



Helping you understand the value of your pension plan

25

"Why worry
about retirement
at my age?"



35

"How does my plan
help me prepare for
retirement?"

45

"How do I manage
my funds in this
uncertain market?"



55

"What are my
payout options
when I retire?"

Earl Hanson, President:

“We take the oversight and management of the Plan very seriously and work hard for our members.”

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This annual report summarizes how the CSS Pension Plan fared during 2011, and gives you information about the people who oversee and manage your Plan.

It is distributed to all contributing members, retirees receiving a monthly income directly from the Plan, and former employees of member organizations who still have funds in the Plan. If you have any questions, please feel free to call or email – contact information is given on the Plan website (<https://www.csspen.com/contact/>).



CSS Pension Plan

Year in review: How did the Plan fare in 2011?

Despite the uncertain economic environment, it was 'steady as she goes' for your Plan in 2011. Although the Balanced Fund showed a small loss, the CSS Pension Plan remains stable and healthy, and continues to provide a viable, long-term vehicle to help you prepare for retirement.

That's good news for members, since saving for retirement is a long-term strategy.

What was newsworthy in 2011?

A number of changes were made to the Plan and its management, the most obvious being the addition of two new investment funds. The Bond and Equity funds joined the Money Market and Balanced Funds on your menu of investment choices, making it easier for you to tailor an investment mix that suits your unique circumstances. Other notable changes included:

- New Board members
- A new training program for Board members
- Six additional delegates
- Implementation of a new system that manages risk and change across the Plan

Further details are included in the following pages of this report.

The CSS Pension Plan and you

A recent survey showed that retirement savings was one of the three most important elements of the job for Canadians between age 35 and retirement.* The group aged 25-34 rated it fourth. We know your pension plan is important to you, and the Board and staff of the CSS Pension Plan are here to help you reach your retirement goals.

However, you are in the driver's seat when it comes to planning your retirement. It's up to you to create a plan, periodically review it, and make investment decisions to achieve your long-term goals. We provide many of the tools you'll need: individual consultations and pension projections; your personalized annual statements; information on the Plan's website, retirement workshops and seminars, regular Plan updates and more.

*Inside Employees' Minds, Mercer 2011

Brent Godson,
Investment Manager:

"In the mid-80s, high returns were normal. It's a different world now. Saving for retirement requires a long-term strategy."

Bill Turnbull,
General Manager:

"We continue to focus on keeping costs down. Looking forward, we'll be concentrating on asset mixes, investment management and plan design."

2011 highlights

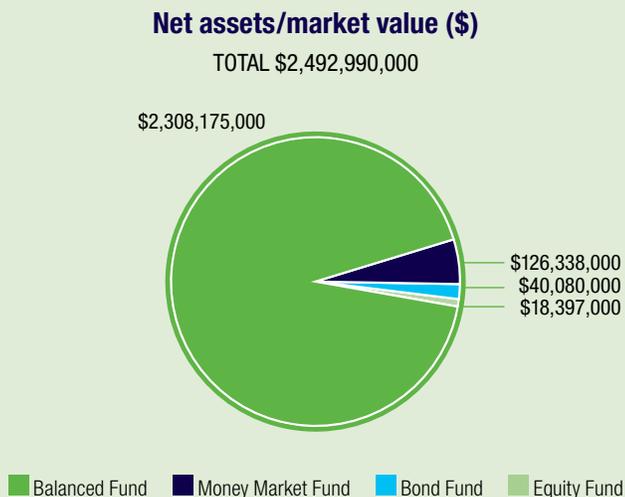
Two new funds = more flexibility

At the beginning of this 2011, two more options were added to the Plan's investment menu – a Bond Fund and an Equity Fund.

Members may now set their own asset mix by moving some or all of their pension benefits into these new funds. While the new funds offer members more flexibility, they also require members to take on more responsibility. Members using the new funds will have to monitor and adjust their asset mix in response to differential returns.

What were the Plan's net assets?

At the end of 2011, the combined net assets of the four funds in the Plan – Money Market, Bond, Balanced and Equity Funds – totalled \$2,492,990.00. That total represents a decrease of \$41,029,000 over 2010. The chart below shows the net assets in each fund.

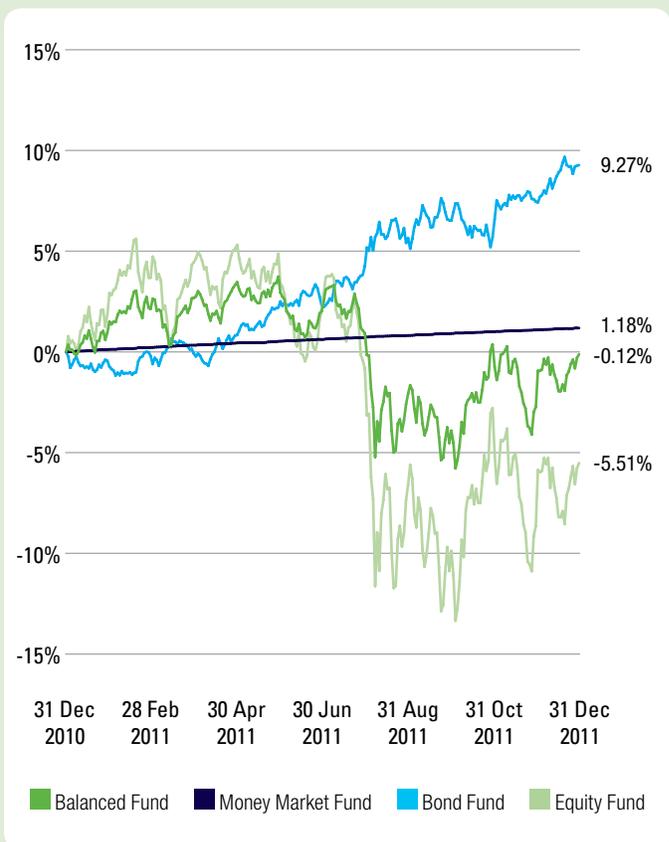


What went out of the plan in transfers and repayments?

2011: 2,273 terminated and retired members transferred approximately \$107.6 million out of the Plan.

2010: 2,098 terminated and retired members transferred approximately \$101.6 million out of the Plan.

