



# Quarterly Update

## CSS Pension Plan

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

Second Quarter  
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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](http://www.csspen.com)  
email: [css@csspen.com](mailto:css@csspen.com)

### UNIT PRICES

Over the 2<sup>nd</sup> Quarter of 2013 the unit price of the Balanced Fund increased from \$15.688340 to \$15.763861 for a gain of 0.48%. Over the same period, the Bond Fund lost 2.53%, the Equity Fund gained 2.00%, while the Money Market Fund rose 0.27%.

### BALANCED FUND

Investment Managers	2 <sup>nd</sup> Quarter Returns (%)		Year to Date Returns (%)	
	CSS	Index	CSS	Index
Wellington: Canadian Bonds	-2.54%	-2.36%	-2.17%	-1.68%
TD Asset Mgmt: Canadian Bonds	-2.35%	-2.36%	-1.68%	-1.68%
QV Investors: Can. Equities	0.93%	-4.08%	10.07%	-0.88%
Scheer Rowlett: Can. Equities	-4.23%	-4.08%	-1.74%	-0.88%
SSgA: U.S. Mid Cap Equities	4.86%	4.88%	21.39%	21.41%
SSgA: U.S. Lg Cap Equities	6.86%	6.86%	20.59%	20.60%
SSgA: Global Equities	5.28%	4.51%	16.20%	14.88%
Sprucegrove: Non-NA Equities	1.40%	2.82%	7.97%	10.30%
Thornburg: World (ex U.S.) Equities	2.44%	0.60%	6.85%	5.91%
<b>Total Return</b>	<b>0.48%</b>	<b>-0.62%</b>	<b>6.00%</b>	<b>4.32%</b>

\* Returns in Canadian dollars net of fees

### BOND FUND

Investment Managers	2 <sup>nd</sup> Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
Same as Bond Managers above	-2.53%	-2.36%	-2.10%	-1.67%

\* Returns in Canadian dollars net of fees

### EQUITY FUND

Investment Managers	2 <sup>nd</sup> Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
Same as Equity Managers above	2.00%	0.40%	10.71%	8.26%

\* Returns in Canadian dollars net of fees

### MONEY MARKET FUND

Investment Managers	2 <sup>nd</sup> Quarter Return (%)		Year to Date Return (%)	
	CSS	Index	CSS	Index
TD Asset Mgmt.	0.27%	0.24%	0.51%	0.48%

\* Returns in Canadian dollars net of fees

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**COMMENTARY**

Equities markets produced gains until May 21 but then fell through to the end of the Quarter in response to a statement from the U.S. Fed outlining a tapering process for its bond purchase program. Canadian Equities fell over the quarter, with four sectors declining lead by Materials, Telecoms and Utilities. The Canadian bond market also posted a negative return over the quarter with short-term bonds performing best.

Canadian bonds, as represented by the DEX Universe Bond Index fell 2.36% for the 2<sup>nd</sup> Quarter, while the S&P/TSX lost 4.08%. The S&P 500 Index (U.S. Large Cap Equities) rose 6.86% when measured in Canadian dollars, while the S&P 400 Index (U.S. Mid Cap Equities) improved 4.88%. The MSCI EAFE Index (Non-North American Equities) was higher by 2.82%. The MSCI World Index (Global Equities) gained 4.51%, while the ACWI (ex US) index was up 0.60%.

The Canadian dollar lost about 3.4 cents against the U.S. dollar over the 2<sup>nd</sup> quarter, finishing at 95.08 cents U.S. For Canadian investors, a weaker Canadian dollar improves the returns on unhedged foreign investments. To reduce the impact of currency fluctuations on Balanced Fund and Equity Fund returns the Plan hedges one half of its currency exposure on foreign equities. 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:** Equity markets produced mixed results over the 2<sup>nd</sup> quarter, with the U.S. and Japan rising while Canada and Europe fell. The Plan’s active Canadian equity managers, QV Investors and Scheer Rowlett (SRA) produced divergent results in the quarter with QV out performing (0.93%) and SRA underperforming (-4.23%) their benchmark. The active Non-North American equity manager, Sprucegrove, was unable to add value over the quarter, earning 1.40% while the active ACWI ex US equity manager outperformed, posting a gain of 2.44%. The passive U.S. and Global equity manager, SSgA, closely tracked its benchmarks.

**Fixed Income:** Bond prices fell during the quarter as yields rose in response to the U.S. Federal Reserve’s tapering announcement. Shorter maturities performed best, with corporate bonds outperforming government issues. Wellington Management, the Plan’s active fixed income manager underperformed, losing 2.54%. The passive bond manager, TD Asset Management posted a loss of 2.35%, closely tracking its benchmark.

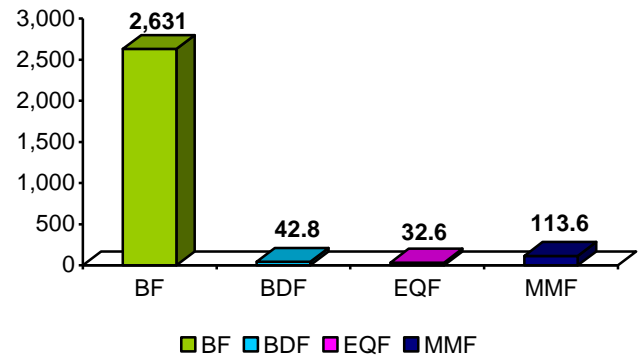
**INVESTMENT FUNDS**

At the end of the 2<sup>nd</sup> quarter, users of the Bond and Equity Funds were up slightly to 584 members. The Equity Fund is a more aggressive option for members wishing to add risk in the hope of earning potential higher long-term average returns, while the Bond Fund has a lower risk/return profile than the Balanced Fund. The table and chart above show the number of members and dollars invested in each of the Plan’s four funds.

**INVESTMENT FUNDS**

Fund	Members	\$ Millions
Balanced (BF)	35,305	\$2,631
Bond (BDF)	281	\$42.8
Equity (EQF)	303	\$32.6
Money Market (MMF)	591	\$113.6

\$ Millions



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.

**SEMINARS & WORKSHOPS**

Retirement Income Options (RIO) Workshops for the remainder of 2013 are TENTATIVELY scheduled as follows:

Medicine Hat, AB	September 28, 2013
Brandon, MB	October 26, 2013
Saskatoon, SK	November 16, 2013

All 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.

Retirement Planning Seminars (RPS) for the remainder of 2013 are TENTATIVELY scheduled as follows:

Edmonton, AB	October 9, 2013
Yorkton, SK	November 6, 2013

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.