

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 3rd Quarter of 2011 the unit price of the Balanced Fund decreased from \$13.917917 to \$12.964086 for a year-to-date loss of 4.52%. Over the first nine months of the year, the Bond Fund gained 6.95%, the Equity Fund declined 11.10%, while the Money Market Fund rose 0.92%.

BALANCED FUND

| Investment Managers | 3 rd Quarter Returns (%) | | Year to Date Returns (%) | |
|-------------------------------------|-------------------------------------|---------------|--------------------------|---------------|
| | CSS | Index | CSS | Index |
| Addenda: Canadian Bonds | 4.32% | 5.12% | 6.73% | 7.43% |
| TD Asset Mgmt: Canadian Bonds | 5.07% | 5.12% | 7.36% | 7.43% |
| QV Investors: Can. Equities | -11.86% | -12.02% | -7.15% | -11.88% |
| Scheer Rowlett: Can. Equities | -15.11% | -12.02% | -15.54% | -11.88% |
| SSgA: U.S. Mid Cap Equities | -13.49% | -13.49% | -8.81% | -8.78% |
| SSgA: U.S. Lg Cap Equities | -6.97% | -7.00% | -4.20% | -4.23% |
| Brandes: Global Equities | -8.77% | -9.97% | -6.35% | -7.93% |
| Sprucegrove: Non-NA Equities | -10.50% | -12.55% | -10.26% | -10.83% |
| Thornburg: World (ex U.S.) Equities | -15.33% | -13.46% | -13.06% | -12.75% |
| Total Return | -6.85% | -6.15% | -4.52% | -4.12% |

* Returns in Canadian dollars net of fees

BOND FUND

| Investment Managers | 3 rd Quarter Return (%) | | Year to Date Return (%) | |
|-----------------------------|------------------------------------|-------|-------------------------|-------|
| | CSS | Index | CSS | Index |
| Same as Bond Managers above | 4.61% | 5.12% | 6.95% | 7.43% |

* Returns in Canadian dollars net of fees

EQUITY FUND

| Investment Managers | 3 rd Quarter Return (%) | | Year to Date Return (%) | |
|-------------------------------|------------------------------------|---------|-------------------------|---------|
| | CSS | Index | CSS | Index |
| Same as Equity Managers above | -13.54% | -13.05% | -11.10% | -11.21% |

* Returns in Canadian dollars net of fees

MONEY MARKET FUND

| Investment Managers | 3 rd Quarter Return (%) | | Year to Date Return (%) | |
|---------------------|------------------------------------|-------|-------------------------|-------|
| | CSS | Index | CSS | Index |
| TD Asset Mgmt. | 0.30% | 0.26% | 0.92% | 0.78% |

* Returns in Canadian dollars net of fees

See page 2 over . . .

COMMENTARY

Equity markets sold off sharply towards the end of July as U.S. Congressional gridlock, slower growth in China and Eurozone sovereign debt concerns weighed. The S&P/TSX suffered a double digit loss, with eight sectors declining lead by IT, energy and industrials. The Canadian bond market posted a positive return over the quarter with long-term bonds performing best.

Canadian bonds, as represented by the DEX Universe Bond Index rose 5.12% for the 3rd Quarter, while the S&P/TSX lost 12.02%. The S&P 500 Index (U.S. Large Cap Equities) fell when measured in Canadian dollars, posting a loss of 7.0%, while the S&P 400 Index (U.S. Mid Cap Equities) declined 13.49%. The MSCI EAFE Index (Non-North American Equities) fell 12.55%. The MSCI World Index (Global Equities) lost 9.97%, while the ACWI (ex US) index was off by 13.46%.

The Canadian dollar lost 7.17% against the U.S. dollar over the third quarter, finishing at 96.26¢. For Canadian investors, a weaker Canadian dollar increases the returns on unhedged foreign investments. The Plan, however, hedges 50% of its foreign exposure to reduce the volatility caused by currency fluctuations.

Equities: Equities trended downward over the 3rd quarter in response to considerable negative news. The Plan's active Canadian equity managers, QV Investors and Scheer Rowlett (SRA) both produced losses in the quarter with QV out performing (-11.86%) and SRA underperforming (-15.11%) their benchmark. The active Non-North American equity manager, Sprucegrove, was able to add value over the quarter, losing 10.50%. The active Global equity manager similarly outperformed its benchmark, but lost 8.77%. The active ACWI equity manager underperformed, posting a loss of 15.33%, while the passive U.S. equity manager, SSgA, closely tracked the S&P 400 and S&P 500.

Fixed Income: Bond prices rose during the 3rd quarter as yields declined to record lows. Longer maturities performed best, while short-term bonds were the weakest segment of the market. The Plan's active bond manager, Addenda Capital, underperformed its benchmark, producing a return of 4.32%. The passive bond manager, TD Asset Management posted a gain of 5.07%, closely tracking its benchmark.

RULE & BYLAW CHANGES

Delegates to the Co-operative Superannuation Society's 2011 Annual Meeting approved changes to the CSS Pension Plan's Rules and the Society's Bylaws.

Bylaws

The main change to the Bylaws is an increase in the number of delegates from 30 to 36. Beginning in 2012, 36 delegates will be elected and appointed to attend the Annual Meeting. The six new delegates will be distributed as follows:

- One new employee delegate to represent inactive, non-retired members;
- A second retiree delegate;
- One more employee delegate to represent a growing membership in the Manitoba/Eastern Canada region;
- One new employer delegate to represent the Manitoba Credit Union system; and
- Two more employer delegates to represent the Co-operative Retailing system.

The qualified indemnity for CSS directors, officers and the Plan's staff was also amended to correspond with the current provisions in the Saskatchewan Non-Profit Corporations Act.

Rules

The Plan's Rules were amended as follows:

- The definition of continuous service was clarified. Plan members who terminate employment with one CSS employer and then start employment with another within 12 months must begin to contribute to the Plan immediately.
- The Rule relating to phased retirement was amended to permit an employee aged 55 or older to draw retirement income without reducing his or her hours of work. Note that this is not recommended, since it will result in paying tax at the member's maximum marginal rate on the retirement income. To qualify for phased retirement an employee must have his or her employer's written consent.
- The Rule on indemnification was amended to state that a written indemnity agreement will be provided.

A copy of the new Rules and Bylaws can be accessed on the Plan's web site at www.csspen.com.

SEMINARS & WORKSHOPS

Remaining Retirement Income Option (RIO) Workshops for 2011 are TENTATIVELY scheduled as follows:

| | |
|------------|------------------|
| Brandon MB | October 29, 2011 |
|------------|------------------|

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.

Remaining Retirement Planning Seminars (RPS) for 2011 are TENTATIVELY scheduled as follows:

| | |
|------------------|------------------|
| Swift Current SK | November 2, 2011 |
|------------------|------------------|

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.