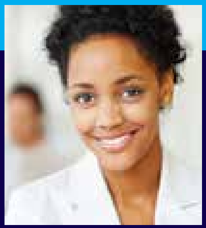
25

"Why worry about retirement at my age?"



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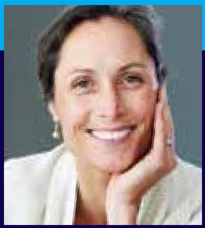
"How does my plan help me prepare for retirement?"

45

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



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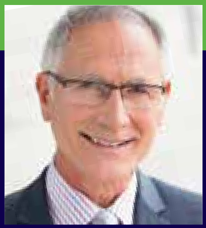
"What are my payout options when I retire?"



CSS

2013 Annual Report

Helping you understand
the value of your pension plan

Gary Mearns, President:

"The Board is extremely happy with the overall performance of the Plan in 2013, as well as the work that was completed on our long-term strategic plan."

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This annual report summarizes how the CSS Pension Plan fared during 2013, 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 2013?

Equities had a strong performance in 2013, while bonds posted negative returns for the year. As a result, the Balanced Fund (the default option) and Equity Fund posted positive returns, and the Bond Fund had a slight negative return.

What was newsworthy in 2013?

Carrying over from a Board resolution in 2012, an emerging markets equity manager was identified and funded in 2013. Also, two potential investment initiatives for the Pensions Fund were studied.

The Plan conducted a number of Employer Focus Group sessions with some of its larger employer members in the fall. Subsequently, an electronic employer survey was also conducted covering a larger group of the employer membership. The purpose of both was to obtain feedback on the Plan's communication vehicles and messages.

A major Information and Communication Technology (ICT) project to renew the Plan's network infrastructure was completed as well as a code audit of the Pension Administration System in 2013.

More detailed information can be found on page 12.

The CSS Pension Plan and you

We know your pension plan is important to you, and the Board, Management and Staff of the CSS Pension Plan are here to help you reach your retirement goals.

However, you are in the driver's seat on your "Road to Retirement". It's up to you to create a plan, regularly review it, and make appropriate investment decisions to achieve your long-term goals. We provide many of the tools you'll need: individual consultations and retirement income illustrations; personalized annual statements; retirement planning seminars and workshops; and a comprehensive website.

Brent Godson, Investment Manager:

"The probability we are in an extended period of slow economic growth and low investment returns remains a risk. Members should be mindful of this risk in their retirement planning."

Bill Turnbull, General Manager:

"While 2013 was another good year for the Plan and its members, we have no time to rest on our laurels."

2013 highlights

Three of the four investment funds posted positive returns

The Plan's default investment option, the Balanced Fund posted a return of 16.36%, while the Money Market Fund returned 1.08%, the Bond Fund -1.82% and the Equity Fund 28.10%.

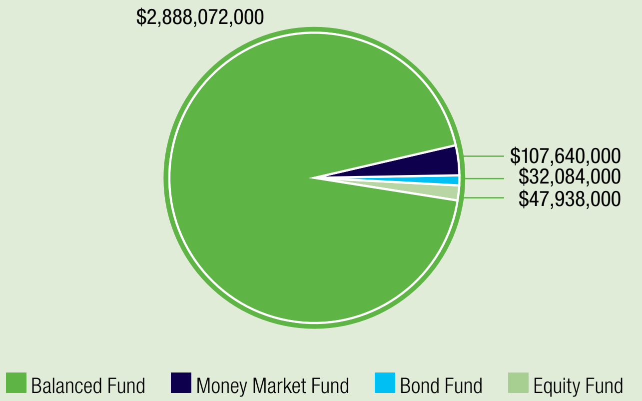
With four investment funds to choose from, members have the flexibility to set their own mix between equities and bonds if they wish. As members approach retirement they need to pay close attention as to how their pension funds are invested.

What were the Plan's net assets?

At the end of 2013, the combined net assets of the four funds in the Plan – Money Market, Bond, Balanced and Equity Funds – totalled $3,073,734,000. That total represents an increase of $393,848,000 over 2012. The chart below shows the net assets in each fund.

Net assets/market value ($)

TOTAL $3,073,734,000

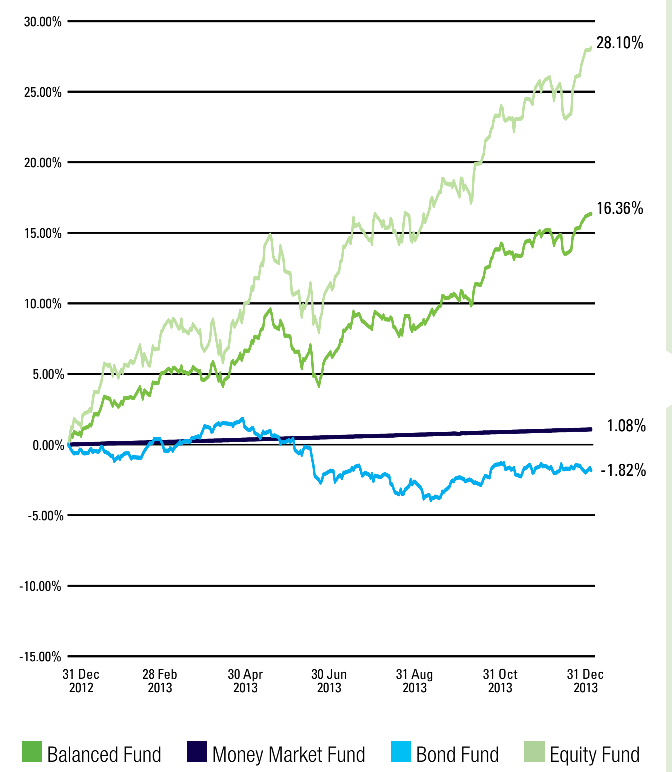


What went out of the Plan in transfers and repayments?

2013: 2,150 terminated and retired members transferred approximately $106.2 million out of the Plan.

2012: 2,408 terminated and retired members transferred approximately $120.2 million out of the Plan.