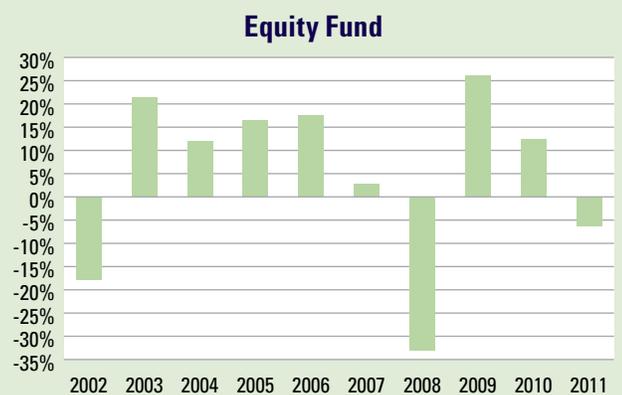
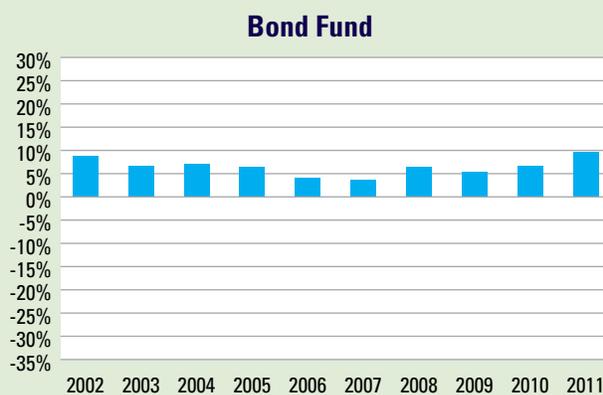
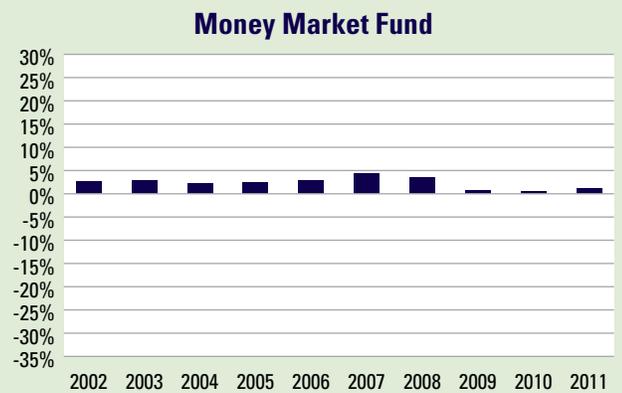
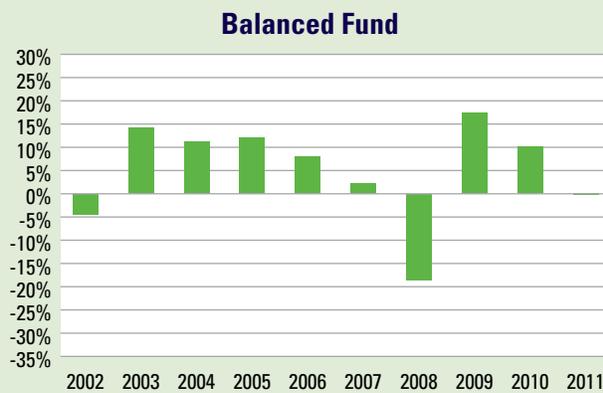
2011 fund returns



More delegates to represent you at the Annual Meeting

Six new delegates have been added, three each for employees and employers. Five of these positions were filled in January 2012. The sixth position will represent inactive (non-retired) members, and will be filled in early 2013.

Fund return profiles



There's more information online at www.csspen.com

Check the Quarterly Updates on the CSS Pension Plan website for more detailed information on the investment markets.

COMMON TERMS

S&P 500 – Standard and Poors 500, an index made up of five hundred different stocks. It is the benchmark of the overall market and frequently used as the standard of comparison in terms of investment performance.

TSX – Toronto Stock Exchange

MSCI Emerging Markets index – created by Morgan Stanley Capital International to measure equity market performance in global emerging markets. It consists of indexes in 26 emerging economies: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela.

EAFE – abbreviation for the Morgan Stanley Capital International Europe, Australasia and Far East developed markets index. The index measures performance in developed international markets outside of North America.

Efficient market – one in which the price reflects all the available information and the investor will experience few surprises.

Passive investing – a strategy in which the investor tries to match the performance of an externally specified market index by holding securities that replicate that index. The idea is to minimize investing fees and avoid the consequences of under performing the market. In contrast, **active investing** is a strategy in which the investor uses forecasting skills, such as stock picking and market timing, in an attempt to outperform the relevant market index.

Currency hedging – is a strategy to reduce the risk of adverse movements in currency exchange rates on foreign investments held in the portfolio.

DEX 91 day T-Bill Index – measures the return attributable to 91-day Treasury Bills, a measure of the short-term investment market.

DEX Universe Bond Index – is designed to be a broad measure of the Canadian investment-grade fixed income market returns.

Financial overview

What happened in world markets?

The global economic environment declined over the course of 2011. A weak US economic recovery, the Japanese earthquake, a slowdown in China's economy, and debt issues in the European Union were major contributors to weak financial markets. Although equity markets rose in the first quarter, they fell over the second and third quarters and gained only marginally in the fourth quarter. Bond prices trended in reverse, falling slightly in the first quarter and gaining the rest of the year.

Equity markets

The US equity market was one of the best performing in the world but only managed a total return of 2.11% on the S&P 500 index. The Canadian equity market for the first time in a number of years trailed the U.S. market posting a total return of -8.71%, as economic concerns depressed the commodity rich TSX. Emerging markets also had a more difficult year with the MSCI Emerging markets index posting a 12.47% loss in local currencies.

Fixed Income Markets

Short Term Markets, represented by the DEX 91 day T-bill Index, provided a return of 1.00 %, as the Bank of Canada continued to keep rates low to stimulate an economic recovery. The Bond Market, represented by the DEX Universe Bond Index, produced a return of 9.67% as the low rates pushed up bond prices.

The Canadian Dollar

The Canadian dollar fell from \$1.0054 vs. the US dollar to 98.33 cents over the year as a weaker outlook for commodities and the Canadian recovery affected its performance relative to other world currencies.

How did markets affect the Plan's fund performance?

Fund returns are largely determined by the asset allocation of each the Plan's funds and how those asset classes (equities, bond and short-term) performed.

Other factors that influence returns include the portfolio's allocation to countries, industrial sectors and individual securities within those asset classes, and the performance of the Canadian dollar against the currency of the country in which our investments are held.

Equity Fund

Because equity markets had weak performance in 2011 (see What happened in world markets?), the Equity Fund had the weakest annual returns of the Plan's funds at -5.51% (Real rate of return: -7.81%). The portfolio's allocation to U.S. equities helped offset weaker returns in the Canadian and EAFE portfolios.

Bond Fund

At the same time, the strong performance in the fixed income markets helped the Bond Fund produce a 9.27% return (Real rate of return: 6.97%). The provincial sector generated the best returns in the bond sector while long-term issues were the best-performing maturities.

Money Market Fund

The Money Market Fund's return of 1.18% reflected overall returns in the Canadian short-term investment market (Real rate of return: -1.12%).

