cash or collateral that exceeds the market value of the loaned securities. At December 31, 2009, securities on loan had a market value of $194.8 million (2008 - $151.3 million). Collateral held to secure those loans had a market value of $203.5 million (2008 - $162.5 million).

Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and security prices.

Foreign Currency Risk ($CAD)

The Plan is exposed to currency risk through holdings of foreign equities where investment values may fluctuate due to changes in foreign exchange rates. The Plan manages foreign currency risk by investing in securities that are

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TABLE G The CSS Money Market Fund has exposure to interest rate risk as follows:

	2009					2008	
	TERM TO MATURITY						
(thousands of dollars)	Within 1 Year	1 To 5 Years	Over 5 Years	Total	Average Yield	Total	Average Yield
Short-term investments	$ 81,282	$ —	$ —	$ 81,282	0.42%	$ 71,046	1.99%

As at December 31, 2009, if the prevailing interest rate had changed by 1%, assuming a parallel shift in the yield curve with all other variables held constant, net assets would have decreased or increased respectively by approximately, $235,718 (approximately 0.29% of assets). The fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice the actual trading results may differ and could be material.

TABLE H The CSS Pensions Fund has exposure to interest rate risk as follows:

	2009					2008	
	TERM TO MATURITY						
(thousands of dollars)	Within 1 Year	1 To 5 Years	Over 5 Years	Total	Average Yield	Total	Average Yield
Short-term investments	$ 11,413	$ —	$ —	$ 11,413	0.28%	$ 3,298	1.76%
Bonds	11,624	102,465	392,251	506,340	4.40%	485,988	4.97%
	$ 23,037	$ 102,465	$ 392,251	$ 517,753		$ 489,286	

As at December 31, 2009, if the prevailing interest rate had changed by 1%, assuming a parallel shift in the yield curve with all other variables held constant, net assets would have decreased or increased respectively by approximately, $38,836,259 (approximately 7.43 % of assets). The fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice the actual trading results may differ and could be material.

TABLE I The CSS Balanced Fund has exposure to interest rate risk as follows:

	2009					2008	
	TERM TO MATURITY						
(thousands of dollars)	Within 1 Year	1 To 5 Years	Over 5 Years	Total	Average Yield	Total	Average Yield
Short-term investments	$ 17,945	$ —	$ —	$ 17,945	0.34%	33,087	2.26%
Short-term pooled fund	66,278	—	—	66,278	0.42%	16,750	1.99%
Bonds	83,908	124,089	323,423	531,420	3.55%	546,623	4.54%
Bonds -pooled fund	—	145,204	132,804	278,008	3.34%	378,739	3.95%
	$ 168,131	$ 269,293	$ 456,227	$ 893,651		$ 975,199	

As at December 31, 2009, if the prevailing interest rate had changed by 1%, assuming a parallel shift in the yield curve with all other variables held constant, net assets would have decreased or increased respectively by approximately, $47,094,557 (approximately 2.10% of assets). The fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio. In practice the actual trading results may differ and could be material.

strategically distributed over several geographic areas to limit exposure to any one foreign currency *(please refer to Table J)*.

On December 31, 2009, the Plan's foreign currency expsures were as follows:

TABLE J

CURRENCY	2009 ($CAD)	2008 ($CAD)
(thousands of dollars)		
United States dollar	**$ 474,202**	$ 86,653
British pound sterling	**69,447**	35,159
Euro	**127,888**	109,973
Other European currencies	**46,728**	48,982
Japanese yen	**83,348**	66,814
Other Pacific currencies	**32,995**	15,093
Emerging Market currencies	**34,087**	31,774
	868,695	394,448

The Plan also manages currency risk through the use of currency forwards. These currency forwards are used to hedge approximately 50% of the Plan's foreign currency exposure. As at December 31, 2009 the fair value of the currency forwards payable was $754,144,268 and the fair value of the currency forwards receivable was $756,482,062 *(please refer to Table K)*.

As at December 31, 2009, if the Fund's functional currency, the Canadian dollar, had strengthened or weakened by 5% in relation to all other currencies with all other variables held constant, the net assets would have decreased or increased respectively, by approximately $21,717,375 (approximately 1% of net assets). In practice, the actual trading results may differ from this approximate sensitivity analysis and the differences could be material.

