

## 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

Over the 1<sup>st</sup> Quarter of 2014 the unit price of the Balanced Fund increased from \$17.304761 to \$17.905158 for a gain of 3.47%. Over the same period, the Bond Fund gained 2.69%, the Equity Fund advanced 4.04% and the Money Market Fund rose 0.27%.

### BALANCED FUND

Investment Managers	1 <sup>st</sup> Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
Wellington: Canadian Bonds	2.69%	2.77%	2.69%	2.77%
TD Asset Mgmt: Canadian Bonds	2.77%	2.77%	2.77%	2.77%
QV Investors: Can. Equities	4.29%	6.06%	4.29%	6.06%
Scheer Rowlett: Can. Equities	4.91%	6.06%	4.91%	6.06%
SSgA: U.S. Mid Cap Equities	7.03%	7.04%	7.03%	7.04%
SSgA: U.S. Lg Cap Equities	5.74%	5.76%	5.74%	5.76%
Wellington: Emerg. Mkt. Equities	3.99%	3.94%	3.99%	3.94%
Sprucegrove: Non-NA Equities	5.90%	4.57%	5.90%	4.57%
Thornburg: World (ex U.S.) Equities	-0.35%	4.41%	-0.35%	4.41%
<b>Total Return</b>	<b>3.47%</b>	<b>3.67%</b>	<b>3.47%</b>	<b>3.67%</b>

\* Returns in Canadian dollars net of fees

### BOND FUND

Investment Managers	1 <sup>st</sup> Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
Same as Bond Managers above	2.69%	2.77%	2.69%	2.77%

\* Returns in Canadian dollars net of fees

### EQUITY FUND

Investment Managers	1 <sup>st</sup> Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
Same as Equity Managers above	4.04%	4.33%	4.04%	4.33%

\* Returns in Canadian dollars net of fees

### MONEY MARKET FUND

Investment Managers	1 <sup>st</sup> Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
TD Asset Mgmt.	0.27%	0.22%	0.27%	0.22%

\* Returns in Canadian dollars net of fees

**COMMENTARY**

Although there was initial weakness in EAFE and Emerging Market equities early in 2014, equity markets were up by the end of the 1<sup>st</sup> quarter with North American markets leading. The S&P/TSX earned 6.06% with all 10 sectors rising, led by Healthcare, Materials and Energy. The Canadian bond market posted a smaller gain of 2.77% over the quarter, with long-term bonds performing best.

The S&P 500 Index (U.S. Large Cap Equities) gained 5.76%, while the S&P 400 Index (U.S. Mid Cap Equities) advanced 7.04%. The MSCI EAFE Index (Non-North American Equities) rose 4.57%. The MSCI EM Investable Markets Index (Emerging Markets Equities) gained 3.94%, while the MSCI ACWI (ex US) index increased by 4.41%.

The Canadian dollar fell 3.78% against the U.S. dollar over the first quarter, finishing at U.S. \$0.9047. For Canadian investors, a weaker Canadian dollar increases the returns on unhedged foreign investments. To reduce the impact of currency fluctuations on Balanced Fund and Equity Fund returns, the Plan uses a dynamic currency hedging strategy. The Bond Fund has minimal foreign currency exposure and the Money Market Fund is not exposed to currency risk.

**Equities:** EAFE and Emerging Market equities started the year under pressure as economic weakness and fears of inflation caused some investors to rotate funds to the relative safety of bonds. Neither of the Plan’s active Canadian equity managers was able to keep up to the S&P/TSX’s broad advance, with QV investors earning 4.29%, while Scheer Rowlett did slightly better, although still underperforming at 4.91%. The active Non-North American equity manager, Sprucegrove, however, was able to add value over the quarter, earning 5.90%, as did the Emerging Markets equity manager, Wellington, at 3.99%. The active ACWI equity manager, Thornburg, underperformed, posting a small loss of 0.35%. The passive U.S. equity mandates managed by SSgA, closely tracked the S&P 400 and S&P 500 as expected.

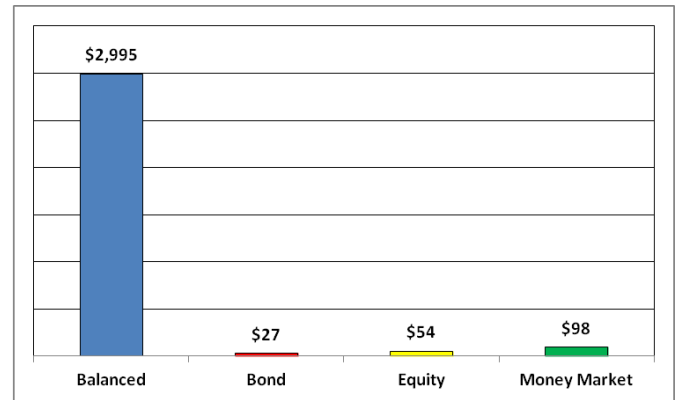
**Fixed Income:** Bonds posted positive returns over the first quarter, with lower yields at all maturities. The yields on mid-term bonds declined most. Long-term bonds produced the best total return, while investment grade corporates modestly outperformed government issues. The Plan’s active bond manager, Wellington Management, underperformed its benchmark, producing a return of 2.69%. The passive bond manager, TD Asset Management equaled the market, earning 2.77%.

**FOUR FUNDS**

The Plan offers four funds to CSS members for the investment of their pension savings. These include (i) a Balanced Fund, (ii) a Money Market Fund (created in 2005), (iii) a Bond Fund and (iv) an Equity Fund, (both of which were added in 2011). Details on the number of members using, and total dollars invested in each fund as of April 3<sup>rd</sup>, 2014, appear above.

Fund	Members
Balanced	35,739
Bond	231
Equity	435
Money Market	561

\* Some members are invested in more than one fund



\$ Million

Typically, younger members will add risk in the hope of earning higher average returns by shifting part of their pension savings to the Equity Fund, while older members will reduce risk as they approach retirement by using the Bond or Money Market Funds.

**SEMINARS & WORKSHOPS**

Retirement Income Options (RIO) Workshops for the remainder of 2014 are TENTATIVELY scheduled as follows:

Edmonton AB	October 4, 2014
Winnipeg MB	November 1, 2014
Saskatoon SK	November 15, 2014

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

Retirement Planning Seminars (RPS) for the remainder of 2014 are TENTATIVELY scheduled as follows:

Red Deer AB	September 24, 2014
Regina SK	October 8, 2014

The RPS is a full day seminar designed for employees aged 50 and over and their spouses. Through group discussion, various exercises, and presentations, participants examine various retirement-related topics including health, wills and estates, housing, the psychology of aging, sources of income and financial planning.