Balanced Fund

For the Balanced Fund, which targets 60% equity holdings, 38% bonds, and 2% cash, the result was a return of -0.12% for the year (Real rate of return: -2.42%).

The performance of the Canadian dollar had a mixed impact on Fund returns. The Canadian dollar's weak performance against currencies such as the US dollar helped funds with those assets (the Balanced and Equity Funds). Its stronger performance compared to other currencies, such as the Euro, hurt performance.

What is our investment strategy?

The Plan seeks to construct prudent portfolios with risk/return profiles suitable for the accumulation of retirement savings over the long term. Portfolio construction is also affected by quality and concentration constraints, the Plan's demographic characteristics and liquidity requirements.

The Fund choices provided by the Plan are designed to serve the needs of members with varying return objectives and levels of risk tolerance. Through asset class diversification, professional management, automatic rebalancing and low cost, the Balanced Fund is expected to exhibit a moderate risk/return profile suitable for a typical retirement saver. However, members can also tailor their pension investments to their individual needs by investing in all or any of the Bond, Equity, and Money Market Funds.

We employ both active and passive investing strategies because some capital markets are more efficient than others. Where opportunities exist, therefore, we attempt to add to market returns through active management.

To increase available investment opportunities and to increase diversification, the Plan holds foreign investments. These foreign investments are exposed to gains and losses caused by currency movements. While we believe that currency exposure can provide additional diversification benefits, we manage the additional volatility that can result through a partial, passive currency hedging strategy.

Two new funds to choose from

In January, 2011 the Equity and Bond Funds were added to your menu of fund choices. The Equity Fund contains mainly publicly traded stocks from around the world, while the Bond Fund has mostly Canadian fixed income investments.

The Equity Fund typically produces higher average returns than the Balanced Fund over the long term, but with larger and more frequent short-term losses.

The Bond Fund, on the other hand, is expected to produce lower average returns than the Balanced Fund over the long term, but with less risk of short-term losses.

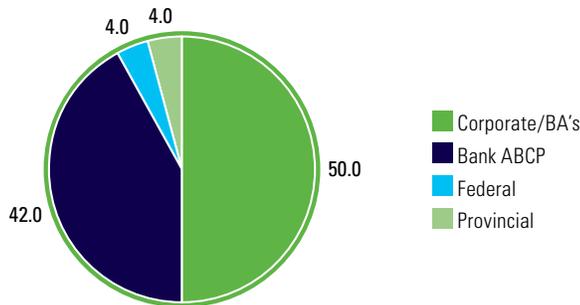
The Balanced Fund remains the default fund – if you don't allocate your contributions elsewhere, they will be invested in the Balanced Fund. This fund is expected to produce moderate long-term growth and occasional short-term losses.

The Money Market Fund continues to be available for investment. It typically has returns similar to the prevailing short-term interest rates in Canada.

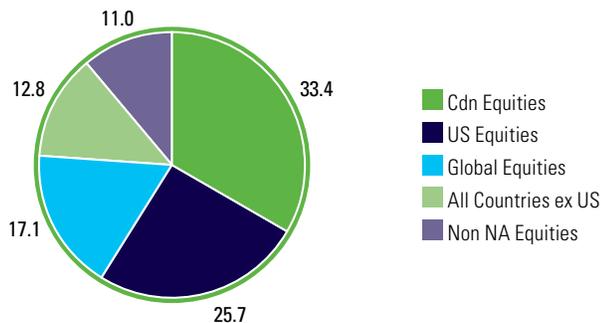
Which assets are in each fund?

Money Market Fund (%)

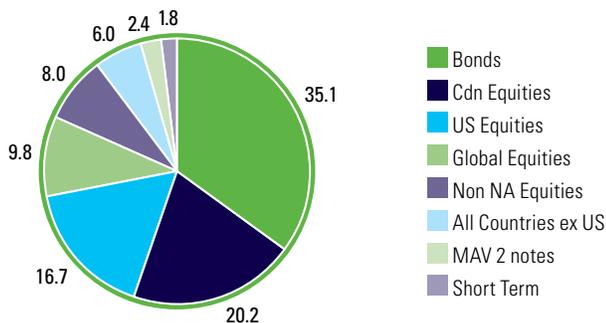
(High quality short-term fixed income securities)



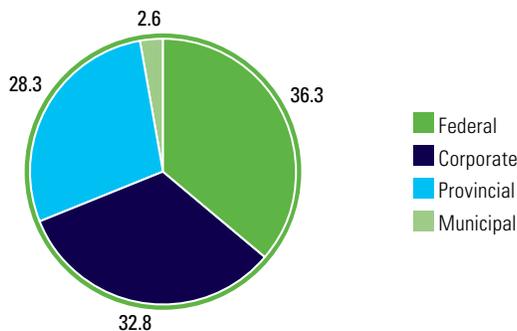
Equity Fund (%)



Balanced Fund (%)



Bond Fund (%)



How did the investment funds perform in 2011?

Each investment fund's total return is measured against a composite benchmark. The benchmark portfolio is a hypothetical portfolio that matches the weights defined by the fund's strategic asset mix policy.

Fund performance		
FUND	1 YEAR	4 YEARS
	ACTUAL	ACTUAL
Balanced Fund	-0.12%	1.25%
Objectives: Exceed return on benchmark	-0.08%	1.19%
Equity Fund	-5.51%	
Objectives: Exceed return on benchmark	-6.24%	
Bond Fund	9.27%	
Objectives: Exceed return on benchmark	9.67%	
Money Market Fund	1.18%	1.57%
Objectives: Exceed return on benchmark	1.00%	1.36%

Note: Blank spaces reflect new funds that do not have a four year history.

How did our investment managers perform in 2011?

To increase the pool of skills available and reduce manager-specific risk, we engage a team of outside investment management firms to implement the various components of the Investment Strategy.

Each manager's performance is judged against a benchmark for the market in which the assets are invested.

