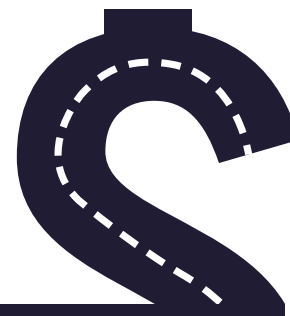




PENSION PLAN

# Quarterly Update



## Unit prices

In the fourth quarter of 2015, the unit price of the Balanced Fund rose from \$18.893408 to \$19.491505 or 3.17%. Over the same period, the Bond Fund gained 1.00%, the Equity Fund added 4.26% and the Money Market Fund rose 0.17%. Investment manager results for the quarter and for 2015 appear below.

### Balanced Fund

Investment Managers	4th quarter returns (%)*		2015 returns (%)*	
	CSS	Index	CSS	Index
Wellington: Canadian bonds	0.93%	0.98%	3.55%	3.52%
TD Asset Mgmt: Canadian bonds	0.96%	0.98%	3.49%	3.52%
Greystone: Mortgages	NEW		N/A	N/A
QV Investors: Can. equities	0.61%	-1.40%	-5.58%	-8.32%
Scheer Rowlett: Can. equities	0.11%	-1.40%	-7.50%	-8.32%
SSgA: U.S. mid-cap equities	6.32%	6.31%	17.28%	17.32%
SSgA: U.S. large-cap equities	10.92%	10.91%	21.65%	21.59%
Wellington: Emerg. mkt. equities	6.13%	4.67%	6.24%	3.31%
Sprucegrove: Non-NA equities	5.65%	8.49%	8.83%	18.95%
SSgA: World (ex U.S.) equities	6.63%	6.97%	14.09%	13.14%
Greystone: Real estate	NEW		N/A	N/A
SSgA: REITS	NEW		N/A	N/A
<b>Total Return</b>	<b>3.17%</b>	<b>2.95%</b>	<b>3.83%</b>	<b>3.48%</b>

### Bond Fund

Investment Managers	4th quarter returns (%)*		2015 returns (%)*	
	CSS	Index	CSS	Index
Same as bond managers to left	1.00%	0.98%	3.61%	3.52%

### Equity Fund

Investment Managers	4th quarter returns (%)*		2015 returns (%)*	
	CSS	Index	CSS	Index
Same as equity managers to left	4.26%	3.99%	4.10%	3.06%

### Money Market Fund

Investment Managers	4th quarter returns (%)*		2015 returns (%)*	
	CSS	Index	CSS	Index
TD Asset Management	0.17%	0.09%	0.92%	0.63%

\*Returns in Canadian dollars net of fees

## The risks of market timing

With stock markets showing red lately, your first instinct might be to switch to one of the CSS Pension Plan's lower risk/return investment options.

Falling markets will often test a pension investor's long-term investment strategy. "Market timers" who attempt to move their pension funds among the Plan's investment options in response to short-term market conditions, however, actually risk *underperforming* compared to those who stay fully invested.

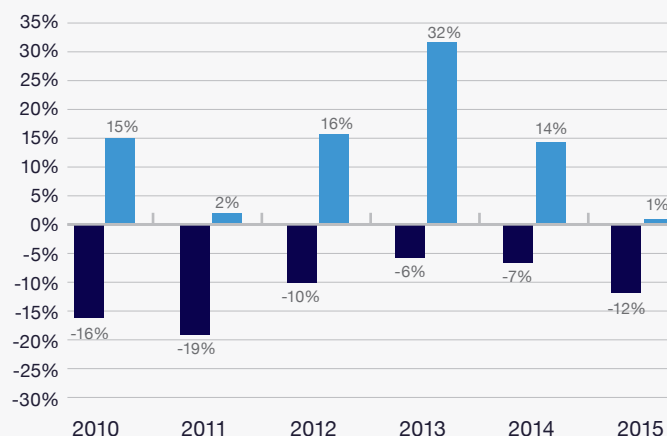
Much of the market's long-term return comes in sudden, short bursts that are difficult – if not impossible – to predict. When you miss the initial stages of a market rally, your long-term returns can be reduced dramatically.

While stock market returns have generally trended upward since the financial crisis of 2008, each year since the current bull market began in 2009 has experienced a pullback. Chart 1 shows these short-term market corrections for the S&P 500 (the most popular U.S. stock index). It also shows the annual return for the index at the end of the year (in U.S. dollars).