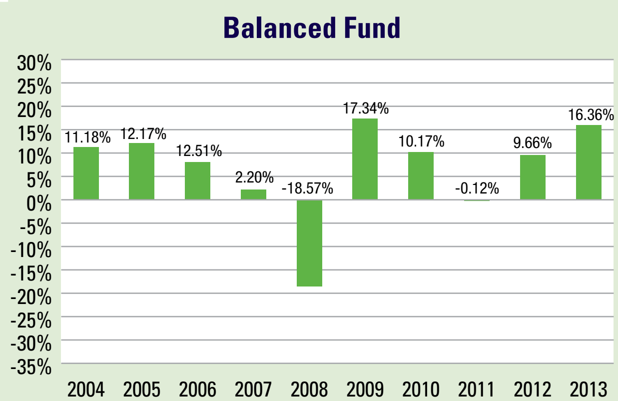
2013 fund returns

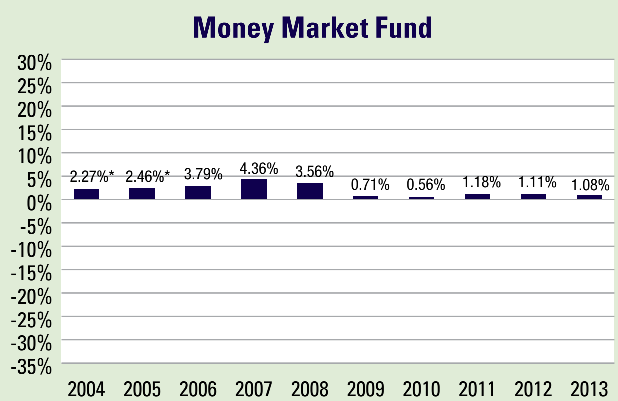


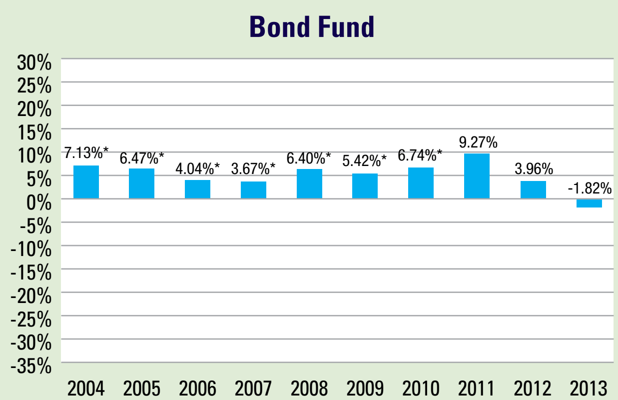
A losing year for bonds

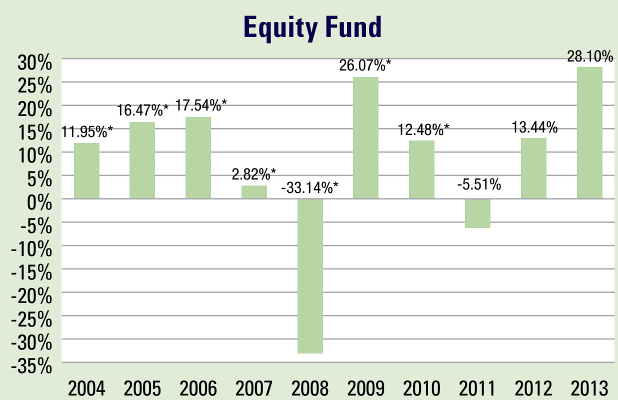
Although a bond will typically pay coupon interest until maturity and return the investor's principal at maturity, prior to its maturity it is still possible for the price of that bond to fall. This tends to happen when interest rates are expected to rise, as occurred in 2013. This expectation was due to a concern by bond investors over how and when the U.S. Federal Reserve might start to taper its bond buying program, known as Quantitative Easing.

Fund return profiles









*Benchmark Returns

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.

Financial overview

What happened in world markets?

Despite the concerns of a U.S. fiscal impasse, a slowing Chinese economy, and continued Eurozone weakness going into 2013, global equity markets produced another good year for investors.

For bond investors however, 2013 was more difficult as yields moved higher and Canadian bond portfolio's experienced weak or negative returns.

Equity markets

Developed Market indices produced strong double digit returns as Europe emerged from recession and the economic signals in the U.S. continued to be positive. The MSCI EAFE index was up 26.93% (local currency), while the S&P 500 index posted a 32.39% (USD) return on the year.

Emerging Markets were not as positive as slowing economies together with inflation and current account deficit concerns impacted equity markets. The MSCI Emerging Market Index ended the year with a 3.44% (local currency) return.

Here in Canada, equity markets continued to trail other developed markets as weak commodity prices were a drag on the heavyweight Materials and Energy sectors. The S& P TSX index recorded a 12.99% return.

Fixed Income Markets

Central Banks, including the Bank of Canada, continued to keep interest rates low to stimulate economic recovery. In fact, world markets became even more accommodative as Japan announced a quantitative easing program and Europe cut rates further.

Here in Canada, the combination of very low rates and rising yields produced negative returns on the year for bond investors. The market as defined by the DEX Universe Bond Index produced a return of -1.19% in 2013.

The Canadian Dollar

The Canadian Dollar's performance was a significant story for investors in 2013 as the dollar fell against most developed market currencies.

The weak performance is most evident relative to the U.S. dollar where it declined 6.90% on the year. The declining dollar meant foreign equity returns were enhanced. For example, the S&P 500 Index return in Canadian dollars was 41.27% compared to 32.39% in U.S. dollars.

How did markets affect the Plan's fund performance?

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

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.

MSCI EAFE Index – 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.

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 made.

Equity Fund

The Equity Fund produced a return of 28.10% (Real Return 26.90%). The Plan's diversification of its equity portfolio outside of Canada again served its membership well, as foreign equity holdings outpaced the Canadian market. The Plan allocates approximately two thirds of its equity holdings to markets outside of Canada.

Bond Fund

The Bond Fund's return of -1.82% (Real Return -3.02%) trailed the Canadian bond market as the Plan's active manager underperformed on the year. The Plan's passive manager closely tracked the market as expected.

Money Market Fund

The Money Market Fund's return of 1.08% (Real Return -0.12%) continued to reflect the Bank of Canada's low interest rate policy.

Balanced Fund

The Balanced Fund which targets 60% equity, 38% bond, and 2% short term investments produced a return of 16.36% (Real return 15.16%).

The weakening of the Canadian dollar against the majority of the Fund's foreign denominated holdings enhanced returns in 2013. However, the Plan's currency hedging program did limit the total value added from currency effects.

