

2019

CELEBRATING 80 YEARS

ANNUAL REPORT



ELEVATE



I am truly fortunate to have worked for an amazing co-operative organization these past 15 years. Starting as a part-timer during high school, retirement was not something I fully understood or even thought about until I joined CSS in 2008. Being a member in CSS has been a very educational and rewarding experience, and I'm grateful for the peace of mind that it has given me.

AMRIK THIND
PENINSULA CO-OP
VICTORIA, BC

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This annual report summarizes how the CSS Pension Plan fared during 2019, and gives you information about the people who oversee and manage your Plan. To support cost effectiveness and environmental sustainability, this publication is distributed primarily as an electronic document through the CSS Pension Plan website at www.csspen.com. Questions can be addressed to the CSS Pension Plan (please see the back cover for our contact information).



BOARD'S REPORT

JEFF AMBROSE
PRESIDENT
CSS BOARD OF DIRECTORS



On behalf of the Board, I am pleased to present the 2019 annual report of the Co-operative Superannuation Society (CSS) Pension Plan.

LOOKING BACK...

In 2019, CSS turned 80 years old and it was an opportunity to reflect on how far we've come since 1939. CSS got its start at one Saskatchewan co-operative employer, and today we serve over 300 co-operatives and credit unions across Canada. Our investment funds hold more than \$4.8B (including assets to secure pensions) on behalf of nearly 50,000 members, including more than 8,000 retired co-operative and credit union employees who draw a retirement income from the Plan.

A key reason for CSS' long record of success is our willingness and ability to adapt to the changing needs of our employer and employee members, keeping up with and influencing an ever changing legislative and regulatory environment, and our ability to generate value for our members in a sustained manner over very long periods of time. In other words, our success comes from putting our members' best interests first in all that we do.

In 2019, CSS continued to advance its strategic initiatives in the areas of member experience, investment and financial management, pension industry leadership, and growth and sustainability of the Plan:

- Employee members, employer members and delegates were surveyed yielding a significant volume of valuable information that the Board and management will use to refresh the strategic plan in 2020
- Our communications, online self-service tools and information were enhanced to provide members with more relevant resources tailored to their personal retirement needs
- Our investment portfolios, in particular the Balanced Fund, were further diversified to adapt to the anticipated lower-for-longer returns environment in which we find ourselves
- Changes were made in several investment mandates resulting in anticipated long-term investment return improvements
- CSS participated in a number of pension legislation and industry consultations and was invited to share our experiences at a number of industry events given our leadership position in the Canadian defined contribution pension plan space
- CSS successfully conducted its first digital delegate elections
- A Governance and Control Structure Review Committee was struck in 2019 to lead CSS delegates through a review of CSS' governance structure and practices to determine whether changes in that area are required or desired
- The longevity risk insurance policy was executed in 2019, which very significantly reduced our exposure to longevity risk in our Pensions Fund and enhanced our ability to continue to offer our fixed monthly pension product well into the future

In addition to these major initiatives, your Board also met to receive the usual reports from Plan management at its regular quarterly meetings. These included reports relating to the investments held on behalf of members, management's business plans, our enterprise risk management program and the annual expense budget.

In the area of governance, directors Shannan Corey and Mike Gartner were successful in their bids to be re-elected at the 2019 annual meeting. Delegate elections were held in the MB/East and AB/BC/North regions, as well as for our retired member delegates.

Ongoing director training sessions help to provide Board members with the information necessary to make informed and prudent decisions on behalf of all Plan members. Director training in 2019 was focused on Pensions Fund longevity risk as well as cyber security.

LOOKING FORWARD...

In 2020, your Board plans to continue to adapt CSS to best meet member needs, to position our funds for the investment environment we expect to see over the coming years, and to maintain our leadership position in the defined contribution pension plan space. The following are highlights of 2020 planned strategic initiatives:

- Revised and refreshed strategic plan to be developed
- Continued digital transformation of CSS processes and member experiences
- Portfolio study to be completed identifying any changes to asset allocations and investment mandates that should be considered
- Completion of the Governance and Control Structure Committee's work and implementation of any changes identified as needed

IN CLOSING...

In closing, I would like to thank CSS members and delegates for entrusting me to serve them as CSS President. I would also like to extend thanks to Al Meyer for his past service as CSS President. Finally, I would like to thank all CSS directors, the Plan's management and staff, our consultants and advisors for their combined efforts to deliver on the strategic objectives set by the Board.