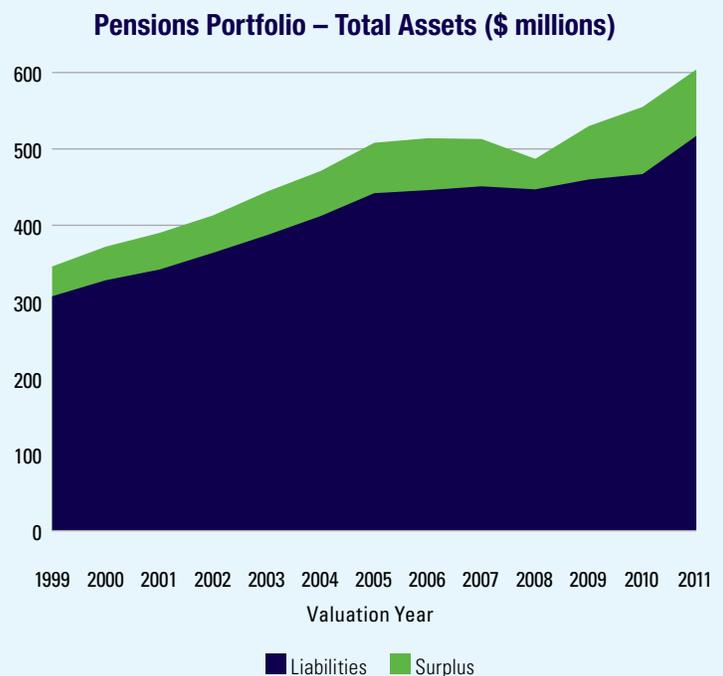
INVESTMENT MANAGER	1 YEAR	4 YEARS
Canadian equities – active		
<i>QV Investors</i>	-1.93%	
Objective: exceed S&P/TSX Composite Index	-8.71%	
<i>Scheer Rowlett & Associates</i>	-11.74%	
Objective: exceed S&P/TSX Composite Index	-8.71%	
US mid-cap equities – passive		
<i>State Street Global Advisors</i>	0.65%	
Objective: replicate S&P 400 Index C\$	0.70%	
US equities – passive		
<i>State Street Global Advisors</i>	4.69%	
Objective: replicate S&P 500 Index C\$	4.64%	
Non-North American equities – active		
<i>Sprucegrove Investment Management Ltd</i>	-8.41%	-3.49%
Objective: exceed MSCI EAFE Index C\$	-9.97%	-7.61%
ACWI ex US equities		
<i>Thornburg Investment Management Inc</i>	-10.51%	-5.88%
Objective: exceed MSCI ACWI ex U.S. Index C\$	-11.56%	-6.55%
Global equities		
<i>Brandes Investment Partners, LP</i>	-2.35%	-6.76%
Objective: exceed MSCI World Index C\$	-3.20%	-4.29%
Bonds – active		
<i>Addenda Capital</i>	9.14%	7.44%
Objective: exceed the DEX Universe Bond Index	9.67%	7.05%
Bonds – passive		
<i>TD Asset Management</i>	9.57%	6.99%
Objective: replicate DEX Bond Universe	9.67%	7.05%
Currency overlay – passive		
<i>SSgA</i>	-0.64%	
Objective: replicate Custom Currency Benchmark	-0.62%	
Short-term		
<i>TD Asset Management</i>	1.27%	
Objective: exceed DEX 91-day TBill Index C\$	1.00%	

Note: Blank spaces reflect new managers that do not have a four year history.

What is the status of the Pensions Fund?

In 2011, the Plan's annual pension payroll was \$44.28 million. The assets in the Pensions Fund totalled \$604 million, a gain over last year of 9%. CSS retirees' monthly pension payments are paid from the Pensions Fund, which is invested in high-quality, long-term bonds.

The funded status of the Pensions Fund is monitored monthly. By law, the Pensions Fund and the Plan's pension liability must be valued every three years by an actuary. When the last valuation was completed at December 31, 2009, the market value of the assets held in the Pensions Fund was greater than the Plan's pension liability.



What can we expect in 2012?

The risk of default within the Euro zone appears to be increasing. A sovereign default could have serious repercussions on the international banking system.

The Chinese economy has been slowing, and U.S. growth is still slower than normal. Public and private debt levels remain high. As a result, unemployment remains above 8% in the U.S. and is trickling upward again in Canada. It is now almost four years since the current banking crisis began. Comparing the economy's current trajectory to an historical analysis of similar events suggests that it could be several more years before normal growth resumes.

You, the members

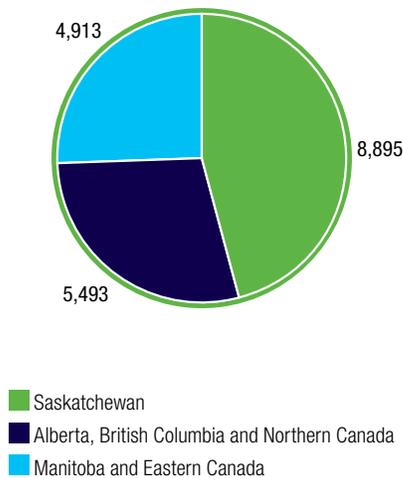
How many members belong to the CSS Pension Plan?

The number of individual Plan members increased last year. At the end of 2011:

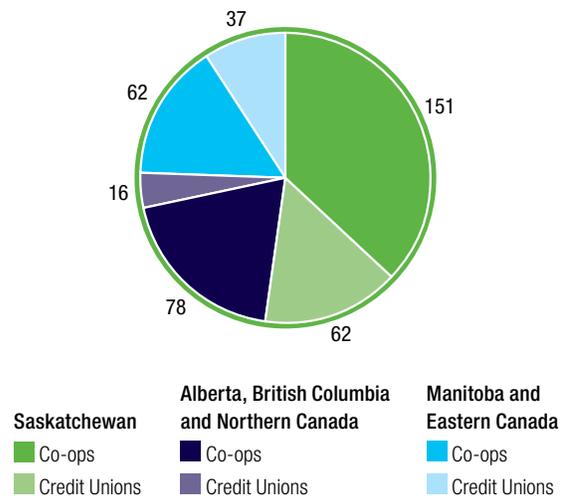
- Active members (still working for CSS employers) rose to 19,301 from 19,165
- Retirees continued to increase, to about 6,160 from about 6,000
- Inactive members (with funds in the Plan but not working for CSS employers) rose to 16,346 from 16,198
- The average age of non-retired members in 2011 was 46.58

At the same time, the number of employer groups in the CSS Pension Plan decreased during 2011, mostly because of the continuing amalgamation of Credit Unions and Cooperatives.

Regional distribution – active members



Regional distribution – employer members



Age distribution

	FEMALE	MALE	TOTAL	TOTAL %
Under 25	923	608	1,531	4.29
25 – 29	1,575	1,018	2,593	7.27
30 – 34	1,942	1,397	3,339	9.37
35 – 39	2,250	1,617	3,867	10.85
40 – 44	2,634	1,746	4,380	12.29
45 – 49	3,549	2,232	5,781	16.22
50 – 54	3,766	2,206	5,972	16.75
55 – 59	2,904	1,993	4,897	13.74
60 – 64	1,361	1,126	2,487	6.98
65 & over	327	473	800	2.24
TOTAL	21,231	14,416	35,647	100.00

Retirees: the reason for the Plan

Last year:

- 310 members retired (239 taking pensions; 71 taking variable benefit payments)
- Their average age was 62.04
- The total number of retirees taking a pension or variable benefit payments from the Plan at the end of 2011 was approximately 6,160

Distribution of funds at retirement: 2011

	#	TOTAL FUNDS	AVERAGE PENSION FUNDS
Monthly pension from CSS Pension Plan	239	\$ 34,102,099	\$ 142,686
Variable Benefit payments from CSS Pension Plan	71	\$ 19,789,671	\$ 278,727
Life Income Funds (LIFs)	47	\$ 7,766,924	\$ 165,253
Locked-in Retirement Income Funds (LRIFs)	1	\$ 46,474	\$ 46,474
Prescribed RRIFs (PRRIFs)	131	\$ 15,473,786	\$ 118,120
Registered Retirement Income Funds (RRIFs)	47	\$ 2,293,691	\$ 48,801
Other registered pension plans	15	\$ 243,293	\$ 16,219
Life annuities	0	\$ 0	\$ 0
Total	551	\$ 79,715,938	

Pension Adjustments

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

PENSIONS STARTED IN:	% INCREASE
2002	1.35%
1996	0.90%
1991	0.75%

Working toward retirement: what resources will you need?

