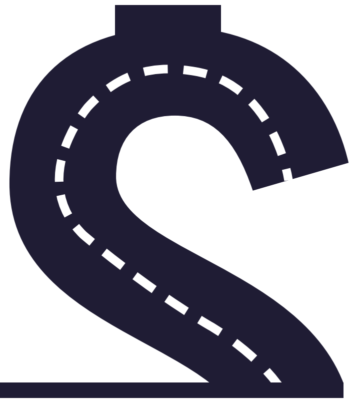
Second Quarter | June 30, 2015 | Volume 18, Issue 2

CSS Pension Plan
Quarterly Update



Co-operative Superannuation Society

Unit prices

Over the second quarter of 2015 the unit price of the Balanced Fund decreased from $19.937393 to $19.601282 for a loss of 1.69%. Over the same period, the Bond Fund fell 1.85%, the Equity Fund declined 1.69% and the Money Market Fund rose 0.21%.

Balanced Fund

	2nd quarter returns (%)*		One-year returns (%)*	
Investment Managers	**CSS**	**Index**	**CSS**	**Index**
Wellington: Canadian bonds	-1.89%	-1.71%	6.36%	6.25%
TD Asset Mgmt: Canadian bonds	-1.71%	-1.71%	6.24%	6.25%
QV Investors: Can. equities	-2.98%	-1.63%	-0.21%	-1.16%
Scheer Rowlett: Can. equities	-1.32%	-1.63%	-7.75%	-1.16%
SSgA: U.S. mid-cap equities	-2.48%	-2.47%	24.63%	24.71%
SSgA: U.S. large-cap equities	-1.15%	-1.15%	25.89%	25.91%
Wellington: Emerg. mkt. equities	-0.59%	-0.25%	8.21%	12.04%
Sprucegrove: Non-NA equities	-2.05%	-0.82%	8.11%	12.26%
SSgA: World (ex U.S.) equities	-0.68%	-0.91%	N/A	N/A
Total Return	**-1.69%**	**-1.34%**	**6.79%**	**7.47%**

Bond Fund

	2nd quarter returns (%)*		One-year returns (%)*	
Investment Managers	**CSS**	**Index**	**CSS**	**Index**
Same as bond managers to left	-1.85%	-1.71%	6.27%	6.25%

Equity Fund

	2nd quarter returns (%)*		One-year returns (%)*	
Investment Managers	**CSS**	**Index**	**CSS**	**Index**
Same as equity managers to left	-1.69%	-1.17%	7.60%	8.31%

Money Market Fund

	2nd quarter returns (%)*		One-year returns (%)*	
Investment Managers	**CSS**	**Index**	**CSS**	**Index**
TD Asset Management	0.21%	0.15%	1.08%	0.87%

*Returns for the period ending June 30, 2015, in Canadian dollars net of fees

Seminars and workshops

Retirement Income Options (RIO) workshops

RIO schedule (tentative)

Medicine Hat, AB	September 12, 2015
Brandon, MB	October 24, 2015
Regina, SK	November 28, 2015

All Retirement Income Options (RIO) workshops are scheduled for **Saturday mornings from 8:30 a.m. to 12:00 noon (local times).** Members (and their spouses) receiving an invitation to a RIO are encouraged to attend.

Retirement Planning Seminars (RPS)

RPS schedule (tentative)

Winnipeg, MB	September 16, 2015
Calgary, AB	November 17, 2015

The RPS is designed for employees aged 50 and over and their spouses.

Through group discussion, various exercises, presentations, and with the help of visiting resource authorities, participants examine various retirement-related topics including health, wills and estates, housing, the psychology of aging, sources of income and financial planning.

Stocks and bonds lose ground

Stock and bond markets both lost ground in the second quarter as equity investors eyed weak economic growth coupled with the possibility of a Greek exit from the Euro, while fixed income investors focused on expected rate increases later this year in the U.S.

Canadian equities fell over the quarter with seven of 10 sectors declining, led by industrials, utilities and the IT sector. Canadian bonds, as a whole, also posted a negative return as yields rose over the quarter. This overall loss was a combination of modest gains on short maturities, which were overwhelmed by losses on mid and long-term bonds.