EXECUTIVE DIRECTOR'S REPORT

MARTIN McINNIS
EXECUTIVE DIRECTOR
CSS PENSION PLAN



It is my pleasure to bring greetings on behalf of staff and management at the Co-operative Superannuation Society (CSS) Pension Plan.

CSS celebrated its 80th birthday in 2019 amidst continued uncertainty in the world: US-North Korea nuclear talks stalled, the UK finalized its decision on Brexit, the US-China trade war continued, tensions flared in the Middle East, the US president was impeached, protests in Hong Kong and elsewhere made the news, and the coronavirus emerged. We were also well into one of the longest periods of expansion on record. In short, there was a lot going on in 2019 with the potential to significantly affect markets.

In spite of all this, investor sentiment remained positive and 2019 ended with healthy returns seen in many markets around the globe, as well as our CSS investment funds.

GETTING PERSONAL...

CSS conducted extensive surveying of our membership in 2019, gathering feedback on a variety of topics including: members' awareness and level of satisfaction with the CSS value proposition and governance structure, and what members want to see in terms of future products and services from CSS, to name but a few. We were pleased to note that we received responses from a substantial proportion of the membership and that member responses aligned well with

CSS' current strategic priorities. Member feedback also highlighted a number of areas for continued enhancement of the CSS value proposition, which we are looking forward to incorporating into our strategic planning process in 2020.

A key tenet of our current strategic plan is elevating the CSS member experience. This includes the rollout of enhanced information and online tools so that members can make informed choices about their investments and their retirements that are tailored to their own specific circumstance. It also includes a transformation to more flexible interactions for members with CSS, such as enhanced online functionality and improved self-serve member interactions with CSS.

To support this more tailored and personalized approach, CSS added a number of personas to the investing area of our website. We also launched a video series with information specific to member age and stage of career. The intent is to help members identify with one or more of the personas so that they can consider factors important to them regarding their investments in the Plan, as well as considerations important to them for their own personal retirement plans.

Much effort was also expended in 2019 in analyzing the different legislative requirements in the various jurisdictions in which we operate to ensure the design of our planned online offerings to members meet those requirements. Retired members as well as those in AB/BC/North and MB/East will have noted that we conducted delegate elections digitally for the first time in 2019. We are looking forward to introducing online investment instructions functionality to members early in 2020 and have plans to digitize several other processes in the near future.

ELEVATING PERFORMANCE...

With respect to our investment portfolios, CSS made a number of changes in 2019 to continue to adapt to expected market conditions in the years to come, including transitioning our US equity strategy from passive mid cap and large cap to a factor-based index in large cap and active management in small cap.

We also conducted analysis on the suitability of our Balanced Fund as the default fund versus other options and examined the potential value of introducing a more conservative Balanced Fund for use by retirees in their Variable Benefit accounts. In

both cases, it was determined that CSS' current product suite can be used to achieve similar results to what these products would provide, so the incremental value-add to members was not significant enough to warrant moving ahead on these initiatives. Our research in these areas has led us to the conclusion that personalized investment portfolios tailored to a member's specific circumstance can lead to a meaningful improvement in retirement outcomes for members. We are currently studying what changes (e.g., technology) are required to make this available to members.

With the longevity risk insurance policy executed in 2019, CSS undertook initiatives to further enhance the sustainability of our fixed pension program. Working with our actuary, AON, and their investment consulting division, the Plan concluded that adding Private Debt and Commercial Mortgages to the portfolio would add a liquidity premium to expected returns. Similarly, modifications to credit risk in the portfolio was recommended to enhance risk-adjusted returns. Finally, in implementing these changes, the Plan was able to further consolidate assets with an existing manager, and in doing so, negotiate lower fees. With all these changes to the portfolio it was appropriate to also reexamine our pension pricing policy to ensure it was aligned with the long-term risk and return expectations of the backing assets, while remaining competitive with the marketplace. The resulting pricing policy is one which offers more substantial and granular margins to manage risks but still ensures a very competitively priced product for our members.

IN CLOSING...

It has been our pleasure to serve our members this past year. On behalf of the Plan's management and staff, let me extend thanks to our Plan's stakeholders, consultants, service providers, directors and delegates for their considerable efforts and commitment to serving our members' best interests in 2019.

