



CSS Pension Plan

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

**Fourth Quarter
December 31, 2010
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UNIT PRICES

In the 4th Quarter of 2010 the unit price of the Balanced Fund rose from \$13.005147 to \$13.578054 or 4.4%. Over the same period, the unit price of the Money Market Fund rose from \$11.586972 to \$11.619315 or 0.28%. Individual mandate returns for the Balanced Fund and Money Market Fund for the 4th Quarter and for the 2010 year appear below.

BALANCED FUND

Investment Managers	4 th Quarter Returns (%)		2010 Returns (%)	
	CSS	Index	CSS	Index
Addenda: Canadian Bonds	-0.48%	-0.71%	7.26%	6.74%
TD Asset Mgmt: Canadian Bonds	-0.71%	-0.71%	6.89%	6.74%
QV Investors: Canadian Equities	6.92%	9.45%	N/A	17.61%
Scheer Rowlett : Canadian Equities	8.78%	9.45%	15.90%	17.61%
State Street: U.S. Mid Cap Equities	9.92%	9.94%	19.97%	20.03%
State Street: U.S. Lg Cap Equities	7.25%	7.28%	9.07%	9.06%
Brandes: Global Equities	3.88%	5.53%	4.85%	5.93%
Sprucegrove: Non-NA Equities	5.91%	3.26%	12.61%	2.13%
Thornburg: World Equities	4.99%	3.84%	9.82%	5.35%
Total Return	4.40%	4.62%	10.17%	10.52%

Asset Mix (Weightings)

	<u>Dec 31, 2010</u>		<u>Dec 31, 2009</u>
Equities:			
Canadian equities	21.5%		
Foreign equities	39.9%		
Total Equities:		61.4%	59.4%
Fixed Income:			
Bonds	35.7%		
Max II Notes	2.3%		
Short term	1.7%		
Total Fixed Income:		38.6%	40.6%
		100.0%	100.0%

MONEY MARKET FUND

Investment Manager	4 th Quarter Return (%)		2010 Return (%)	
	CSS	Index	CSS	Index
TD Asst Mgmt: Short Term Inv.	0.29%*	0.23%	0.74%*	0.54%

* Return before expenses.

Asset Mix (Weightings)

	<u>Dec 31, 2010</u>		<u>Dec 31, 2009</u>
Fixed Income:			
Short Term:	100.0%		100.0%

2010 FUND RETURNS

For 2010, members were offered two unitized funds for the investment of their contributions and accumulated benefits – a Balanced Fund and a Money Market Fund. Realized and unrealized gains, losses, dividends, interest and expenses relating to the investment and administration of these funds are allocated to members through daily changes in each fund's unit price. A fund unit price allocates true market gains and losses in real time. A fund unit price also serves as an index, so that the percentage change in the unit price over time 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 2010 opening and closing unit prices for the Balanced Fund and Money Market Fund produced the following **2010 fund rates of return:**

Balanced Fund: 10.17%

Money Market Fund: 0.56%

The Balanced Fund's 10-year annualized return, as shown in members' 2010 Annual Statements, is 5.28%. This compares favorably with the Fund's benchmark, which earned an annualized return of 4.55% over the same period. For more information on the Plan's investment Funds, including the new Bond and Equity Funds, please visit the Plan's website or contact our office.

EQUITY RETURNS

Equity markets posted a solid fourth quarter in 2010, capping a strong year. Investor optimism received a boost as the U.S. Federal Reserve increased its market support program, European governments came to the aid of Greece and Ireland, and the U.S. Congress extended the tax cuts that were due to expire at year-end.

Canadian equities, represented by the S&P TSX Composite Index, posted a gain of 9.45% over the quarter as all ten sectors rose, lead by materials, energy and information technology. Both of the Balanced Fund's active Canadian equity managers failed to add value to the index as QV Investors posted a return of 6.92%, while Scheer Rowlett Associates earned 8.78%.

U.S. Large Cap equities rose by 10.8% during the quarter in USD, although currency reduced this gain to 7.25% CAD, while U.S. Mid Cap equities did slightly better at 9.92% CAD. EAFE equities posted a smaller gain of 6.7% USD (3.26% CAD) with the Plan's active EAFE manager earning 5.91%. The Plan's Global equity manager, Brandes Investment Partners, was unable to add value to its benchmark (the MSCI World Index), posting a return of 3.88% as compared to its benchmark at 5.53%. The Plan's All Countries World Equities manager, Thornburg Investment Management, out performed its benchmark posting a gain of 4.99% during the final quarter as compared to its benchmark at 3.84%. The Plan's passive U.S. equity mandates closely tracked their benchmarks while currency losses resulting from Canada's strong loonie were partly recovered through the Balanced Fund's currency hedging program.

BOND RETURNS

The Canadian bond market produced a modest negative return of 0.71% in the fourth quarter, with the Dex Universe Bond Index showing a total return of 6.74% for the year. Corporate bonds continued to outperform government bonds, while short maturities were the best-performing sector of the market as long-term bonds lagged. Our active bond manager, Addenda Capital, outperformed the index, producing a loss of only 0.48% while the passive bond manager, TD Asset Management, closely tracked the index over the quarter.

ANNUAL STATEMENTS

2010 Annual Statements for active contributors will be delivered to employers for distribution in early February 2011. When the statements are received they should be distributed **immediately** to member employees. Employers receiving statements for employees who have recently terminated employment, should: (i) forward those statements to their former employees **AND** (ii) immediately notify the Pension Plan of the termination date and home address for each former employee. Occasionally, members may notice a difference in the pension contribution amount shown on their Annual Statement and the pension contribution amount on their T4 slip from their employer. If this occurs, it is because the member's final 2010 contributions arrived at the Pension Plan's office after December 31. Due to unit pricing, contributions must be recorded in the same year that they are received at the Plan's office. Any 2010 contributions received after December 31 will therefore be included on the member's 2011 Annual Statement, although they may be recorded on the member's T4 slip for 2010.

Member's Annual Statements this year will include introductory information on the Plan's four investment funds. The 2010 Annual Statements also include estimated personal rates of return for most members. Members should note that depending on the length and particulars of their account transaction history, their personal rate of return might be different from the returns earned by the Plan's investment funds. **Personal rates of return are not estimated for members with less than two years in the Plan.** We encourage these members to use fund returns when projecting future balances for purposes of retirement planning.

Because the Plan offers investment choice, not all members will earn the same return. The 2010 Annual Statements therefore include pension projections at four different potential rates of return. **Remember that these projections are only estimates!** Members' pension projections are re-calculated every year, based on the *actual* contributions received and the *actual* returns for the year. However, the calculations are also based upon economic assumptions that change from year to year with economic conditions. Therefore, your projected pension amount will frequently vary from projected amounts provided in the past.

Members should keep their 2010 Annual Statements in a safe place. If you have any questions about your pension account and wish to contact the Plan by telephone, please have your 2010 Annual Statement ready for reference purposes.

CSS asks all employers to make a special effort to bring the information contained in this newsletter to the attention of their employees prior to the receipt of their 2010 Annual Statements. Your co-operation in this regard is appreciated.