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 dynamic currency hedging strategy.

Four Funds to choose from

The Equity Fund contains mainly publically traded stocks from around the world. It is managed by six different managers in seven different mandates. The currency exposures that result from holding foreign equities in the fund are dynamically hedged to reduce the volatility caused by exchange rate fluctuations. In 2013, an Emerging Market Equities mandate was added to the Fund. The Fund is expected to produce higher average returns than the Balanced Fund over the long term, but with larger and more frequent short term losses.

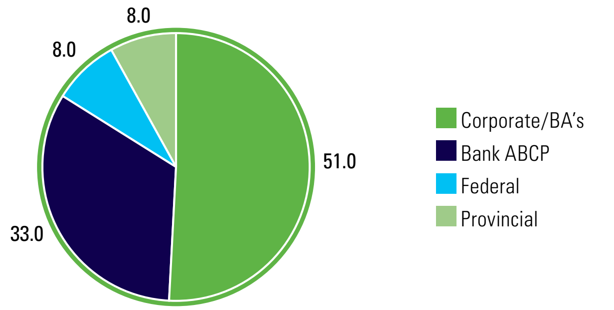
The Bond Fund contains mostly Canadian fixed income investments. It is managed by two managers, one of whom employees an active management strategy, and the other, a passive strategy. In 2013, Canadian bonds produced their first loss since 2002 as bond prices fell by more than the interest earned during the year. The Fund is expected to produce lower average returns than the Balanced Fund over the long term with less risk of short term losses.

The Balanced Fund remains the Plan's default fund. Its benchmark target is approximately 60% equities and 40% fixed income. If you don't provide the Plan with investment instructions to allocate your pension funds elsewhere, they will be invested in the Balanced Fund. The risk/return profile of the Balanced Fund is somewhere between that of the Equity Fund and Bond Fund. This fund is expected to produce moderate long term growth with occasional short term losses.

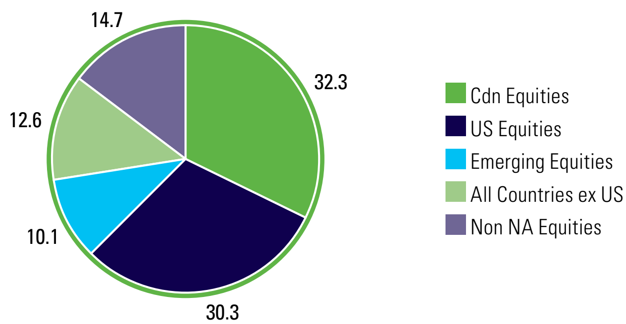
The Money Market Fund continues to be the Plan's lowest risk / lowest return option. It will typically produce a return similar to prevailing short term interest rates in Canada. With the Bank of Canada maintaining its target for the overnight rate at 1% in 2013, this fund continued to produce a very modest return.

Which assets are in each fund?

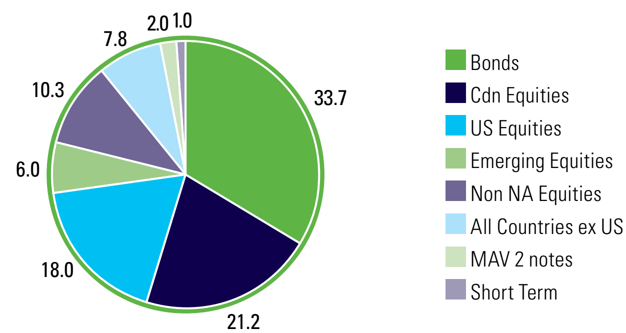
Money Market Fund (%)



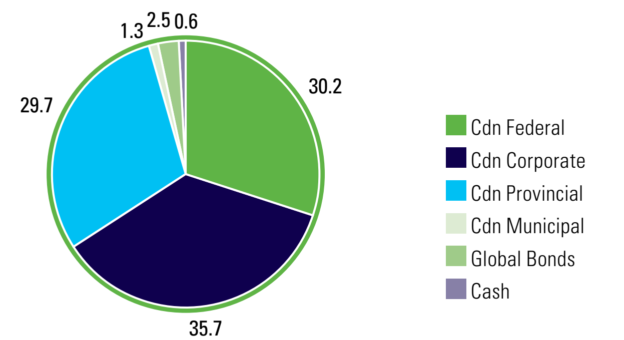
Equity Fund (%)



Balanced Fund (%)



Bond Fund (%)



How did our investment managers perform in 2013?

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		
QV Investors	**27.28%**	
Objective: exceed S&P/TSX Composite Index	12.99%	
Scheer Rowlett & Associates	**14.14%**	**6.90%**
Objective: exceed S&P/TSX Composite Index	12.99%	6.79%
US mid-cap equities – passive		
State Street Global Advisors	**42.44%**	
Objective: replicate S&P 400 Index C$	42.46%	
US equities – passive		
State Street Global Advisors	**41.22%**	
Objective: replicate S&P 500 Index C$	41.27%	
Non-North American equities – active		
Sprucegrove Investment Management Ltd	**25.50%**	**10.50%**
Objective: exceed MSCI EAFE Index C$	31.02%	8.41%
ACWI ex US equities		
Thornburg Investment Management Inc	**23.74%**	**8.74%**
Objective: exceed MSCI ACWI ex U.S. Index C$	23.02%	6.98%
Emerging Market equities		
Wellington management	**NEW**	
Objective: exceed MSCI EM IMI index C$	NEW	
Bonds – active		
Wellington Management	**-1.90%**	
Objective: exceed the DEX Universe Bond Index	-1.19%	
Bonds – passive		
TD Asset Management	**-1.21%**	**4.73%**
Objective: replicate DEX Bond Universe	-1.19%	4.63%
Currency overlay – dynamic		
SSgA	**NEW**	
Objective : replicate 50% Custom Currency Benchmark	NEW	
Short-term		
TD Asset Management	**1.17%**	**1.10%**
Objective: exceed DEX 91-day TBill Index C$	1.01%	0.89%

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

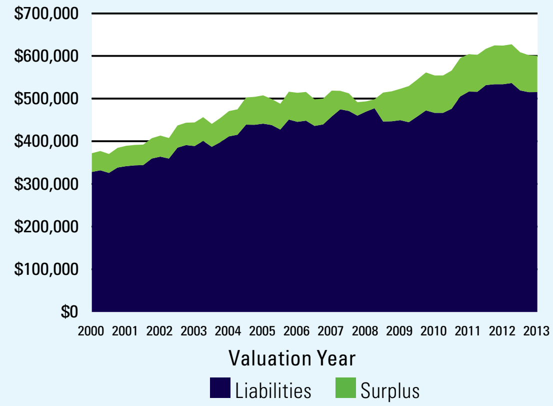
What is the status of the Pensions Fund?

