CSS Pension Plan

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

Third Quarter
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CSS Quarterly Update

UNIT PRICES

Over the 3rd Quarter of 2012 the unit price of the Balanced Fund increased from $14.062471to $14.469140 for a year-to-date gain of 6.69%. From January 1 to September 30, the Bond Fund gained 3.45%, the Equity Fund added 8.82%, while the Money Market Fund rose 0.83%.

BALANCED FUND

Investment Managers	3rd Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
Wellington: Core Plus Bonds	1.49%	1.24%	N/A	3.29%
TD Asset Mgmt: Canadian Bonds	1.24%	1.24%	3.30%	3.29%
QV Investors: Can. Equities	3.65%	7.02%	6.23%	5.38%
Scheer Rowlett: Can. Equities	7.58%	7.02%	8.13%	5.38%
SSgA: U.S. Mid Cap Equities	1.77%	1.77%	9.96%	9.94%
SSgA: U.S. Lg Cap Equities	2.65%	2.65%	12.50%	12.52%
Brandes: Global Equities	0.66%	2.99%	5.49%	9.21%
Sprucegrove: Non-NA Equities	2.43%	3.20%	7.43%	6.38%
Thornburg: World (ex U.S.) Equities	3.03%	3.67%	7.67%	6.67%
Total Return	2.89%	3.54%	6.69%	6.70%

** Returns in Canadian dollars net of fees*

BOND FUND

Investment Managers	3rd Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
Same as Bond Managers above	1.35%	1.24%	3.45%	3.29%

** Returns in Canadian dollars net of fees*

EQUITY FUND

Investment Managers	3rd Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
Same as Equity Managers above	3.96%	5.14%	8.82%	8.85%

** Returns in Canadian dollars net of fees*

MONEY MARKET FUND

Investment Managers	3rd Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
TD Asset Mgmt.	0.28%	0.24%	0.83%	0.72%

** Returns in Canadian dollars net of fees*

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COMMENTARY

Equity markets rallied back to and then past 1st Quarter highs, notwithstanding U.S. Congressional gridlock, slower growth in China and Eurozone sovereign debt concerns. The S&P/TSX rose just over 7%, with all ten sectors gaining, lead by materials, energy and healthcare. 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 1.24% for the 3rd Quarter, while the S&P/TSX rose 7.02%. The S&P 500 Index (U.S. Large Cap Equities) advanced when measured in Canadian dollars, posting a gain of 2.65%, while the S&P 400 Index (U.S. Mid Cap Equities) added 1.77%. The MSCI EAFE Index (Non-North American Equities) gained 3.20%. The MSCI World Index (Global Equities) rose 2.99%, while the ACWI (ex US) index was up by 3.67%.

The Canadian dollar gained 3.6% against the U.S. dollar over the third quarter, finishing at 101.66¢. For Canadian investors, a stronger Canadian dollar decreases the returns on unhedged foreign investments. The Plan, however, hedges 50% of its foreign currency exposure to reduce the volatility caused by changes in currency prices.

Equities: Equities trended upward over the 3rd Quarter in response to additional central bank easing in Europe and America. The Plan's active Canadian equity managers, QV Investors and Scheer Rowlett (SRA) both produced positive returns in the quarter with QV underperforming (3.65%) and SRA out performing (7.58%) their benchmark. The active Non-North American equity manager, Sprucegrove, was not able to add value over the quarter, earning 2.43%. The active Global equity manager similarly underperformed its benchmark, earning just 0.66%. The active ACWI equity manager also underperformed, posting a gain of 3.03%, 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 remained near historic lows. Longer maturities performed best, with investment grade corporate bonds also performing well. The Plan's Core Plus bond manager, Wellington, outperformed its benchmark, producing a return of 1.49%. The passive bond manager, TD Asset Management posted a gain of 1.24%, tracking its benchmark.

NEW EARNINGS DEFINITIONS

At a Special Meeting held on September 20, 2012, CSS Delegates approved changes to the Plan's Rules that, depending on each employer's current contribution policy, may affect the earnings from which required contributions must be deducted.

Earlier this year, it came to the Plan's attention that not all employers were deducting required contributions from lump sum vacation pay on termination. The Plan approached the office of the Superintendent of Pensions to clarify whether this was permitted under pension legislation. The regulator confirmed that required contributions must be deducted from **all** vacation pay and suggested that the Plan should amend its Rules to make this clear. As a result, the Plan's Rules relating to required contributions have been clarified.

While the changes confirm that required contributions must be deducted from all vacation pay, they also permit some flexibility to employer members in setting their contribution policies as follows:

- At a minimum, required contributions must apply to "regular earnings", including all vacation pay whether paid as salary continuance or as a lump sum.
- Subject to this minimum, Employers are free to apply required contributions to any or all additional earnings, up to and including "total earnings".
- The same definition of earnings must be applied to all employees within each designated unit of employees.

These changes were approved by the Delegates unanimously and are scheduled to go into effect on January 1, 2013. This will allow employers time to make changes to their payroll policies and processes if necessary.

Early in 2013, each employer member will be asked to confirm their required contribution rate policy, including the earnings to which their required contribution rate is applied. This will ensure that each employer has set a policy that conforms to the new Rules and to pension legislation.

For more information, please visit the Plan's home page at www.csspen.com and click the link "Attention HR Managers/Payroll Administrators" or contact the Plan office at 306-244-1539.

SEMINARS & WORKSHOPS

Remaining Retirement Income Option (RIO) Workshops for 2012 are TENTATIVELY scheduled as follows:

Prince Albert SK	November 17, 2012
North Battleford SK	November 24, 2012

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 2012 are TENTATIVELY scheduled as follows:

Regina SK	November 6, 2012
Calgary AB	November 14, 2012

The full-day 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.