(continued on next page...)

Chart 1\*\*

### S&P 500 market corrections and annual returns



■ Short-term market correction ■ Annual return

\*\*Data source: [Steadyhand Investment Funds Blog, 2016](#)

## Equity (stock) markets

Global equity markets were broadly positive in the fourth quarter of 2015 as concerns over slowing growth in China, weak commodity prices and a U.S. interest rate increase were countered by ongoing accommodation from central banks in Europe and Japan.

Canadian equities, represented by the S&P/TSX Composite Index, ran counter to this trend, posting a loss of 1.4% over the quarter with six of 10 sectors declining led by Healthcare, Consumer Discretionary and Telecoms. Both of the Balanced Fund's active Canadian equity managers outperformed the index, with QV Investors producing 0.61%, while Scheer Rowlett & Associates' mandate rose 0.11% over the quarter.

U.S. large-cap equities rose by 10.91% during the quarter in Canadian dollars, while U.S. mid-cap equities earned 6.31%. The Plan's passive U.S. equity mandates, managed by State Street Global Advisors (SSgA), closely tracked these benchmarks. EAFE equities gained 8.49% over the quarter, although the Plan's active EAFE manager, Sprucegrove, underperformed the index, earning only 5.65%. The emerging market equities mandate, managed by Wellington, outperformed for the quarter, rising 6.13% while its benchmark rose only 4.67%.

The Plan's all-countries world equities mandate, managed by SSgA, underperformed its benchmark slightly, posting a gain of 6.63% during the final quarter as compared to its benchmark, which earned 6.97%.

Currency gains on the Plan's foreign equities, resulting from a falling Canadian dollar, were reduced by the Plan's dynamic currency hedging program. To help reduce the volatility of Balanced Fund and Equity Fund returns, this mandate reduces gains as the Canadian dollar falls, and reduces losses as the Canadian dollar rises.

## Bond markets

The Canadian bond market posted a modest gain in the fourth quarter, as the Bank of Canada held its overnight rate steady at 0.50% on December 2. The FTSE TMX Canada Universe Bond Index earned 0.98%, with government bonds outperforming corporate bonds. Long-term bonds fared best, rising 1.63%, while mid-term bonds returned 0.98% and short-term bonds 0.49%.

Our active bond manager, Wellington, performed lower than the benchmark for the quarter at 0.93%, while the passive bond manager, TD Asset Management, underperformed slightly at 0.96%.



**EMPLOYERS**  
Subscribe to our E-Update!

To help your organization stay current on the latest Plan news, programs and services, as well as changes to the pension landscape, we've developed the E-Update – an email newsletter for employers.

Email [communications@csspen.com](mailto:communications@csspen.com) to subscribe.

## Continued from page 1...

The CSS Pension Plan is a long-term investor. We don't change our investment policy based on short-term market conditions. Instead, we set a target asset mix (about 60% stocks and 40% fixed income) for our default investment fund, the Balanced Fund that history suggests will produce a reasonable pension accumulation over a working lifetime. We then rebalance back to this target when market movements cause the Balanced Fund's asset mix to stray too far.

We can offer no assurance that the current downward trend in equity markets is a short-term correction like those of the past six years. Whether markets are rising or falling, however, we do believe that the broadly diversified structure of the Balanced Fund, together with its automatic rebalancing feature and low cost will continue to serve CSS Pension Plan members well over the long-term.

Of course, how you choose to invest your pension funds among the Plan's four investment funds is up to you. If you are thinking about setting your own asset mix, we encourage you to consult with your advisor. We also recommend that you base investment decisions on how and when you plan to start using your pension funds as retirement income, as opposed to short-term market ups and downs.

**For more information about the risks of market timing, view the [Investment Choice booklet](#).**

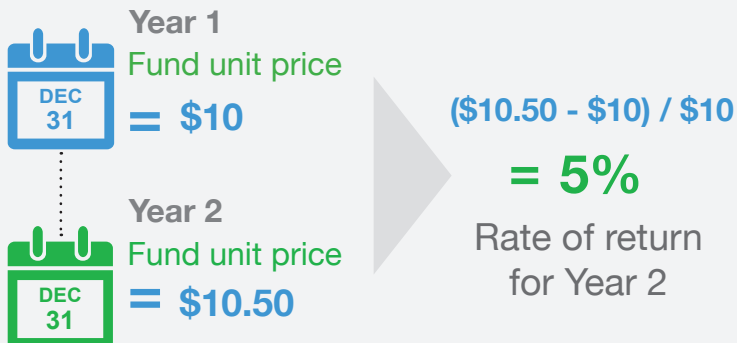
## What are unit prices?