IN 2011, WE PROVIDED THE TOOLS...	...AND YOU USED THEM
Individual consultations and pension projections	<ul style="list-style-type: none"> • Total of 138 individual consultations: <ul style="list-style-type: none"> • 106 in the Plan's office <ul style="list-style-type: none"> – 32 outside the office in conjunction with member service activities • Approximately 2,300 sets of pension projections prepared
Retirement Income Options workshops: Half-day overview of retirement income options from the Plan for employees and spouses	<ul style="list-style-type: none"> • Six were held (two each in Alberta, Saskatchewan, and Manitoba) • Total of 411 participants (244 members and 167 spouses)
Retirement Planning seminars: One-day seminar for members 50+ on various retirement topics such as health, wills and estates, housing, and more	<ul style="list-style-type: none"> • Four were held (three in Saskatchewan and one on Manitoba; one scheduled for Alberta was cancelled for low registration) • Total of 141 participants (99 members and 42 spouses)

Helpful publications for members

In addition to a copy of the Plan, the Bylaws and Rules, and information on the investment funds, you can find these publications on the Plan's website.

- **TimeWise:** Published twice-yearly, contains articles about the Plan and pensions and retirement in general. Also mailed to active members and retirees.
- **Quarterly Updates:** Contains information about the investment funds and relevant news items.
- **Investment Choice booklet:** Contains information about the Plan funds and what to consider when choosing the best investments for you.
- **Ready to Retire booklet:** Contains information on your retirement income options, by province.

Personalized pension statements are mailed out to all members each year.

Who's overseeing and managing your Plan?

The CSS Board of Directors



President
Earl Hanson
Executive Vice-President Risk/
Chief Risk Officer
Innovation Credit Union
SWIFT CURRENT SK



Vice-President
Gary Mearns
Vice-President Human Resources
Federated Co-operatives Limited
SASKATOON SK



Director
Mel Adams
Vice-President Energy
Federated Co-operatives Limited
SASKATOON SK



Director
Jeff Ambrose
Vice-President Operations
and Merchandising
*Calgary Co-operative
Association Ltd.*
CALGARY AB



Director
Jim Huggard
Retired
WINNIPEG MB



Director
Al Meyer
Chief Executive Officer
Prairie Centre Credit Union
ROSETOWN SK

The CSS Pension Plan Staff



General Manager
Bill Turnbull



Investment Manager
Brent Godson



Accounting/Investment Officer
Joel Sawatsky



Member Services Manager
David Kapeluck



Information Officer
Muriel Baribeau



Office Administrator
Fiona May



Office Administrator
Rhonda Rodh



Office Administrator
Joanne Anderson



Office Administrator
Gayle Richmond



Systems Administrator
Vaun John



Visual/Web Programmer
Rob Peddle

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in the following ways.

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PHONE: (306) 244-1539

FAX: (306) 244-1088
WEBSITE: www.csspen.com
EMAIL: css@csspen.com

Contributing to the broader pension world

General Manager Bill Turnbull was appointed Vice-Chair of the National Policy Committee of the Association of Canadian Pension Management and a member of its Executive Council in September. He previously served as a Director for nine years.

CSS continues to urge the federal government to provide more equitable tax laws for Variable Benefit payments.

Variable benefits are withdrawals from your accumulated pension funds, which you invest in the Money Market, Bond, Balanced and/or Equity funds. They provide flexibility in the amount you withdraw, but no guarantee that you will receive an income for life.

Professional designation

Investment Manager Brent Godson received his Chartered Financial Analyst designation in October 2011.

Changes on the Board as members retire

The new faces among the photos of the Board members are the result of retirements.

In the March 2011 elections, Earl Hanson was elected President, and past president Terry Bell was elected Vice-President. In November, shortly before retiring from Federated Co-operatives Limited, Mr. Bell stepped down from the Board both as an employer delegate and Director. Gary Mearns became the new Vice-President, and Mel Adams the new employer delegate.

Wilf Harms resigned from Board in November, in advance of his planned retirement from Calgary Co-op in February, 2012. He was replaced by Jeff Ambrose.

Where did we focus our energy in 2011?

We've had a busy year. As well as adding two new investment funds for you to choose from (see page 5), the Board and Staff have been working on ways to improve the way we manage and administer the Plan.

More delegates, better input from you

As a result of a periodic review, we approved a bylaw amendment to increase the number of delegates from 30 to 36. These delegates will be added:

- Employee delegates (elected January 2012): a second delegate to represent retirees and another delegate from Manitoba to reflect its growing number of members.
- Employee delegate (to be appointed in early 2013): one representing inactive non-retired members.
- Employer delegates (appointed): one to represent Manitoba credit unions and two more delegates to represent the Co-operative retailing system.

Building risks and opportunities into our strategies

In 2011, we began the ongoing, multi-year project of implementing an Enterprise Risk Management (ERM) system. Before ERM, we focused on managing risk by identifying and controlling down-side risks. ERM will go further: its objective is to document and implement a methodical, holistic approach to identifying and managing both risks and opportunities across all aspects of the Plan. The result is the ability to strike the best balance between risks and rewards, linking that information to our strategic decision-making and involving personnel across the entire organization.

Continuous learning

Last year, the Board approved the recommendation of a special committee to develop competency standards for directors and delegates.

As well, beginning in 2012, two formal training sessions will be held each year for Board members.

Our thanks...

The Board and Management, on behalf of Plan members, acknowledge and 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.

Our mission and 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 more than 70 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
- Integrity
- Fairness
- Trust
- Simplicity
- Balance
- Self-help
- Life-long learning
- Democratic control
- 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



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 accounting standards for pension plans. 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, MNP 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.

A handwritten signature in black ink, appearing to read "WG Turnbull".

WG Turnbull
General Manager
CSS Pension Plan
Secretary-Treasurer
Co-operative Superannuation Society
February 16, 2012

A handwritten signature in black ink, appearing to read "Brent Godson".

