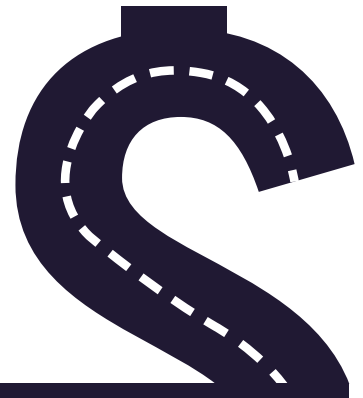


# CSS Pension Plan Quarterly Update



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## Unit prices

Over the third quarter of 2014 the unit price of the Balanced Fund increased from \$18.355839 to \$18.399389 for a gain of 0.24%. Over the same period, the Bond Fund gained 1.06%, the Equity Fund lost -0.12%, and the Money Market Fund rose 0.27%.

### Balanced Fund

Investment Managers	3rd quarter returns (%)*		Year-to-date returns (%)*	
	CSS	Index	CSS	Index
Wellington: Canadian bonds	1.08%	1.06%	5.66%	5.93%
TD Asset Mgmt: Canadian bonds	1.08%	1.06%	5.95%	5.93%
QV Investors: Can. equities	0.19%	-0.59%	8.82%	12.20%
Scheer Rowlett: Can. equities	-3.02%	-0.59%	8.69%	12.20%
SSgA: U.S. mid-cap equities	0.74%	0.74%	8.54%	8.56%
SSgA: U.S. large-cap equities	6.11%	6.10%	13.92%	13.96%
Wellington: Emerg. mkt. equities	-0.22%	1.54%	6.34%	8.39%
Sprucegrove: Non-NA equities	-1.48%	-1.25%	4.50%	3.73%
SSgA: World (ex U.S.) equities	-1.12%	2.50%	-2.23%	9.11%
<b>Total Return</b>	<b>0.24%</b>	<b>0.61%</b>	<b>6.33%</b>	<b>7.52%</b>

### Bond Fund

Investment Managers	3rd quarter returns (%)*		Year-to-date returns (%)*	
	CSS	Index	CSS	Index
Same as bond managers to left	1.06%	1.06%	5.73%	5.93%

### Equity Fund

Investment Managers	3rd quarter returns (%)*		Year-to-date returns (%)*	
	CSS	Index	CSS	Index
Same as equity managers to left	-0.12%	0.33%	7.03%	8.76%

### Money Market Fund

Investment Managers	3rd quarter returns (%)*		Year-to-date returns (%)*	
	CSS	Index	CSS	Index
TD Asset Management	0.27%	0.24%	0.80%	0.68%

\*Returns in Canadian dollars net of fees

## Seminars and workshops

### Retirement Income Options (RIO)

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

#### RIO schedule

Winnipeg, MB	November 1, 2014
Saskatoon, SK	November 15, 2014

### Retirement Planning Seminars (RPS)

The Retirement Planning Seminar (RPS) program for 2014 has been completed.

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.



## Equities decline, bonds rise in third quarter

Equities declined over the third quarter amid a faltering European economic recovery and ongoing geopolitical concerns including the Middle East, Ukraine and Hong Kong. Fixed income investments rose as yields fell in response to accommodative monetary policies and strong investor demand. Canadian equities declined modestly over the quarter, with losses in three of 10 sectors – materials, energy and telecom. The Canadian bond market rose with long-term bonds still performing best and government bonds outperforming corporates.

Canadian bonds, as represented by the FTSE TMX Bond Index rose 1.06% for the third quarter, while the S&P/TSX (Canadian equities) lost 0.59%. Meanwhile, the S&P 500 Index (U.S. large-cap equities) advanced by 6.10% when measured in Canadian dollars, while the S&P 400 Index (U.S. mid-cap equities) improved very slightly, posting 0.74%. The MSCI EAFE Index (Non-North American equities) was lower by 1.25%. The MSCI EM IMI Index (emerging market equities) gained 1.54%, while the ACWI (ex U.S.) Index was up 2.50%.

The Canadian dollar lost about 4.45 cents against the U.S. dollar over the third quarter, finishing at 89.22 cents U.S. For Canadian investors, a weaker Canadian dollar increases the return on unhedged foreign investments. To lighten the impact of currency fluctuations on the Balanced and Equity Funds the Plan uses a dynamic currency hedging strategy. The Bond Fund has limited currency exposure, while the Money Market Fund does not hold foreign investments and is therefore not exposed to currency risk.

## Equities

Despite gaining over the first two months of the third quarter, Canadian equities posted an overall loss for the quarter. U.S. equities were the exception to a global downward trend, supported in part by an improving labour market. The Plan's active Canadian equity managers again produced mixed results in the quarter with QV outperforming the TSX at 0.19% while SRA underperformed losing 3.02%. The active Non-North American equity manager, Sprucegrove, was unable to add value over the quarter, posting a loss of 1.48% while the active ACWI (ex U.S.) equity manager also underperformed, posting a loss of 1.12%. The passive U.S. large-cap and mid-cap equity manager, SSgA, closely tracked its benchmarks.

## Fixed income

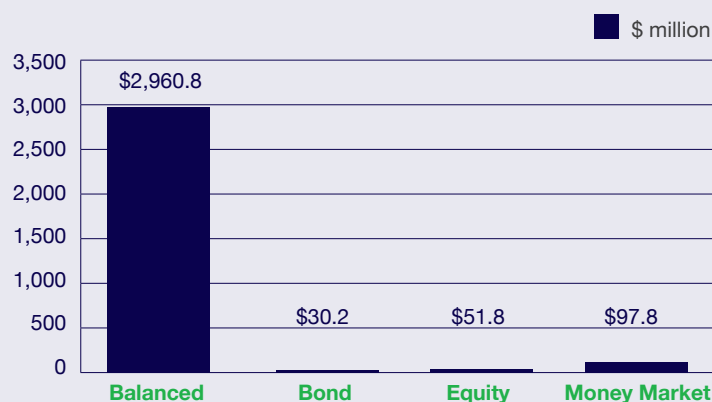
Bond prices rose during the quarter as yields fell slightly with long-term yields declining most. As a result, long maturities performed best, with mid-term bonds modestly outperforming short-term bonds. Wellington Management, the Plan's active fixed-income manager outperformed its benchmark by a slim margin, gaining 1.08%. The passive bond manager, TD Asset Management, also posted a return of 1.08%, closely tracking the benchmark.

## Four funds

The Plan offers four funds to CSS members for the investment of their pension savings. These include a Balanced Fund, Money Market Fund (created in 2005), Bond Fund and 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 October 10, 2014, appear below.

Fund	Members*	\$ Millions
Balanced	36,269	\$2,960.8
Bond	243	\$30.2
Equity	479	\$51.8
Money Market	559	\$97.8

\*Some members are invested in more than one fund



Investors generally tend to reduce risk as they age and approach retirement for two reasons:

- older investors have less time to make up market losses
- retirees need steadier returns to provide regular retirement income



Co-operative Superannuation Society Pension Plan  
 PO Box 1850, Saskatoon, SK S7K 3S2  
 P: (306) 244-1539 | F: (306) 244-1088 | E: [csspen@csspen.com](mailto:csspen@csspen.com)