Monthly pensions are paid from the Pensions Fund, which is invested in high-quality, long-term bonds. The manager of the Pensions Fund employs an immunization strategy which matches the cash flow and duration characteristics of the Fund to the Plan's pension liability. During the year, the manager makes adjustments to reflect changes in the bond market as well as changes in the required cash flows as new pensions start and existing pensions end. The purpose of the immunization strategy is to protect the Fund's surplus through changing market conditions.

In 2013, the assets in the Pensions Fund decreased in value as capital losses and fund outflows (pension payments, tax withholdings and fund expenses) exceeded capital gains, interest earned and fund inflows. By the end of the year, the Fund's value had decreased to $600.5 million – a loss of 1.32% – while the Plan's pension liability also decreased to $515.4 million. In 2013 the Plan's pension payroll increased to $45.8 million.

A full report on the funded status of the Plan's pensions prepared by AON Hewitt, the Plan's actuary, was filed with the Superintendent of Pensions in 2013. An updated report must be filed at least every third year. The report filed in 2013 confirmed that the assets held in the Fund continued to exceed the Plan's pension liability. Monthly estimates of the value of the Pension Fund's assets and the Plan's pension liability appear in the chart below.

Pensions Portfolio – Total Assets ($ thousands)



How did the investment funds perform in 2013?

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	**16.36%**	**8.85%**
Objectives: Exceed return on benchmark	13.83%	8.15%
Equity Fund	**28.10%**	
Objectives: Exceed return on benchmark	24.68%	
Bond Fund	**-1.82%**	
Objectives: Exceed return on benchmark	-1.19%	
Money Market Fund	**1.08%**	**0.98%**
Objectives: Exceed return on benchmark	1.01%	0.89%

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

What can we expect in 2014?

After posting substantial gains in 2013, economic indicators suggest that more modest equity returns are likely in developed markets for 2014. Emerging market equities, on the other hand, are expected to struggle, partly due to a reversal in international fund flows in response to improved U.S. bond yields. With elections later this year, some are suggesting that political considerations may limit the upside potential in India, Brazil and Indonesia, while the potential for self-inflicted harm in the U.S. due to congressional deadlock appears to be somewhat reduced.

Fixed income markets seem to be stabilizing after a sudden fall in bond prices last spring in anticipation of the end of the U.S. Federal Reserve's bond buying program known as Quantitative Easing. Mid and long-term bond prices could decline further if and when the Fed begins to taper its bond buying program in earnest. However, most forecasters believe that short term interest rates will not increase until 2015. Two factors which could significantly impact this forecast would be a substantial reduction in unemployment or a surge in inflation, either of which could pressure central bankers to raise short-term rates sooner.

Since the markets bottomed five years ago, global stock market valuations have increased significantly, while more recently, growth in corporate earnings has slowed. This suggests that more moderate equity returns are likely in 2014. The outlook for fixed income investments suggests modest losses are possible for a second year, as longer term rates continue to rise in response to central bank tapering, improving growth and fading austerity. Although equity markets in particular have performed quite well since the 2008 financial crisis, investment professionals continue to expect a lower return environment going forward.

You, the members

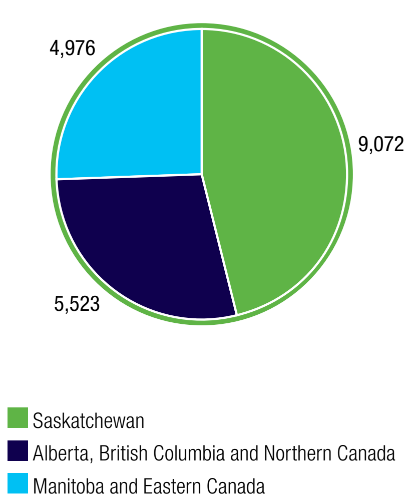
How many members belong to the CSS Pension Plan?

The number of individual Plan members increased last year. At the end of 2013:

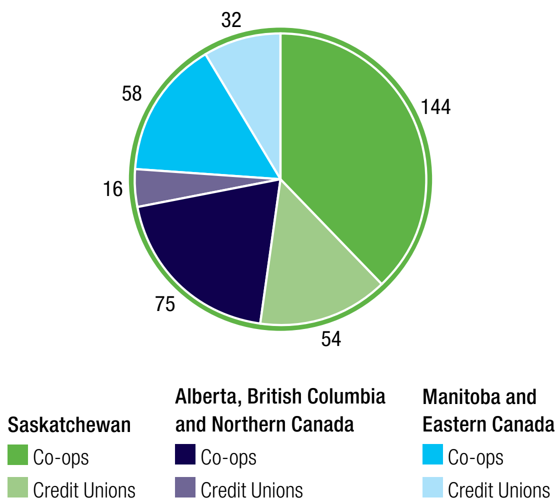
- Active members (still working for CSS employers) increased to 19,571 from 19,238
- Retirees continued to increase, to about 6,540 from about 6,220
- Inactive members (with funds in the Plan but not working for CSS employers) rose to 16,634 from 16,450
- The average age of non-retired members in 2013 was 47.22

At the same time, the number of employers in the CSS Pension Plan decreased during 2013 to 379, mostly because of the continuing amalgamation of Credit Unions and Co-operatives.