Brent Godson
Investment Manager
CSS Pension Plan

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Co-operative Superannuation Society Pension Plan, which comprise the statement of financial position as at December 31, 2011, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Co-operative Superannuation Society Pension Plan as at December 31, 2011 and its financial performance for the year then ended in accordance with Canadian accounting standards for pension plans.

Saskatoon, Saskatchewan
February 16, 2012

MNP LLP

Chartered Accountants

Statement of Financial Position

As at December 31, 2011

Investment Funds*(thousands of dollars)*

	2011	2010
Assets		
Investments (NOTE 3)	2,479,123	2,517,940
Accrued investment income	7,717	5,931
Cash	3,779	3,444
Accounts receivable		
Employee contributions	572	606
Employer contributions	554	586
Due from brokers	3,228	7,745
Capital assets	31	44
Interfund balance (NOTE 8)	826	221
	2,495,830	2,536,517
Liabilities		
Accounts payable	2,083	2,347
Interfund balance (NOTE 8)	757	151
	2,840	2,498
Net assets available for benefits (SCHEDULE 1)	2,492,990	2,534,019
Represented by:		
Member contribution accounts (NOTE 7)	2,492,990	2,534,019

Pensions Fund*(thousands of dollars)*

	2011	2010
Assets		
Investments (NOTE 3)	598,603	549,861
Accrued investment income	5,856	5,150
	604,459	555,011
Liabilities		
Due to brokers	4	498
Accounts payable	310	298
Interfund balance (NOTE 8)	69	70
	383	866
Net assets available for benefits	604,076	554,145
Represented by:		
Pension reserve	604,076	554,145

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board



Director



Director

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, 2011

Investment Funds*(thousands of dollars)*

	2011	2010
Increase in assets		
Investment income		
Interest	38,614	37,888
Dividends		
Canadian dividends	12,648	11,301
Foreign dividends	12,831	10,901
Pooled fund distributions	12,543	11,398
(Decrease) increase in market value of investments	(73,443)	172,825
Other	346	546
	3,539	244,859
Contributions		
Employee	57,421	54,672
Employer	54,477	50,189
	111,898	104,861
Total increase in assets	115,437	349,720
Decrease in assets		
Administrative expenses		
Investment services	5,985	5,206
Investment transaction costs(recoveries)	(30)	101
Salaries and employment costs	1,088	1,022
Operations	534	602
Membership control	174	176
Administrative expenses recovery	(805)	(790)
	6,946	6,317
Equity repayments	107,332	101,988
Variable benefit payments	8,086	6,902
Non-vested funds to be returned to contributing employer	–	83
Equity transferred to Pensions Fund	34,102	28,635
	149,520	137,608
Total decrease in assets	156,466	143,925
(Decrease) increase in net assets	(41,029)	205,795
Net assets available for benefits, beginning of year	2,534,019	2,328,224
Net assets available for benefits, end of year (SCHEDULE 2)	2,492,990	2,534,019

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, 2011

Pensions Fund*(thousands of dollars)*

	2011	2010
Increase in assets		
Investment income		
Interest	26,357	26,568
Increase in market value of investments	34,485	19,882
Other	73	34
Equity transferred from Investment Funds	34,102	28,635
Total increase in assets	95,017	75,119
Decrease in assets		
Pension paid	44,280	43,009
Interest on interfund balance	1	–
Administrative expenses	805	790
Total decrease in assets	45,086	43,799
Increase in net assets	49,931	31,320
Net assets available for benefits, beginning of year	554,145	522,825
Net assets available for benefits, end of year	604,076	554,145

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2011

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 five investment funds.

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 406 independent co-operatives and credit unions and more than 35,000 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 also 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 immediately upon receipt by the Plan.

(d) Investment Funds

The Plan offers members four unitized funds for the investment of their contributions and accumulated benefits – a Balanced Fund, a Money Market Fund, a Bond Fund and an Equity 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 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 with the consent of their employer.

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 both single 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.

(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 meet 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 Balanced Fund. Expenses associated with the administration of and the investment of the assets held in the other four funds are reimbursed in the form of a daily accrual charged to these funds and credited to the Balanced Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. 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.

<i>Category</i>	<i>Basis of Valuation</i>
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

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.

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.

3. INVESTMENTS

The Society serves as trustee for the Pensions Fund and 4 unitized Investment funds: a Balanced Fund, a Money Market Fund, a Bond Fund, and an Equity Fund. The structures of these 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 PENSIONS FUND

(thousands of dollars)

	2011		2010	
	Market Value	Investment Percentage	Market Value	Investment Percentage
Custodial Cash Accounts	\$ (87)		\$ 66	
Short-term	7,661		10,735	
	7,574	1.3%	10,801	2.0%
Bonds and Debentures				
Federal	74,417		59,478	
Provincial	239,121		240,151	
Municipal	27,902		12,457	
Corporate	249,589		226,974	
	591,029	98.7%	539,060	98.0%
Total	\$ 598,603	100.0%	\$ 549,861	100.0%

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

CSS INVESTMENT FUNDS

(thousands of dollars)

Investment Type	2011		2010	
	Market Value	Investment Percentage	Market Value	Investment Percentage
Custodial Cash Accounts	\$ 11,255		\$ 10,821	
Short-term	30,622		27,499	
Short-term pooled fund	164,973		120,902	
	206,850	8.3%	159,222	6.3%
Bonds and Debentures				
Federal	159,930		147,795	
Provincial	127,903		156,449	
Municipal	17,101		16,224	
Corporate	292,332		242,421	
Corporate – foreign	9,993		12,938	
Pooled Fund	274,390		297,122	
	881,649	35.6%	872,949	34.7%
Equities				
Canadian shares	457,731		515,987	
	457,731	18.5%	515,987	20.5%
Translated to Canadian dollars				
U.S.	97,858		99,606	
Pooled Fund U.S. Indexed	390,311		380,282	
Non-North American	256,484		284,326	
Pooled Fund Non-North American	188,240		205,568	
	932,893	37.6%	969,782	38.5%
Total	\$ 2,479,123	100.0%	\$ 2,517,940	100.0%

The CSS Investment Funds contain Canadian and foreign equities, Canadian bonds, short-term investments and units in pooled funds. The Balanced Fund contains cash, short-term investments, Canadian and foreign equities, Canadian and foreign bonds, and units in pooled funds (short-term, bonds, U.S Indexed, and Non-North American) The Money Market Fund contains units in a short-term pooled fund. The Equity Fund contains cash, short-term investments, Canadian and foreign equities including units in U.S. Indexed and Non-North American pooled funds. The Bond fund contains cash, short-term investments, units in a bond pooled fund, and Canadian and foreign bonds.

MAV 2 Notes /Asset Backed Commercial Paper

CSS Pension Plan continues to hold Master Asset Vehicle (MAV 2) notes in the CSS Balanced Fund. 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.