The Canadian bond market, as represented by the TMX Universe Bond Index, fell 1.71% for the second quarter, while the S&P/TSX (Canadian equities) lost 1.63%. Meanwhile, U.S. and international equity markets also lost ground when measured in Canadian dollars. In the U.S., the S&P 500 Index (U.S. large-cap equities) gave up 1.15%, while the S&P 400 Index (U.S. mid-cap equities) was down by 2.47%. In international markets, the MSCI EAFE Index (non-North American equities) was off by 0.82%, the MSCI EM IMI Index (emerging market equities) lost 0.25%, and the ACWI (ex U.S.) Index (world equities) was down 0.91%.

The Canadian dollar gained about 1.32 cents against the U.S. dollar over the second quarter, finishing at 80.17 cents U.S. For Canadian investors, a stronger Canadian dollar reduces the returns on unhedged foreign investments. To lighten the impact of currency fluctuations on the Balanced and Equity Funds, the CSS Pension Plan uses a dynamic currency hedging strategy which reduces gains when the Canadian dollar falls, but reduces losses when it rises. The Bond Fund has limited currency exposure, while the Money Market Fund does not hold foreign investments and is therefore not exposed to currency risk.

Equities

Equities produced negative returns over the second quarter, with all markets falling when measured in Canadian dollars. The Plan's active Canadian equity managers produced mixed results in the quarter with QV underperforming the TSX at -2.98% while SRA outperformed slightly, losing only 1.32%. The active non-North American equity manager, Sprucegrove, was unable to add value over the quarter, losing 2.05%. The active emerging markets manager, Wellington Management, also underperformed at -0.59% while the passive ACWI ex-U.S. equity mandate managed by SSgA slightly outperformed, posting a loss of 0.68%. The passive U.S. large-cap and mid-cap equity mandates closely tracked their benchmarks.

Fixed income

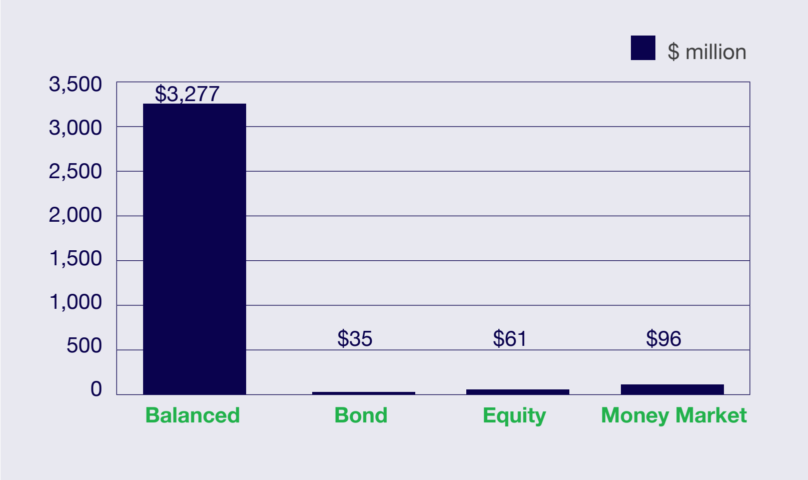
Bond prices fell during the quarter as yields rose in response to an expected rate increase by the U.S. Fed. Long maturities performed worst, with corporate bonds modestly outperforming government issues. Wellington Management, the Plan's active fixed income manager underperformed its benchmark, losing 1.89%. The passive bond manager, TD Asset Management posted a return of -1.71%, matching its benchmark.

Four funds

The Plan offers four funds to CSS members for the investment of their pension savings. These include a Balanced Fund, Money Market Fund, Bond Fund and Equity Fund. Details on the number of members using, and total dollars invested in each fund as of July 14, 2015, appear below.

Fund	Members*	$ Millions
Balanced	36,635	$3,277
Bond	290	$35
Equity	544	$61
Money Market	577	$96

*Some members are invested in more than one fund



Investors generally tend to reduce risk as they age and approach retirement for two reasons:

- older investors have less time to make up market losses
- retirees need steadier returns to provide regular retirement income

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