Regional distribution – active members



Regional distribution – employer members



Age distribution

	FEMALE	MALE	TOTAL	TOTAL %
Under 25	889	594	1,483	4.10
25 – 29	1,507	1,005	2,512	6.94
30 – 34	1,971	1,321	3,292	9.09
35 – 39	2,230	1,587	3,817	10.54
40 – 44	2,636	1,769	4,405	12.17
45 – 49	3,085	2,022	5,107	14.11
50 – 54	3,880	2,301	6,181	17.07
55 – 59	3,281	2,092	5,373	14.84
60 – 64	1,619	1,325	2,944	8.13
65 & over	476	615	1,091	3.01
TOTAL	21,574	14,631	36,205	100.00

Retirees: the reason for the Plan

Last year:

- 299 members retired (207 taking pensions; 92 taking variable benefit payments)
- Their average age was 62.62
- The total number of retirees taking a pension or variable benefit payments from the Plan at the end of 2013 was approximately 6,540

Distribution of funds at retirement: 2013

	#	TOTAL FUNDS	AVERAGE PENSION FUNDS
Monthly pension from CSS Pension Plan	207	$ 30,988,685	$ 149,703
Variable Benefit payments from CSS Pension Plan	92	$ 22,891,067	$ 248,915
Life Income Funds (LIFs)	45	$ 8,116,074	$ 180,357
Locked-in Retirement Income Funds (LRIFs)	2	$ 97,533	$ 48,766
Prescribed RRIFs (PRRIFs)	121	$ 14,299,224	$ 118,175
Registered Retirement Income Funds (RRIFs)	40	$ 2,034,973	$ 50,874
Other registered pension plans	23	$ 1,034,022	$ 44,957
Life annuities	3	$ 268,333	$ 89,444
Total	**533**	**$ 79,729,911**	

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. Ad hoc adjustments approved in 2013 were as follows:

PENSIONS STARTED IN:	% INCREASE
2004	1.35%
1998	0.90%
1993	0.75%

Working toward retirement: what resources will you need?

IN 2013, WE PROVIDED THE TOOLS…	…AND YOU USED THEM
Individual consultations and pension projections	• Total of 103 individual consultations: – 75 in the Plan's office – 28 outside the office in conjunction with member service activities • Approximately 2,240 sets of pension projections and 720 Variable Benefit illustrations prepared
Retirement Income Options (RIO) workshops: Half-day overview of retirement income options from the Plan for employees and spouses	• Six were held (2 in Alberta, 2 in Saskatchewan, and 2 in Manitoba) • Total of 626 participants (378 members and 248 spouses)
Retirement Planning seminars (RPS): One-day seminar for members 50+ on various retirement topics such as health, wills and estates, housing, and more	• Six were held (1 in Alberta, 3 in Saskatchewan and 2 in Manitoba. • Total of 172 participants (120 members and 52 spouses)
www.csspen.com	• There were approximately 238,000 visits to the website

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.

E-learning

To better serve members, the Plan has developed three narrated slide presentations using "The Road to Retirement" theme. The first module "Beginning your journey" is targeted at new entrants, the second "Making your journey count" at mid-career members, and the third "Reaching your destination" at members approaching retirement. Some employer members have linked these modules within their HR website and intranet sites. Employers are finding the first module useful as part of the regular employee orientation.

Each module in the series is posted on the Plan's website so that members can review them whenever they wish. The presentations were developed using an interactive tool so that members can move within the modules to suit their own interests. Each presentation is also linked to a survey so that members can provide the Plan with their feedback.

Who was overseeing and managing your Plan?

The CSS Board of Directors

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

Vice-President
Al Meyer
Chief Executive Officer
Prairie Centre Credit Union
ROSETOWN SK

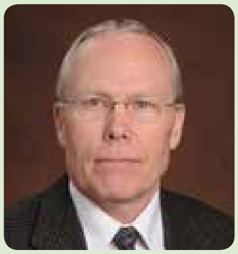
Director
Jeff Ambrose
Vice-President Petroleum, Wine Spirits Beer, Home Health Care, Travel and Business Development
Calgary Co-operative Association Ltd.
CALGARY AB

Director
Randy Boyer
Vice-President Treasury
Federated Co-operatives Ltd.
SASKATOON SK

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

Director
Jim Huggard
Retired
WINNIPEG MB

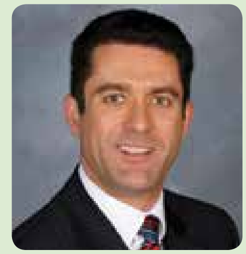
The CSS Pension Plan Staff



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

ICT Manager
Kirby McInnis

Programmer Analyst
Rob Peddle

Programmer Analyst
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Delegates

Thirty-six Delegates represent the Plan's employers, employees and retirees at all meetings of the Co-operative Superannuation Society. The employee Delegates are **elected** for two year terms. The Employer Delegates are **appointed** for one year terms.

The employee Delegates are elected and serve by region. The number of delegates representing each region is proportional to the number of active contributors in that region. The employer Delegates are appointed by system (Co-operative Retailing System, Credit Union System and "Other" Employers). The number of delegates representing each system is proportional to total participation in the Plan by the employers, employees and retirees of that system.

Under the Society's Bylaws, the distribution of employee and employer delegates must be reviewed every three years based on current Plan membership statistics. Such a review was required this year and was done at year end. Based on the Plan's membership on December 31, the current distributions are still appropriate.

Where did we focus our Energy in 2013

"So much to do - So little time." In addition to receipting $122 M, disbursing $106 M, and paying more than $46 M in retirement income, the Plan continued to move forward on several important initiatives.

Investments

Late in 2012 it was decided to add an emerging markets equity mandate to the Plan's Equity and Balanced Funds. An emerging market equity manager search was therefore conducted in 2013. After identifying a suitable manager, this new mandate was funded in September when about $160M was transferred in three weekly installments. Due to the lower liquidity expected in emerging markets, this process was recommended by the manager to reduce market impacts and transition costs.

Two other potential investment initiatives were studied in 2013. These were:

- A new strategy for the investment of the Pensions Fund surplus. The objective is to identify a strategy that could improve the funds available for ad hoc adjustment to pensions in pay without reducing the security of members' pensions.
- Whether and how we might be able to add "alternative assets" such as real estate, infrastructure or private equity to the Plan's fixed income component. The objective in this case is to further diversify risk and reduce return volatility.

Work by Management and the Board will continue on both of these initiatives in 2014.

Focus Groups and Member Surveys

In November and December the Plan held a series of five focus groups for the Plan's larger employers (those with more than fifty active contributors). The purpose was to gather information to be used in developing new employer communications and to obtain feedback on the Plan's existing communication vehicles and messages. Smaller employers were subsequently contacted through an electronic survey to obtain similar information.

Many topics were covered including members' Annual Statements, the Plan's website, TimeWise magazine, the process for employees to obtain a Personal Access Number to permit secure web access to their Pension Account, and the Society's balloting process.