MAV 2 NOTES

<i>(thousands of dollars)</i>	Face Value	2011		2010	
		Discount	Fair Value	Discount	Fair Value
Class A1	\$ 32,862	29%	\$ 23,496	27%	\$ 24,071
Class A2	21,623	37%	13,731	35%	13,950
Class B	3,925	46%	2,130	58%	1,649
Class C	1,809	65%	633	89%	193
Class 13 (1A Tracking)	993	100%	–	100%	–
Total	\$ 61,212	35%	\$ 39,990	35%	\$ 39,863

As at December 30, 2011 the value used for calculating and reporting unit prices reflected a discount of 7.5% (2010 – 8.8%) from the original MAV 2 notes' face value. The value used for unit pricing was therefore \$16,642,458 (2010 – \$15,936,198) greater than the fair value of the assets as shown above. This equates to a difference of \$0.10 (2010 – \$0.09) per unit or 0.72% (2010 – 0.65%) for the Balanced Fund, the only Investment Fund to hold the MAV 2 notes.

The table below reconciles the Balanced Fund transactional value for Member accounts as at December 31, 2011 with the net assets available for benefits in accordance with GAAP.

<i>(Total Fund in thousands of dollars)</i>	2011		2010	
	Total Fund	Per Unit	Total Fund	Per Unit
Net Assets available for Benefits	\$ 2,308,175	\$ 13.47	\$ 2,445,239	\$ 13.50
Unrealized Loss on MAV 2 notes	16,642	0.10	15,936	0.09
Other Adjustments as per Note 7	(916)	(0.01)	(1,897)	(0.01)
Transactional Value for Member Accounts	\$ 2,323,901	\$ 13.56	\$ 2,459,278	\$ 13.58

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 subsequent periods or from the actual value realized on any final sale or liquidation of the MAV 2 notes.

Fair Value

The Plan has classified its financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified in Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's financial instruments within a fair value hierarchy, excluding custodial cash accounts:

<i>(thousands of dollars)</i>	Level 1		Level 2		Level 3		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Investment Funds								
Bonds and Debentures	\$ –	\$ –	\$ 841,659	\$ 833,085	\$ 39,990	\$ 39,864	\$ 881,649	\$ 872,949
Short Term	–	–	206,108	148,401	–	–	206,108	148,401
Equities	812,074	899,919	578,551	585,850	–	–	1,390,625	1,485,769
Total	\$ 812,074	\$ 899,919	\$ 1,626,318	\$ 1,567,336	\$ 39,990	\$ 39,864	\$ 2,478,382	\$ 2,507,119
Pensions Fund								
Bonds and Debentures	–	–	591,029	539,060	–	–	591,029	539,060
Short Term	–	–	7,661	10,735	–	–	7,661	10,735
Total	\$ –	\$ –	\$ 598,690	\$ 549,795	\$ –	\$ –	\$ 598,690	\$ 549,795

The following table represents the changes to Level 3 instruments during the period ending December 31, 2011.

MAV 2 NOTES

<i>(thousands of dollars)</i>	2011	2010
Balance at January 1	\$ 39,864	\$ 29,725
Net Purchases and sales	–	–
Net Transfers in (out)	–	–
Gains (losses)		
Realized	–	–
Unrealized	26	10,139
Balance at December 31	\$ 39,990	\$ 39,864

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. Each Fund's exposure to interest rate risk, if any, is concentrated in its investments in debt securities including short term investments, bonds and debentures and fixed income pooled funds. The Plan's sensitivity to interest rate changes is estimated using the weighted average duration of the fixed income portfolio. In practice, the actual trading results may differ from these approximations and the difference can be material.

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

As at December 31, 2011, 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, \$50,038,601 (approximately 8.35 % of assets) (2010 – \$43,598,747 or 7.87% of assets).

The CSS Investment Funds have exposure to interest rate risk as follows:

As at December 31, 2011, 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, \$58,711,034 (approximately 2.37% of assets) (2010 – \$53,194,401 or 2.10% of net assets).

Credit Risk

Credit risk refers to the potential loss arising from a party not being unable to meet its financial obligation. The Plan is subject to credit risk within its investment holdings, forward currency contracts and securities lending program.

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 Investment Funds 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, 2011, 100% (2010 – 100%) of the Plan's short-term investments were rated "R-1 low" or better and 89.93% (2010 – 90.88%) of the bonds and debentures held in the CSS Investment Funds and 98.59% (2010 – 98.79%) of the bonds and debentures held in the CSS Pensions Fund were rated "A" or better.

Currency Forward 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.

Under the securities lending 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, 2011, securities on loan had a market value of \$370.9 million (2010 – \$269.8 million). Collateral held to secure those loans had a market value of \$386.1 million (2010 – \$271.5 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 strategically distributed over several geographic areas to limit exposure to any one foreign currency.

On December 31, 2011, the Plan's foreign currency exposures were as follows:

CURRENCY

(thousands of Canadian dollars)

	2011	2010
United States dollar	\$ 515,388	\$ 510,231
British pound sterling	84,072	84,787
Euro	109,315	137,199
Other European currencies	48,878	52,604
Japanese yen	100,052	102,968
Other Pacific currencies	41,602	40,431
Emerging Market currencies	30,645	35,676
Total	\$ 929,952	\$ 963,896

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 developed market foreign currency exposure. As at December 31, 2011 the fair value of the currency forwards payable was \$1,366,943,559 (2010 – \$1,314,879,201) and the fair value of the currency forwards receivable was \$1,369,180,964 (2010 – \$1,323,888,715).

The Plan's currency forward contracts at December 31, 2011 were as follows:

CURRENCY

(thousands of Canadian dollars)

	2011			2010		
	Market Value	Notional Value	Gain (Loss)	Market Value	Notional Value	Gain (Loss)
Canadian Dollar	\$ 449,468	449,468	–	\$ 469,907	469,907	–
Swiss Franc	(19,318)	(19,843)	525	(18,907)	(18,293)	(614)
British Pound Sterling	(35,139)	(35,520)	381	(39,918)	(40,923)	1,005
Hong Kong Dollar	(16,000)	(15,970)	(30)	(11,761)	(12,175)	414
European Euro	(53,764)	(55,706)	1,942	(66,879)	(67,060)	181
United States Dollar	(256,441)	(256,174)	(267)	(257,868)	(266,003)	8,135
Australian Dollar	(4,366)	(4,355)	(11)	(4,257)	(4,105)	(152)
Singapore Dollar	(4,725)	(4,777)	52	(4,667)	(4,676)	9
Swedish Krona	(2,768)	(2,808)	40	(2,756)	(2,722)	(34)
Danish Krone	(2,228)	(2,307)	79	(2,240)	(2,244)	4
Japanese Yen	(52,482)	(52,008)	(474)	(51,614)	(51,676)	62
Total	\$ 2,237	–	2,237	\$ 9,040	30	9,010

As at December 31, 2011, 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 \$24,139,198 (approximately 1% of net assets) (2010 – \$24,700,942 or 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. 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.