Equity Price Risk

The Plan is exposed to changes in equity prices in global markets. At December 31, 2009, equities comprised 59% of the carrying value of the Balanced Fund's total investments. The Board's policy is to invest in a diversified portfolio of investments. No one investee or related group of investees represents greater than 10% of the total book value of the assets of the plan. As well, no one holding represents more than 30% of the voting rights of any corporation *(please refer to Table L)*.

Liquidity Risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan manages liquidity risk by maintaining adequate cash and short-term securities and monitoring actual and forecasted cash flows to support the Plan's operating needs.

5. ACTUARIAL VALUATION OF PENSION ASSETS AND LIABILITIES

The payments to retired members who chose to receive a fixed monthly pension from the Plan are paid from the CSS Pensions Fund. An actuarial valuation of the assets held in the CSS Pensions Fund and of the Plan's pension liability is

TABLE K The Plan's currency forward contracts at December 31, 2009 were as follows:

CURRENCY	2009 MARKET VALUE	2009 NOTIONAL VALUE	2009 GAIN (LOSS)	2008 MARKET VALUE	2008 NOTIONAL VALUE	2008 GAIN (LOSS)
(thousands of dollars)						
Canadian Dollar	**$ 429,935**	**429,935**	**—**	(259)	(259)	—
Swiss Franc	**(17,968)**	**(17,966)**	**(2)**	13	13	—
British Pound Sterling	**(34,502)**	**(34,501)**	**(1)**	43	43	—
Hong Kong Dollar	**(12,428)**	**(12,427)**	**(1)**	241	240	1
European Euro	**(63,788)**	**(63,786)**	**(2)**	(38)	(37)	(1)
United States Dollar	**(243,262)**	**(245,608)**	**2,346**	—	—	—
Australian Dollar	**(3,943)**	**(3,945)**	**2**	—	—	—
Singapore Dollar	**(4,487)**	**(4,487)**	**—**	—	—	—
Swedish Krona	**(2,740)**	**(2,739)**	**(1)**	—	—	—
Danish Krona	**(2,528)**	**(2,528)**	**—**	—	—	—
Japanese Yen	**(41,951)**	**(41,948)**	**(3)**	—	—	—
	$ 2,338	**—**	**2,338**	—	—	—

TABLE L

As at December 31, 2009 had market prices, as measured by the benchmark indices, increased or decreased by 10%, with all other variables held constant the net assets available for benefits would have increased or decreased by approximately:

MARKET	BENCHMARK	IMPACT ($000)
Canadian Equities	S&P TSX Composite Total Return Index	$ 46,715
U.S. Large Cap Equities	S&P 500 Total Return Index Hedged (C$ BA's)	16,958
U.S. Mid Cap Equities	S&P 400 Total Return Index Hedged (C$ BA's)	16,075
Non North American Equities	MSCI EAFE Total Return Index	18,253
World Equities	MSCI World Total Return Index	22,290
All Country ex US Equities	ASCI All Country ex US Total Return Index	14,268

required every three years by law. The most recently completed valuation was conducted as at December 31, 2006. At that date, the Plan's actuary reported that the market value of the assets held in the CSS Pensions Fund exceeded the Plan's pension liability as indicated below *(please refer to Table M)*.

Based on monthly immunization calculations performed by the Plan's external Pensions Fund Manager, Management estimates that the market value of the Pensions Fund as at December 31, 2009, continued to be adequate to fully fund the Plan's pension liability and provide a reserve for adverse deviation from assumptions. The assumptions used for these calculations may vary from the assumptions used by the Plan's actuary in performing the Plan's triennial actuarial valuations.