About one third of the employers invited to a focus group were able to attend, while almost 45% of employers who received the survey provided their input. The Plan looks forward to using the input received from these employers to improve the Plan's communications.

ICT Systems

In 2013 the Plan completed a major project to renew its network infrastructure. This involved the replacement of hardware, the virtualization of all servers and an updated Disaster Recovery Plan. During the year the Plan also engaged a design consultant to develop a new look for our website and conducted a code audit of the CSS Pension Administration System to identify necessary updates. Both of these projects will continue as major programming initiatives in 2014.

To complete these and other projects the CSS Board authorized the creation of two two-year term programming positions on the Plan's ICT staff. These positions will be filled early in 2014.

Because the Plan's membership is widely dispersed across Canada, working for 379 different co-operatives and credit unions, electronic communication will play an important part in the implementation of the Plan's new communication strategy. The Board has committed to making the investment necessary to accomplish this goal.

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 provide competitive, value-added retirement products and services through a democratically controlled organization for the benefit of members.

Vision

To be the preferred pension plan for Canadian co-operatives and their employees.

Values

The following values support member focus in Plan decision making: Service; Fairness; Integrity; Accountability; Transparency.

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

CSS Pension Plan

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.

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

February 14, 2014

Brent Godson
Investment Manager
CSS Pension Plan

MNP LLP

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, 2013, 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, 2013 and its financial performance for the year then ended in accordance with Canadian accounting standards for pension plans.

Saskatoon, Saskatchewan

February 14, 2014

MNP LLP

Chartered Accountants

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS
Best Employers in Canada
By Aon Hewitt
ACCOUNTING › CONSULTING › TAX
800, 119 - 4TH AVENUE S; SASKATOON SK; S7K 5X2
1-877-500-0778 P: 306-665-6766 F: 306-665-9910 www.MNP.ca

Statement of Financial Position

As at December 31, 2013

Investment Funds

(thousands of dollars)	2013	2012
Assets		
Investments (NOTE 3)	3,068,296	2,673,336
Accrued investment income	2,279	3,896
Cash	6,179	4,653
Accounts receivable		
Employee contributions	535	814
Employer contributions	497	682
Capital assets	43	22
Interfund balance (NOTE 8)	1,513	1,936
	3,079,342	2,685,339
Liabilities		
Due to brokers	796	1,203
Accounts payable	3,374	2,388
Interfund balance (NOTE 8)	1,438	1,862
	5,608	5,453
Net assets available for benefits (NOTE 10)	3,073,734	2,679,886
Represented by:		
Member contribution accounts (NOTE 7)	3,073,734	2,679,886

Pensions Fund

(thousands of dollars)	2013	2012
Assets		
Investments (NOTE 3)	596,967	620,391
Accrued investment income	4,530	4,701
	601,497	625,092
Liabilities		
Due to brokers	951	709
Accounts payable	312	310
Interfund balance (NOTE 8)	75	74
	1,338	1,093
Net assets available for benefits	600,159	623,999
Represented by:		
Pension reserve	600,159	623,999

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, 2013

Investment Funds

(thousands of dollars)	2013	2012
Increase in assets		
Investment income		
Interest	29,567	33,305
Dividends		
Canadian dividends	16,106	14,197
Foreign dividends	8,204	13,071
Pooled fund distributions	19,375	17,236
Increase in market value of investments	353,621	165,643
Other	673	338
	427,546	243,790
Contributions		
Employee	62,710	59,400
Employer	59,443	54,773
	122,153	114,173
Total increase in assets	549,699	357,963
Decrease in assets		
Administrative expenses		
Investment services	6,845	6,037
Investment transaction costs(recoveries)	309	98
Salaries and employment costs	1,331	1,243
Operations	686	660
Membership control	203	188
Administrative expenses (recovery from Pensions Fund)	(859)	(866)
	8,515	7,360
Equity repayments	105,976	122,640
Variable benefit payments	10,371	8,576
Equity transferred to Pensions Fund	30,989	32,491
	147,336	163,707
Total decrease in assets	155,851	171,067
Increase in net assets	393,848	186,896
Net assets available for benefits, beginning of year	2,679,886	2,492,990
Net assets available for benefits, end of year (NOTE 10)	3,073,734	2,679,886

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, 2013

Pensions Fund

(thousands of dollars)	2013	2012
Increase in assets		
Investment income		
Interest	25,554	26,161
Increase in market value of investments	-	7,055
Other	91	79
Equity transferred from Investment Funds	30,989	32,491
Total increase in assets	56,634	65,786
Decrease in assets		
Pension paid	45,840	44,996
Decrease in market value of investments	33,774	-
Interest on interfund balance	1	1
Administrative expenses	859	866
Total decrease in assets	80,474	45,863
Increase (decrease) in net assets	(23,840)	19,923
Net assets available for benefits, beginning of year	623,999	604,076
Net assets available for benefits, end of year	600,159	623,999

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

Notes to the Financial Statements

For the year ended December 31, 2013

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 379 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 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 life span, 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 and investment of the 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.

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

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.

Use of Estimates and Judgement

The preparation of financial statements prepared in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the amounts of increases and decreases in net assets available for benefits for the reporting period. The most significant estimates relate to the fair values of investments. Actual results could differ from those estimates.

3. INVESTMENTS

The Society serves as fund holder and 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)

	2013		2012	
	Market Value	Investment Percentage	Market Value	Investment Percentage
Custodial Cash Accounts	$ (34)		$ (50)	
Short-term	11,158		7,983	
	11,124	1.9%	7,933	1.3%
Bonds and Debentures				
Federal	64,822		80,106	
Provincial	229,334		241,220	
Municipal	37,487		32,235	
Corporate	254,200		258,897	
	585,843	98.1%	612,458	98.7%
Total	$ 596,967	100.0%	$ 620,391	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)

	2013		2012	
Investment Type	Market Value	Investment Percentage	Market Value	Investment Percentage
Custodial Cash Accounts	$ 7,136		$ 9,697	
Short-term	22,296		9,132	
Short-term pooled fund	131,567		155,245	
	160,999	5.3%	174,074	6.5%
Bonds and Debentures				
Federal	-		-	
Provincial	-		-	
Municipal	-		-	
Corporate	55,145		50,240	
Corporate – foreign	-		-	
Pooled Funds	1,007,008		890,436	
	1,062,153	34.6%	940,676	35.2%
Equities				
Canadian shares	611,760		538,166	
	611,760	19.9%	538,166	20.1%
Translated to Canadian dollars				
U.S.	-		81,009	
Pooled Fund U.S. Indexed	534,128		464,572	
Non-North American	216,949		232,500	
Pooled Fund Non-North American	482,307		242,339	
	1,233,384	40.2%	1,020,420	38.2%
Total	$ 3,068,296	100.0%	$ 2,673,336	100.0%