Our four investment funds are "unitized" - meaning they have "units" and "unit prices."

Any gains, losses, dividends, interest and expenses relating to the four funds are reflected through daily changes in each fund's unit price. The percentage change in a fund's unit price is the fund's rate of return.

As shown in the example below, if a fund's unit price at the end of Year 1 is \$10 and at the end of Year 2 is \$10.50, the fund earned a 5% return for Year 2. **So, using the 2014 closing unit prices and 2015 closing unit prices for each of the Plan's four investment funds produces the 2015 rates of return shown in the charts on page 1.**



# Annual pension statements

Employees' annual pension statements will be sent to employers for distribution in mid-February. Employers should distribute the statements immediately to all actively contributing employees.

## Terminations

Employers should take the following steps for any employees who've recently terminated employment:

1. Forward the annual statement to the former employee
2. Immediately notify the CSS Pension Plan of the termination date and home address of the former employee

## Personal rates of return

Estimated personal rates of return for members that have been in the Plan for two years or more are shown on the 2015 annual statements.

Members should take note that - depending on the specifics of their account transaction history - their personal rate of return may be different than the returns earned by the funds they're invested in.

Members with less than two years in the Plan can project future balances by using the fund returns listed in the statement.

## Pension projections

Since members invested in different funds earn different returns, members' annual statements now include pension projections at four different return levels. Keep in mind that these are only estimates!

Pension projections are re-calculated each year based on the actual contributions received and returns for the year. Projections also reflect economic and actuarial assumptions that change from year to year.

## Contribution amounts

Due to unit pricing, contributions are recorded in the same year they are received by the Plan. So keep in mind that any 2015 contributions received after December 31 won't be included on the 2015 annual statement - however, they may be shown on a member's 2015 T4 slip.

**2015 Annual Statement**  
January 1, 2015 - December 31, 2015

---

**Co-operative Superannuation Society (CSS) Pension Plan**  
PO Box 1850  
Saskatoon, Saskatchewan  
S7K 3S2  
Phone: 306 244-1539  
Fax: 306 244-1088

CRA Registration No. 0345868  
Email: [css@csspen.com](mailto:css@csspen.com)  
Web site: [www.csspen.com](http://www.csspen.com)

JANE DOE  
ANYTOWN CO-OP

**My Profile**

**Personal**  
Member: JANE DOE  
Date of Birth: 16-Oct-1985  
Employer: Anytown Co-op

**Plan**  
Start of Employment: 17-Apr-2014  
Start of Contributions: 17-Apr-2014  
Early Retirement: 01-Nov-2035  
Normal Retirement: 01-Nov-2045

---

**CHANGE IN DOLLARS**

Value of my plan at December 31, 2014	\$ -
Total contributions	\$ 3,638.00
Other transactions (net)	\$ 0.00
My net transfers and withdrawals	\$ 0.00
My investment gains (losses)	\$ 50.00
Value of my plan at December 31, 2015	\$ 3,688.00

**CHANGE BY CONTRIBUTION TYPE**

	My Required Contributions	My Voluntary Contributions	My Employer's Contributions	Funds Retained for Pension
Opening balance	\$ 00.00	\$ 00.00	\$ 00.00	\$ 00.00
Net transactions	\$ 1,819	\$ 00.00	\$ 1,819	\$ 00.00
Investment gains (losses)	\$ 25.00	\$ 00.00	\$ 25.00	\$ 00.00
Closing balance	\$ 1844	\$ 00.00	\$ 1844	\$ 00.00

**Online Account Access**

Have you signed up for your Personal Access Number (PAN)? A PAN gives you access to the secure 'Members Only' area of the Plan's website so you can:

- Check the value of your account
- Keep track of any contributions made
- Confirm your beneficiary is up to date
- Do your own pension or variable benefit projections
- Learn the value of any multiple fund holdings so you can decide whether to rebalance

**Sign up for your PAN at [www.csspen.com/login](http://www.csspen.com/login)**

**Sign up for email updates**

Get the latest news and information on Plan programs and services delivered straight to your inbox each quarter.