TABLE M

ACTUARIAL POSITION	2006	2003
(thousands of dollars)		
Market Value of Assets	**$ 519,615**	$450,872
Less actuarial value of Pension Liability	**(453,238)**	(402,979)
Surplus at December 31	**66,377**	47,893
Reserve for adverse deviation from assumptions	**66,377**	47,893

6. UNIT PRICING

Investment income, gains and losses accruing on the assets held in the CSS Balanced Fund and CSS Money Market Fund are credited to the members invested in each fund through daily changes in fund unit prices. Investment and administration expenses relating to each fund are accrued to each fund prior to establishing its daily unit price. Depending on whether a fund experiences a net gain or loss after expenses, the fund's unit price increases or decreases accordingly. Fund transactions may be suspended temporarily at management's discretion where an accurate unit price for a fund cannot be determined due to the unavailability of reliable market pricing or other asset valuations.

Fund transactions are processed using "forward pricing". This means that they are processed at the next unit price set after receiving funds or instructions. Contributions to, and transfers between the CSS Balanced Fund and the CSS Money Market Fund are processed on a daily basis in the normal course. Lump sum withdrawals are generally processed on a weekly basis. Periodic withdrawals of retirement income are processed in accordance with the terms of each member's application for benefits.

On December 31, 2009, the CSS Balanced Fund's unit price was $12.3245 (2008 – $10.5034) while the CSS Money Market Fund's unit price was $11.5545 (2008 – $11.4734).

7. RECONCILIATION OF MEMBERS' ACCOUNTS

In accordance with Canadian generally accepted accounting principles, the Statement of Net Assets Available for Benefits includes the fair value of the investments held on behalf of plan members as well as fixed assets and various adjustments and accruals. Only actual cash transactions and market value changes that occurred from January 1, 2009, to the last business day of the year, however, are reflected in the unit prices and unit counts that determine the total value of members' accounts at year-end.

According to the audited financial statements, the value of net assets available for

. . . *continued on page 40*

TABLE M

RECONCILIATION	2009	2008
(thousands of dollars)		
Net Assets available for Benefits	**$2,328,224**	$ 2,015,424
Add Back:		
Accrued Expenses	**78**	104
Withdrawals Payable	**451**	379
Deduct:		
Fixed Assets	**(21)**	(29)
Contributions Receivable	**(2,247)**	(1,026)
Market Value Adjustments	**25,411**	(1,987)
Total Value of Members' Accounts	**2,351,896**	2,012,865

benefits as of December 31st, 2009 was $2,328,223,558 while the total value of members' accounts as per the Plan's unitized record keeping system on this same date was $2,351,895,774. The difference between these two amounts is reconciled above. *(please refer to Table M)*.

"Market value adjustments" above includes an estimate of the difference between the fair value and the expected realizable value of the MAV 2 notes held on behalf of CSS members. See Note 3 at page 35.

8. INTERFUND BALANCES

Interfund balances represent an accrual of the outstanding administration charges owed by the CSS Pensions Fund and the CSS Money Market Fund to the CSS Balanced Fund at the end of the reporting period, plus an interest charge on this and other amounts owed during the year. Interest is calculated on the amount outstanding on a per diem basis at the rate earned on Canadian T-bills for the immediately preceding month. Amounts owed are reimbursed to the CSS Balanced Fund on a monthly basis.

9. FUND RETURNS AND EXPENSES

The rates of return and management expense ratios of the investment funds offered to Plan members in 2009 were as follows *(please refer to Table N)*.

The returns stated are net of all administrative and investment expenses.

TABLE N

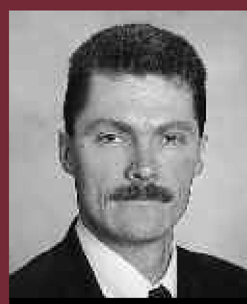
Fund	Rate of Return	Management Expense Ratio
CSS Balanced Fund	17.34%	0.20%
CSS Money Market Fund	0.71%	0.24%

NOTES

STAFF

Bill Turnbull
General Manager

Brent Godson
Investment Manager



Joel Sawatsky
Accounting/ Investment Officer

David Kapeluck
Member Services Manager

Muriel Baribeau
Information Officer

Fiona May
Office Administrator II

Rhonda Ens
Office Administrator I

Joanne Anderson
Office Administrator I

Gayle Richmond
Office Administrator I (Part-time)

Vaunley John
Systems Administrator

Rob Peddle
Visual/Web Programmer Analyst

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CSS