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

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

	2013			2012		
(thousands of dollars)	Face Value	Discount	Fair Value	Face Value	Discount	Fair Value
Class A1	$ 32,841	7%	$ 30,593	$ 32,862	15%	$ 27,891
Class A2	21,623	10%	19,512	21,623	18%	17,677
Class B	3,925	10%	3,547	3,925	21%	3,101
Class C	1,809	18%	1,493	1,809	31%	1,248
Class 13 (1A Tracking)	356	100%	-	993	68%	323
Total	$ 60,554	9%	$ 55,145	$ 61,212	18%	$ 50,240

As at December 31, 2013 the value used for calculating and reporting unit prices reflected a discount of 5.41% (2012 – 6.43%) from the original MAV 2 notes' face value. In addition, unit prices reflected additional MAV 2 accrued investment income of $651,872 above current market values. The value used for unit pricing was therefore $2,784,543 (2012 – $7,036,728) greater than the fair value of the assets as shown above. This equates to a difference of $0.01 (2012 – $0.04) per unit or 0.10% (2012 – 0.28%) 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, 2013 with the net assets available for benefits.

	2013		2012	
(Total Fund in thousands of dollars)	Total Fund	Per Unit	Total Fund	Per Unit
Net Assets available for Benefits	$ 2,886,072	$ 17.29	$ 2,477,206	$ 14.83
Unrealized Loss on MAV 2 notes	2,785	0.01	7,037	0.04
Other Adjustments	(447)	-	(98)	-
Transactional Value for Member Accounts	$ 2,888,410	$ 17.30	$ 2,484,145	$ 14.87

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:

	Level 1		Level 2		Level 3		Total	
(thousands of dollars)	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Investment Funds								
Bonds	**$ –**	$ –	**$1,007,008**	$ 890,436	**$ 55,145**	$ 50,240	**$1,062,153**	$ 940,676
Short-term	**–**	–	**160,667**	173,011	**–**	–	**160,667**	173,011
Equities	**828,709**	851,675	**1,016,435**	706,910	**–**	–	**1,845,144**	1,558,585
Total	**$ 828,709**	$ 851,675	**$ 2,184,110**	$ 1,770,357	**$ 55,145**	$ 50,240	**$3,067,964**	$ 2,672,272
Pensions Fund								
Bonds	**–**	–	**585,843**	612,458	**–**	–	**585,843**	612,458
Short-term	**–**	–	**11,158**	7,983	**–**	–	**11,158**	7,983
Total	**$ –**	$ –	**$ 597,001**	$ 620,441	**$ –**	$ –	**$ 597,001**	$ 620,441

The following table represents the changes to Level 3 instruments during the period ending December 31, 2013.

MAV 2 NOTES

(thousands of dollars)	**2013**	2012
Balance at January 1	**$ 50,240**	$ 39,990
Net Purchases, sales, principal pyts	**(658)**	–
Net Transfers in (out)	**–**	–
Gains (losses)		
Realized	**436**	–
Unrealized	**5,127**	10,250
Balance at December 31	**$ 55,145**	$ 50,240

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, 2013, 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, $50,310,705 (approximately 8.38 % of net assets) (2012 – $53,859,243 or 8.63% of net assets).

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

As at December 31, 2013, 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, $64,612,444 (approximately 2.10% of net assets) (2012 – $56,698,565 or 2.12% 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 together with the investment management agreement establishes limits on each manager's exposure to lower the credit quality issues as well as the maximum exposure to any one issuer.

As at December 31, 2013, 100% (2012 – 100%) of the Plan's short-term investments were rated "R-1 low" or better and 89.79% (2012 – 91.76%) of the bonds and debentures held in the CSS Investment Funds and 95.86% (2012 – 98.46%) 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 BNY Mellon Global Collateral Services, 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, 2013, securities on loan had a market value of $290.6 million (2012 – $305.8 million). Collateral held to secure those loans had a market value of $305.9 million (2012 – $324.1 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, 2013, the Plan's foreign currency exposures were as follows:

CURRENCY

(thousands of Canadian dollars)	**2013**	2012
United States dollar	**$ 554,198**	$ 562,246
British pound sterling	**98,507**	87,232
Euro	**112,695**	103,983
Other European currencies	**69,065**	51,526
Japanese yen	**97,933**	88,018
Other Pacific currencies	**68,636**	74,632
Emerging Market currencies	**229,023**	43,998
Total	**$ 1,230,057**	$ 1,011,635

The Plan also manages currency risk through the use of currency forwards. These currency forwards are used to dynamically hedge the Plan's developed market foreign currency exposure. As at December 31, 2013 the fair value of the currency forwards payable was $674,074,649 (2012 – $1,461,069,334) and the fair value of the currency forwards receivable was $672,938,918 (2012 – $1,460,237,986).

The Plan's currency forward contracts at December 31, 2013 were as follows:

CURRENCY

(thousands of Canadian dollars)	2013			2012		
	Market Value	Notional Value	Gain (Loss)	Market Value	Notional Value	Gain (Loss)
Canadian Dollar	$ 226,320	226,320	–	$ 470,240	470,240	–
Swiss Franc	(39,148)	(38,425)	(723)	(19,298)	(19,037)	(261)
British Pound Sterling	-	-	-	(44,874)	(44,152)	(722)
Hong Kong Dollar	(90)	(90)	-	(21,277)	(21,234)	(43)
European Euro	(35,008)	(34,518)	(490)	(53,014)	(52,222)	(792)
United States Dollar	(114,523)	(114,206)	(317)	(281,051)	(280,497)	(554)
Australian Dollar	(7,909)	(8,039)	130	(4,330)	(4,334)	4
Singapore Dollar	(19,338)	(19,418)	80	(6,693)	(6,685)	(8)
Swedish Krona	(143)	(142)	(1)	(3,027)	(2,953)	(74)
Danish Krone	(2,458)	(2,423)	(35)	(2,205)	(2,172)	(33)
Japanese Yen	(8,839)	(9,059)	220	(35,264)	(36,916)	1,652
South Korean Won	-	-	–	(37,836)	(37,836)	–
Total	$ (1,136)	-	(1,136)	$ (38,629)	(37,798)	(831)