As at December 31, 2011 had market prices, as measured by the benchmark indices, increased or decreased by 10%, with all other variables held constant the Investment Fund's net assets available for benefits would have increased or decreased by approximately:

(thousands of dollars)	2011 Impact	2010 Impact
Benchmark		
S&P TSX Composite Total Return Index	\$ 45,124	\$ 51,599
S&P 500 Total Return Index Hedged (C\$ BA's)	19,624	18,745
S&P 400 Total Return Index Hedged (C\$ BA's)	19,407	19,283
MSCI EAFE Total Return Index	18,824	20,557
MSCI World Total Return Index	22,590	22,926
ASCI All Country ex US Total Return index	13,493	15,467

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 required every three years by law. The most recently completed valuation was conducted as at December 31, 2009. 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.

ACTUARIAL POSITION

(thousands of dollars)

	2009	2006
Market Value of Assets:	\$ 522,825	\$ 519,615
Less actuarial value of Pension Liability	(460,270)	(453,238)
Surplus at December 31	\$ 62,555	\$ 66,377
Reserve for adverse deviation from assumptions	\$ 62,555	\$ 66,377

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, 2011, continued to be adequate to fully fund the Plan's pension liability and provide a reserve for adverse deviation from assumptions. The assumptions used by the Pensions Fund Manager may vary from the assumptions used by the Plan's actuary in performing the Plan's triennial actuarial valuations.

6. UNIT PRICING

Investment income, gains and losses accruing on the assets held in the investment funds available to members are credited to those invested 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 investment funds available to members 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, 2011, the CSS Balanced Fund's unit price was \$13.5620 (2010 – \$13.5781) the CSS Money Market Fund's unit price was \$11.7568 (2010 – \$11.6193), the CSS Equity Fund's unit price was \$9.4486 (2010 – \$10.0000), and the CSS Bond Fund's unit price was \$10.9274 (2010 – \$10.0000).

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, 2011, 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 benefits as of December 31st, 2011 was \$2,492,990,040 while the total value of members' accounts as per the Plan's unitized record keeping system on this same date was \$2,507,721,648. The difference between these two amounts is reconciled below.

RECONCILIATION

(thousands of dollars)

	2011	2010
Net Assets available for Benefits	\$ 2,492,990	\$ 2,534,019
Add Back:		
Accrued Expenses	104	21
Withdrawals Payable	436	781
Market Value Adjustments	16,642	15,441
Deduct:		
Fixed Assets	(31)	(44)
Contributions Receivable	(2,419)	(1,982)
Total Value of Members' Accounts	\$ 2,507,722	\$ 2,548,236

“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 on page 23.

8. INTERFUND BALANCES

Interfund balances represent an accrual of the outstanding administration charges owed by the CSS Pensions 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 2011 were as follows:

<i>Fund</i>	<i>Fund Return</i>	<i>MER</i>
Balanced Fund	-0.12%	0.28%
Money Market Fund	1.18%	0.09%
Bond Fund	9.27%	0.15%
CSS Equity Fund	-5.51%	0.33%

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

SCHEDULE 1

STATEMENT OF FINANCIAL POSITION

Investment Funds

(thousands of dollars)

	2011					2010
	Balanced Fund	Money-Market Fund	Bond Fund	Equity Fund	Total	Total
Assets						
Investments	2,295,293	126,279	39,285	18,266	2,479,123	2,517,940
Accrued investment inc.	7,494	—	197	26	7,717	5,931
Cash	3,779	—	—	—	3,779	3,444
Accounts Receivable						
Employee contributions	572	—	—	—	572	606
Employer contributions	554	—	—	—	554	586
Due from(to) brokers	3,225	—	(14)	17	3,228	7,745
Interfund balance	—	107	623	96	826	221
Fixed assets	31	—	—	—	31	44
	2,310,948	126,386	40,091	18,405	2,495,830	2,536,517
Liabilities						
Accounts payable	2,016	48	11	8	2,083	2,347
Interfund balance	757	—	—	—	757	151
	2,773	48	11	8	2,840	2,498
Net Assets Available for Benefits	2,308,175	126,338	40,080	18,397	2,492,990	2,534,019

SCHEDULE 2

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Investment Funds

(thousands of dollars)

	2011					2010
	Balanced Fund	Money-Market Fund	Bond Fund	Equity Fund	Total	Total
Increase in Net Assets						
Investment Income						
Interest	36,023	1,907	684	–	38,614	37,888
Dividends						
Canadian dividends	12,519	–	–	129	12,648	11,301
Foreign dividends	12,683	–	–	148	12,831	10,901
Pooled fund distribution	12,543	–	–	–	12,543	11,398
(Decrease) increase in market value of investments	(71,802)	(669)	1,025	(1,997)	(73,443)	172,825
Other	344	–	1	1	346	546
	2,310	1,238	1,710	(1,719)	3,539	244,859
Employee contributions	55,899	858	158	506	57,421	54,672
Employer contributions	52,858	968	159	492	54,477	50,189
Interfund transfers	(117,824)	59,370	39,071	19,383	–	–
	(9,067)	61,196	39,388	20,381	111,898	104,861
Total increase in assets	(6,757)	62,434	41,098	18,662	115,437	349,720
Decrease in Net Assets						
Administrative expenses						
Investment services	5,898	18	19	50	5,985	5,206
Inv. trans costs (recovery)	(29)	–	(1)	–	(30)	101
Salaries employment cost	1,032	44	7	5	1,088	1,022
Operations	502	22	4	6	534	602
Membership control	166	6	1	1	174	176
Admin. expense (recovery)	(805)	–	–	–	(805)	(790)
	6,764	90	30	62	6,946	6,317
Equity repayments	93,734	12,981	511	106	107,332	101,988
Variable benefit payments	5,055	2,778	156	97	8,086	6,902
Equity transferred to pensions fund	24,754	9,027	321	–	34,102	28,635
Unvested employer refunds	–	–	–	–	–	83
	123,543	24,786	988	203	149,520	137,608
Total decrease in assets	130,307	24,876	1,018	265	156,466	143,925
Increase(Decrease) in Net Assets	(137,064)	37,558	40,080	18,397	(41,029)	205,795
Net Assets, Beginning of Year	2,445,239	88,780	–	–	2,534,019	2,328,224
Net Assets, End of Period	2,308,175	126,338	40,080	18,397	2,492,990	2,534,019



CSS Pension Plan

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"Starting early will increase my savings."



35

"Making a retirement plan will help me set goals."

45

"Keeping a long-term focus will help me stay on track."



55

"Understanding my options will help me make an informed decision."