

CSS Pension Plan

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

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Quarterly Update

UNIT PRICES

In the 4th Quarter of 2013 the unit price of the Balanced Fund rose from \$16.387020 to \$17.304761 or 5.60%. Over the same period, the Bond Fund gained 0.51%, the Equity Fund added 8.94%, and the Money Market Fund rose 0.28%. Investment Manager results for the 4th Quarter and for the 2013 calendar year appear below.

BALANCED FUND

Investment Managers	4 th Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
Wellington: Core Plus Bonds	0.65%	0.38%	-1.90%	-1.19%
TD Asset Mgmt: Canadian Bonds	0.38%	0.38%	-1.21%	-1.19%
QV Investors: Can. Equities	7.46%	7.29%	27.28%	12.99%
Scheer Rowlett: Can. Equities	8.15%	7.29%	14.14%	12.99%
SSgA: U.S. Mid Cap Equities	11.96%	11.98%	42.44%	42.46%
SSgA: U.S. Lg Cap Equities	14.20%	14.23%	41.22%	41.27%
Wellington: Emerging Mkt. Equities	7.88%	5.19%	N/A	N/A
Sprucegrove: Non-NA Equities	8.20%	9.27%	25.50%	31.02%
Thornburg: World (ex U.S.) Equities	7.36%	8.29%	23.74%	23.02%
Total Return	5.60%	5.11%	16.36%	13.83%

* Returns in Canadian dollars net of fees

BOND FUND

Investment Managers	4 th Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
Same as Bond Managers above	0.51%	0.38%	-1.82%	-1.19%

* Returns in Canadian dollars net of fees

EQUITY FUND

Investment Managers	4 th Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
Same as Equity Managers above	8.94%	8.34%	28.10%	24.68%

* Returns in Canadian dollars net of fees

MONEY MARKET FUND

Investment Managers	4 th Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
TD Asset Mgmt.	0.28%	0.24%	1.08%	1.01%

* Returns in Canadian dollars net of fees

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2013 FUND RETURNS

Realized and unrealized gains, losses, dividends, interest and expenses relating to the Plan's investment funds are allocated through daily changes in each fund's unit price. The percentage change in a fund's daily unit price is the fund's rate of return. For example, if a fund unit price at the start of the year is \$10 and at the end of the year is \$10.50, the fund has earned a 5% return (e.g. $(\$10.50 - \$10.00) / \$10.00$). Using the actual 2013 opening and closing unit prices for each of the Plan's four investment funds produces the following rates of return:

Fund	Return
Balanced (BF)	16.36%
Bond (BDF)	-1.82%
Equity (EQF)	28.10%
Money Market (MMF)	1.08%

The Balanced Fund's 10-year annualized return, as shown in members' 2013 Annual Statements, is 6.78%. This compares favorably with the Fund's benchmark, which earned an annualized return of 6.18% over the same period. For more information on the Plan's investment Funds, including the Money Market Fund, Bond Fund and Equity Fund, please visit the Plan's website or contact our office.

EQUITY MARKETS

Equity markets were positive over the fourth quarter as the world economy continued to improve at a modest pace. Canadian equities, represented by the S&P TSX Composite Index, posted a gain of 7.29% over the quarter as nine of ten sectors advanced, led by Industrials, Healthcare and Financials. Both of the Balanced Fund's active Canadian equity managers added value to the index as QV Investors posted a return of 7.46%, while Scheer Rowlett & Associates (SRA) earned 8.15%.

U.S. Large Cap equities rose by 14.23% during the quarter, while U.S. Mid Cap equities did not do quite as well at 11.98%. The Plan's passive U.S. equity mandates closely tracked these benchmarks. EAFE equities posted a solid gain of 9.27% although the Plan's active EAFE manager underperformed, earning 8.20%. The new Emerging Market Equities mandate managed by Wellington posted a return of 7.88% vs. its benchmark at 5.19%. The Plan's All Countries World Equities manager, Thornburg Investment Management, underperformed its benchmark posting a gain of 7.36% during the final quarter as compared to its benchmark at 8.29%. Currency gains on the Plan's foreign equities resulting from a weaker Canadian dollar were reduced by the Plan's dynamic currency hedging program.

BOND MARKET

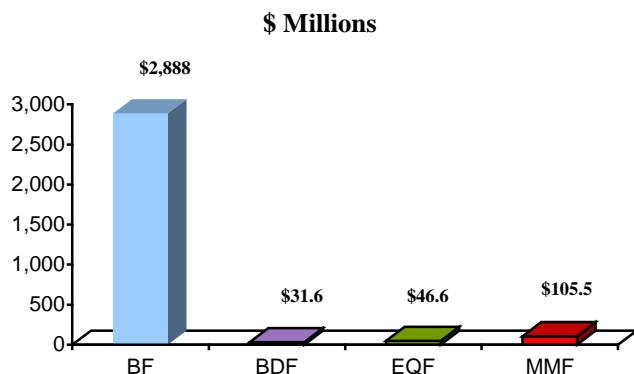
The Canadian bond market posted a modest gain of 0.38% in the fourth quarter, with the Dex Universe Bond Index showing a loss of 1.19% for the year. Corporate bonds outperformed government bonds, with short-term bonds advancing while mid-term and long-term bonds declined.

Our active bond manager, Wellington, outperformed during the quarter, producing a gain of 0.65% while the passive bond manager, TD Asset Management, closely tracked the index.

INVESTMENT FUNDS

Over the 4th Quarter, the number of members using the Bond and Money Market Funds decreased slightly, while the number of members using the Equity Fund increased. The table and chart below show the number of members and dollars invested in each of the Plan's four investment funds

Fund	Members	\$ Millions
Balanced (BF)	35,685	\$2,888
Bond (BDF)	242	\$31.6
Equity (EQF)	374	\$46.6
Money Market (MMF)	587	\$105.5



RETURN VOLATILITY

The Plan's primary measure of risk is return volatility. Compared to the Balanced Fund, the Equity Fund has a higher level of expected volatility, while the Bond Fund has a lower level. The chart below shows the different levels of volatility experienced by the Plan's investment funds over the past year.