As at December 31, 2013, 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 $27,855,889 (approximately 1% of net assets)(2012 – $29,264,386 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, 2013 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)	2013 Impact	2012 Impact
Benchmark		
S&P TSX Composite Total Return Index	$ 61,176	$ 52,180
S&P 500 Total Return Index Hedged (C$ BA's)	28,706	24,736
S&P 400 Total Return Index Hedged (C$ BA's)	24,707	21,721
MSCI EAFE Total Return Index	30,417	24,234
MSCI A 11 Country ex US Total Return Index	21,695	17,909
MSCI World Total Return Index	-	15,079
MSCI Emerging Markets IMI Total Return Index	17,814	-

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, 2012. 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 on the next page.

ACTUARIAL POSITION

(thousands of dollars)	2012	2009
Market Value of Assets:	$ 623,999	$ 522,825
Less actuarial value of Pension Liability	(546,159)	(460,270)
Surplus at December 31	$ 77,840	$ 62,555
Reserve for adverse deviation from assumptions	$ 77,840	$ 62,555

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, 2013, 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, 2013, the CSS Balanced Fund's unit price was $17.3048 (2012 – $14.8719) the CSS Money Market Fund's unit price was $12.0151 (2012 – $11.8873), the CSS Equity Fund's unit price was $13.7312 (2012 – $10.7189), and the CSS Bond Fund's unit price was $11.1536 (2012 – $11.3600).

7. RECONCILIATION OF MEMBERS' ACCOUNTS

In accordance with Canadian accounting standards for pension plans, 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, 2013, 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.

As stated in the Statement of Financial Position, the value of net assets available for benefits as of December 31, 2013 was $3,073,734,283 while the total value of members' accounts as per the Plan's unitized record keeping system on this same date was $3,074,997,772. The difference between these two amounts is reconciled below.

RECONCILIATION

(thousands of dollars)	2013	2012
Net Assets available for Benefits	$ 3,073,734	$ 2,679,886
Add Back:		
Accrued Expenses	115	124
Withdrawals Payable	515	716
Market Value Adjustments	2,051	7,208
Deduct:		
Fixed Assets	(43)	(22)
Contributions Receivable	(1,374)	(2,629)
Total Value of Members' Accounts	$ 3,074,998	$ 2,685,283

"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 2013 were as follows:

	2013		*2012*	
Fund	*Fund Return*	*MER*	*Fund Return*	*MER*
Balanced Fund	16.36%	0.30%	9.66%	0.29%
Money Market Fund	1.08%	0.10%	1.11%	0.09%
Bond Fund	-1.82%	0.19%	3.96%	0.17%
Equity Fund	28.10%	0.32%	13.44%	0.35%

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

10. INVESTMENT FUNDS DETAIL

STATEMENT OF FINANCIAL POSITION

Investment Funds

(thousands of dollars)	2013					2012
	Balanced Fund	Money-Market Fund	Bond Fund	Equity Fund	Total	Total
Assets						
Investments	2,881,708	107,505	32,471	46,612	3,068,296	2,673,336
Accrued investment inc.	2,245	–	–	34	2,279	3,896
Cash	6,179	–	–	–	6,179	4,653
Accounts Receivable						
Employee contributions	535	–	–	–	535	814
Employer contributions	497	–	–	–	497	682
Fixed assets	43	–	–	–	43	22
Interfund balance	–	175	–	1,338	1,513	1,936
	2,891,207	107,680	32,471	47,984	3,079,342	2,685,339
Liabilities						
Due to (from) brokers	804	–	–	(8)	796	1,203
Accounts payable	3,253	40	26	54	3,373	2,388
Interfund balance	1,078	–	361	–	1,439	1,862
	5,135	40	387	46	5,608	5,453
Net Assets Available for Benefits	2,886,072	107,640	32,084	47,938	3,073,734	2,679,886

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Investment Funds

(thousands of dollars)	2013					2012
	Balanced Fund	Money-Market Fund	Bond Fund	Equity Fund	Total	Total
Increase in Net Assets						
Investment Income						
Interest	27,164	1,389	1,014	–	29,567	33,305
Dividends						
Canadian dividends	15,789	–	–	317	16,106	14,197
Foreign dividends	8,029	–	–	175	8,204	13,071
Pooled fund distribution	18,894	–	–	481	19,375	17,236
Increase (decrease) in market market value of investments	346,066	134	(1,919)	9,340	353,621	165,643
Other	661	1	6	5	673	338
	416,603	1,524	(899)	10,318	427,546	243,790
Employee contributions	60,358	929	471	952	62,710	59,400
Employer contributions	57,245	772	621	805	59,443	54,773
Interfund transfers	1,394	2,957	(17,811)	13,460	–	–
	118,997	4,658	(16,719)	15,217	122,153	114,173
Total increase (decrease) in assets	535,600	6,182	(17,618)	25,535	549,699	357,963
Decrease in Net Assets						
Administrative expenses						
Investment services	6,706	11	45	83	6,845	6,037
Inv. trans costs (recovery)	309	–	–	–	309	98
Salaries employment cost	1,234	61	21	15	1,331	1,243
Operations	635	31	11	9	686	660
Membership control	188	9	4	2	203	188
Admin. expense (recovery)	(859)	–	–	–	(859)	(866)
	8,213	112	81	109	8,515	7,360
Equity repayments	88,357	13,820	3,099	700	105,976	122,640
Variable benefit payments	6,814	2,944	583	30	10,371	8,576
Equity transferred to pensions fund	23,350	6,735	904	–	30,989	32,491
	118,521	23,499	4,586	730	147,336	163,707
Total decrease in assets	126,734	23,611	4,667	839	155,851	171,067
Increase(Decrease) in Net Assets	408,866	(17,429)	(22,285)	24,696	393,848	186,896
Net Assets, Beginning of Year	2,477,206	125,069	54,369	23,242	2,679,886	2,492,990
Net Assets, End of Period	2,886,072	107,640	32,084	47,938	3,073,734	2,679,886

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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."

CSS Pension Plan

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