**Sign up for email updates at [www.csspen.com/signup](http://www.csspen.com/signup)**

---

**My personal rates of return**

	2015	Last 3 years	Last 5 years
All funds combined	NA*	NA*	NA*

**2015 Annual Statement**

---

**More important information**

**Overview of the CSS Pension Plan**  
The CSS Pension Plan is a defined contribution pension plan registered in Saskatchewan with members across Canada. You became vested in the CSS Pension Plan when you and your employer made your first contributions. The Plan offers a traditional monthly pension and variable Benefit (VB) payments at retirement. The Plan's normal retirement age is 60 and the early retirement age is 50, or earlier, if your age and service total 75. To obtain a copy of the Plan documents, contact the Plan or visit the Plan's web site.

**How my personal rates of return (PRR) are calculated**  
Your personal rates of return take into account your opening account balance, the amount and timing of any contributions, transfers or withdrawals, the unit price in effect when these transactions occurred, and the amount in each of the investment funds. The resulting investment gains or losses determine your PRR, which is net of annual investment management fees and plan administration expenses. Your personal rates of return may be different from the fund returns on page 3 as a result of the amount and timing of any contributions and other transactions.

**Fund options and related fees**  
Each of the Plan's four investment funds has different levels of risk and return. Returns are net of investment management fees and plan administration expenses (MER). Past performance does not guarantee future results.

**Beneficiary designations**  
Under the Plan's rules, you may designate a beneficiary to receive your pension funds in the event of your death. A beneficiary designation may be made on the Plan's designation form or in your last will.

If you have a spouse at the time of your death, in most cases, he or she will inherit your funds under pension legislation regardless of your designation. If you have no surviving spouse and make no designation, your pension funds will be paid to your estate. For more information about beneficiary designations or to obtain a designation form, please visit the Plan's web site.

**My estimated monthly pension at retirement**

The CSS Pension Plan offers:

- Single Life Pension: payments to you as long as you live
- Joint & Last Survivor Pension: payment to you as long as you live and a lifetime payment to your surviving spouse

The following pension projections are potential monthly amounts based on your current holdings, required contributions (employer and employee) continuing to the ages shown, and four different personal rates of return. These projections assume a normal annuity rate (which is the most recent 4-year average) for a Single Life Pension with a 15-year guarantee.

Monthly pension projections	2%	4%	6%	8%
Early Retirement (50)	\$507	\$596	\$705	\$838
Normal Retirement (65)	\$1174	\$1527	\$2019	\$2709

**2015 Annual Statement**

---

**Investment Fund performance (December 31, 2015)**  
(Past performance does not guarantee future results.)

**Balanced Fund**  
Moderate growth option; moderate risk/return; approximately 60% stocks and 40% bonds

	1 Year	3 Year	5 Year	10 Year
Benchmark	3.49%	8.88%	7.07%	5.43%
Fund	3.83%	9.44%	7.50%	5.68%

2015 MER = 0.32% (Annualized return)

**Money Market Fund**  
Capital protection option; low risk/return; high quality, short-term debt instruments

	1 Year	3 Year	5 Year	10 Year
Benchmark	0.63%	0.85%	0.71%	1.74%
Fund	0.92%	1.02%	1.07%	1.82%

2015 MER = 0.12% (Annualized return)

**Bond Fund**  
Moderate growth option; Moderate risk/return; short to long-term debt instruments

	1 Year	3 Year	5 Year	10 Year
Benchmark	3.52%	3.63%	4.57%	5.02%
Fund	3.61%	3.35%	4.63%	NA%

2015 MER = 0.26% (Annualized return)

**Equity Fund**  
Aggressive growth option; high risk/return; approximately 100% stocks

	1 Year	3 Year	5 Year	10 Year
Benchmark	3.06%	12.34%	8.41%	5.55%
Fund	4.10%	13.26%	9.26%	NA%

2015 MER = 0.34% (Annualized return)

## Investment funds

Along with member account information, annual statements include information on the Plan's four investment funds - including the management expense ratios (MERs) of each:

- Balanced Fund
- Bond Fund
- Equity Fund
- Money Market Fund

CSS Pension Plan

PO Box 1850, Saskatoon, SK S7K 3S2

P: (306) 244-1539 | 1-844-4CSSPEN

F: (306) 244-1088 | E: [css@csspen.com](mailto:css@csspen.com) | [www.csspen.com](http://www.csspen.com)