CSS Pension Plan

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

Third Quarter
Sept 30, 2013
Volume 16, Issue 3

Inside this Issue

Co-operative Superannuation Society Pension Plan
PO Box 1850
Saskatoon, SK S7K 3S2
Phone: (306)244-1539
Fax: (306)244-1088
Internet: www.csspen.com
email: csspen@csspen.com

CSS Quarterly Update

UNIT PRICES

Over the 3rd Quarter of 2013 the unit price of the Balanced Fund increased from $15.763861 to $16.387258 for a year-to-date gain of 10.19%. From January 1 to September 30, the Bond Fund lost 2.32%, the Equity Fund added 17.58%, while the Money Market Fund rose 0.79%.

BALANCED FUND

Investment Managers	3rd Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
Wellington: Core Plus Bonds	-0.37%	0.11%	-2.53%	-1.57%
TD Asset Mgmt: Canadian Bonds	0.09%	0.11%	-1.57%	-1.57%
QV Investors: Can. Equities	7.60%	6.25%	18.44%	5.31%
Scheer Rowlett: Can. Equities	7.41%	6.25%	5.53%	5.31%
SSgA: U.S. Mid Cap Equities	4.80%	4.79%	27.22%	27.22%
SSgA: U.S. Lg Cap Equities	2.55%	2.55%	23.66%	23.66%
Wellington: Emerging Mkt. Equities	In Transition		Not Available	
Sprucegrove: Non-NA Equities	7.46%	8.70%	16.02%	19.90%
Thornburg: World (ex U.S.) Equities	7.87%	7.27%	15.25%	13.60%
Total Return	3.95%	3.74%	10.19%	8.22%

** 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	-0.23%	0.11%	-2.32%	-1.57%

** 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	6.20%	6.19%	17.58%	14.96%

** 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%	0.29%	0.79%	0.77%

** Returns in Canadian dollars net of fees*

See page 2 over . . .

COMMENTARY

World equity markets were positive over the 3rd Quarter, aided by accommodative monetary policy and improving economic data in the U.S. and Europe. The S&P/TSX rose by 6.25%, with nine of ten sectors gaining, lead by healthcare, consumer discretionary and financials. Utilities was the only sector to decline. The Canadian bond market produced a modest gain of 0.11% with corporate bonds outperforming governments.

The S&P 500 Index (U.S. Large Cap Equities) advanced when measured in Canadian dollars, posting a gain of 2.55%, while the S&P 400 Index (U.S. Mid Cap Equities) added 4.79%. The MSCI EAFE Index (Non-North American Equities) gained 8.7%, while the ACWI (ex US) index was up by 7.27%.

The Canadian dollar gained 3.6% against the U.S. dollar over the third quarter, finishing at 97.23 U.S. cents. For Canadian investors, a stronger Canadian dollar decreases the returns on unhedged foreign investments. The Plan, however, uses a dynamic currency hedging strategy to reduce the volatility caused by currency fluctuations.

Equities: Equities trended upward over the Quarter registering significant gains in September after the U.S Fed confirmed that its bond purchase program (QE) would continue for the time being. European markets also rose as economic data turned positive after six straight quarters of contraction. The Plan's active Canadian equity managers both outperformed the TSX, with QV Investors earning 7.60% while SRA earned 7.41%. The active Non-North American equity manager, Sprucegrove, was not able to add value over the quarter, earning 7.46%. The World ex U.S. manager outperformed, posting a gain of 7.87%, while the passive U.S. equity manager, SSgA, closely tracked the S&P 400 and S&P 500.

Fixed Income: Bond prices rose slightly during the 3rd Quarter as yields fluctuated in response to the U.S. Feds "on again off again" tapering announcements and the U.S. Federal Government's budgetary impasse. Shorter maturities performed best, with the spreads on investment grade corporate bonds widening somewhat. The Plan's Core Plus bond manager, Wellington, underperformed its benchmark, posting a loss of 0.37%. The passive bond manager, TD Asset Management managed a small gain of 0.09%, closely tracking its benchmark.

NEW EMERGING MARKETS MANDATE

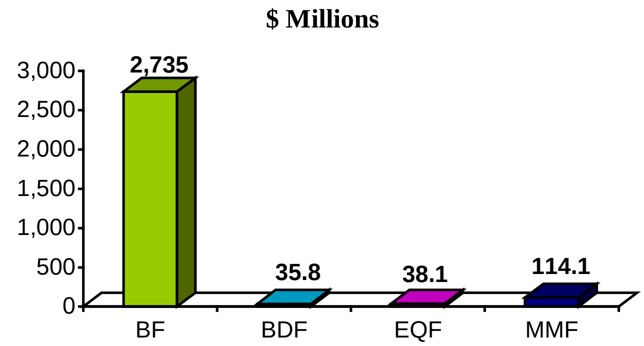
Late last year, the CSS Board resolved to make changes to the structure of the Plan's foreign equity mandates. The first step in this process was to terminate the existing Global Equities manager. The funds from this manager were partially reallocated to the Plan's other foreign equity managers, with a portion reserved to fund a new foreign equity strategy with the potential to add value. After considering the options identified in a 2010 portfolio study conducted by Mercer, our investment consultant, it was decided to create a new Emerging Market Equities Mandate.

Upon completing the Plan's usual search process with assistance from Mercer, Wellington Management was selected to manage the new mandate, which was funded in September. Beginning in the 4th Quarter, the Balanced Fund's benchmark will include Emerging Market Equities at a target weight of 6%, while the Equity Fund will include the new mandate at a target weight of 10%.

INVESTMENT FUNDS

Over the 3rd Quarter, the number of members using the Bond and Equity Funds increased slightly. The table and chart below show the number of members and dollars invested in each of the Plan's four investment funds

Fund	Members	$ Millions
Balanced (BF)	35,463	$2,735
Bond (BDF)	260	$35.8
Equity (EQF)	337	$38.1
Money Market (MMF)	596	$114.1



Compared to the Balanced Fund, the Equity Fund has a higher risk/return profile, while the Bond Fund has a lower risk/return profile.

SEMINARS & WORKSHOPS

Remaining Retirement Income Option (RIO) Workshops for 2013 are TENTATIVELY as follows:

Brandon, MB	October 26, 2013
Saskatoon SK	November 16, 2013

RIO workshops are typically 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 2013 are TENTATIVELY as follows:

Yorkton SK	November 6, 2013

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.