

# CSS Pension Plan

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

Third Quarter  
September 30, 2010  
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# Quarterly Update

## UNIT PRICES

Over the 3<sup>rd</sup> Quarter of 2010 the unit price of the Balanced Fund increased from \$12.161154 to \$13.005147 or 6.94%. Over the same period, the unit price of the Money Market Fund increased from \$11.568212 to \$11.586972 or 0.20%.

## BALANCED FUND

Investment Managers	3 <sup>rd</sup> Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
Addenda: Canadian Bonds	3.17%	3.15%	7.77%	7.51%
TD Asset Mgmt: Canadian Bonds	3.20%	3.15%	7.66%	7.51%
QV Investors Can. Equities	New	10.26%	New	10.26%
Scheer Rowlett: Can. Equities	10.16%	10.26%	6.55%	7.46%
SSgA: U.S. Mid Cap Equities	9.17%	9.20%	9.14%	9.18%
SSgA: U.S. Large Cap Equities	7.41%	7.44%	1.70%	1.66%
Brandes: Global Equities	8.60%	9.84%	0.93%	0.38%
Sprucegrove: Non-NA Equities	10.98%	12.44%	6.33%	-1.10%
Thornburg: World Equities	12.00%	12.55%	4.60%	1.46%
<b>Total Return</b>	<b>6.94%</b>	<b>8.01%</b>	<b>5.52%</b>	<b>5.70%</b>

## Asset Mix (Weightings)

	Sept 30, 2010	Sept 30, 2009
<b>Equities:</b>		
Canadian equities	<b>20.8%</b>	
Foreign equities	<b>39.1%</b>	
<b>Total Equities:</b>	<b>59.9%</b>	61.5%
<b>Fixed Income:</b>		
Bonds	<b>38.8%</b>	
Short term	<b>1.3%</b>	
<b>Total Fixed Income:</b>	<b>40.1%</b>	38.5%
	<b>100%</b>	100%

## MONEY MARKET FUND

Investment Manager	3 <sup>rd</sup> Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
TD Asst Mgmt: Short Term Inv.	0.20%	0.14%	0.44%	0.30%

\*MMF returns shown are gross of fees.

## Asset Mix (Weightings)

	Sept 30, 2010	Sept 30, 2009
<b>Fixed Income</b>		
Short Term Investments:	<b>100%</b>	100%

See page 2 over . . .

## **COMMENTARY**

Canadian Equities rallied strongly in the 3<sup>rd</sup> Quarter, rising by 10.26% as nine of ten sectors rose. Canadian bonds also gained value, posting a return of 3.15% for the quarter, while the Canadian dollar rose against the U.S. dollar.

**Equities:** The Plan's active equity managers' were unable to add value during the 3<sup>rd</sup> Quarter. Addenda Capital's active Canadian Equity mandate was transferred to QV Investors during the quarter, so a return for this mandate is unavailable. The Plan's other active Canadian Equity manager, Scheer Rowlett, earned 10.16% for the quarter. The active Non-North American Equity manager produced a return of 10.98%, while the active Global equity manager posted a gain of 8.60%. The Plan's All Countries equity manager produced the best return for the quarter at 12.00%, although still trailing its benchmark by 0.55%. The Plan's passive equity manager closely tracked its benchmarks. Passive U.S. Large Cap equities rose 7.41% while passive U.S. Mid Cap equities were up by 9.17%. U.S. equity returns were reduced by the rise in the Canadian dollar. One half of this reduction was recovered under the Plan's passive currency hedging strategy.

**Fixed Income:** Long-term bonds were the best performing segment of the market again in the 3<sup>rd</sup> Quarter. Corporate bonds continued to post solid gains, outperforming government bonds. The Plan's active bond manager out performed the PC Bond Index, producing a return of 3.17%. The passive bond manager closely tracked its benchmark, with a return of 3.20%.

## **NEW INVESTMENT FUNDS**

Beginning early in 2011, the CSS Pension Plan will offer members two new investment funds: an Equity Fund and a Bond Fund. When these are added to the Plan's existing Balanced and Money Market funds, members will have four funds available for the investment of their CSS pension accounts.

The new funds will permit members to decrease the proportion of their CSS accounts invested in equities and increase the proportion invested in bonds as retirement nears. Currently, the only option available for members who wish to reduce risk in the period shortly before retirement is the Money Market Fund.

Some Plan members have been asking for an investment option that has less risk than the Balanced Fund, but has greater earnings potential than the Money Market Fund. The new Bond Fund will fit this bill. The new Equity Fund, on the other hand, will allow members who wish to take on more risk, to have the potential to earn higher average returns.

Members who elect to use the new funds will assume

responsibility for the management and rebalancing of the asset mix held in their CSS accounts. They are therefore encouraged to work with a qualified financial advisor at their credit union or wherever they may bank. Members who do not wish to set and manage their own asset mix will still have the option of remaining in the professionally managed and automatically rebalanced Balanced Fund.

## **NEW CANADIAN EQUITY MANAGER**

In August of this year, QV Investors of Calgary was hired to take over management of the active Canadian Equities previously managed by Addenda Capital (CICL). Recent changes in strategy and in the investment team at Addenda suggested that it was time to review this mandate. After a thorough search process assisted by the Plan's search consultant, Management and the CSS Board concluded that QV Investors would best meet the Plan's objectives. To further increase manager diversification, it was also decided that QV should be allocated only 50% of the Balanced Fund's Canadian Equities rather than the full 70% previously managed by Addenda. As a result, Scheer Rowlett (SRA), the Plan's other active Canadian Equities manager, received an additional 20% of these assets when QV was funded at the end of September.

Because Addenda Capital was also managing bonds for the Pension Plan, the transfer of these assets to QV will increase the Plan's overall investment costs. The expectation is that QV will add enough value to its benchmark to cover these additional costs and still show a better return for Plan members. Just like all the Plan's external investment managers, QV's performance will be carefully monitored to determine the net return to members.

## **SEMINARS & WORKSHOPS**

Retirement Income Options (RIO) Workshops for the remainder of 2010 are scheduled as follows:

Saskatoon, SK	November 20, 2010
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Retirement Income Options (RIO) workshops are typically scheduled for Saturday mornings from 8:30am to 12:00 noon (local times).

Retirement Planning Seminars (RPS) for the remainder of 2010 are scheduled as follows:

Edmonton, AB	November 16, 2010
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The RPS is a "full day" seminar designed for members aged 50 and over and their spouses. Through group discussion, 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.

**The CSS Pension Plan would greatly appreciate you sharing the information contained in this Quarterly Update with your employees and associates.**