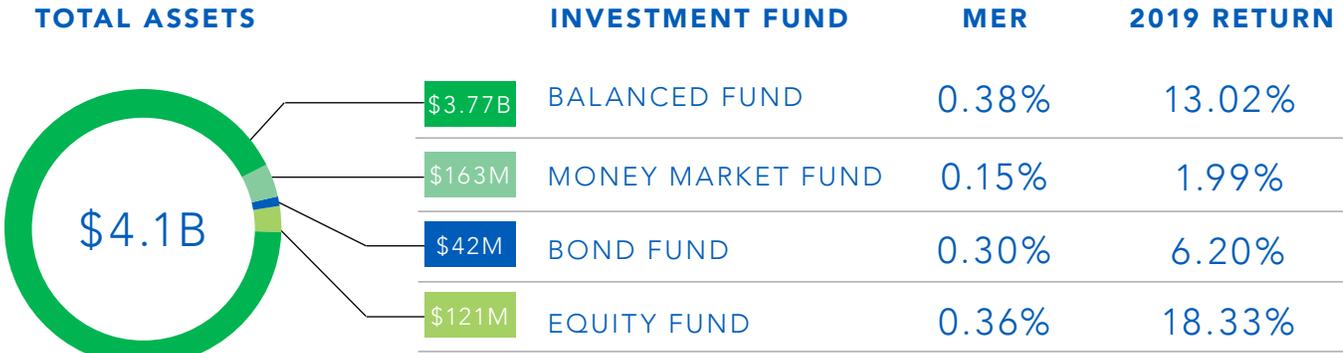


ELEVATE

2019 HIGHLIGHTS

In 2019, we celebrated our 80th anniversary – a milestone achievement of growth and longevity made possible through our partnerships with co-operatives and credit union employers from coast to coast to coast. Today, we strive to continuously elevate the level of service and value we provide to over 49,000 current and past co-operative and credit union employees who belong to the CSS Pension Plan. These highlights show some of the key outcomes of our year that will impact members as they make the climb toward retirement and the amazing view that awaits.

INVESTMENT HIGHLIGHTS



+

PENSIONS FUND
\$731M

AVERAGE BALANCED FUND RETURN SINCE 1948*
7.99%

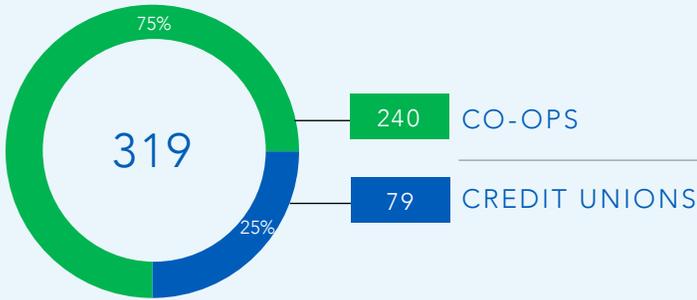
CELEBRATING
80
YEARS



**Past performance does not guarantee future results.*

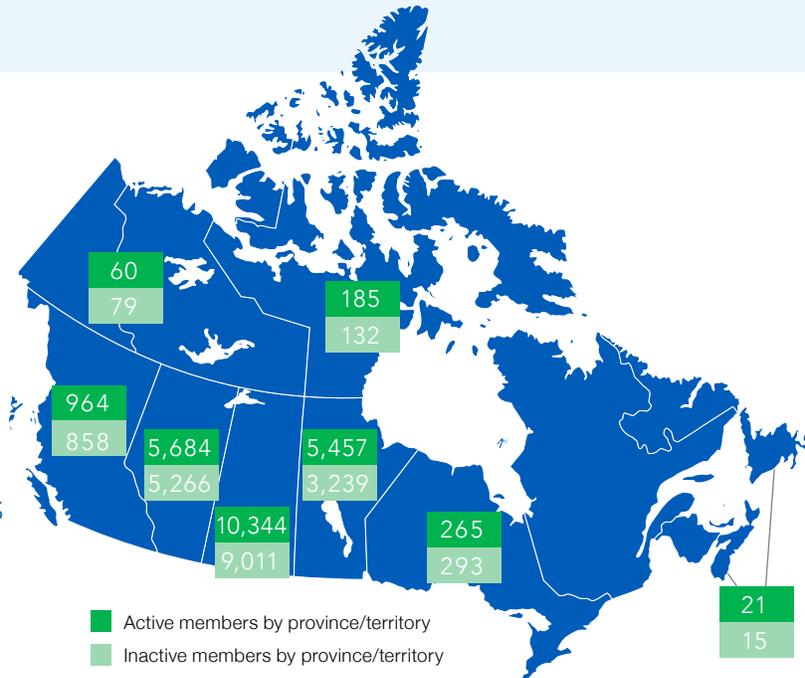
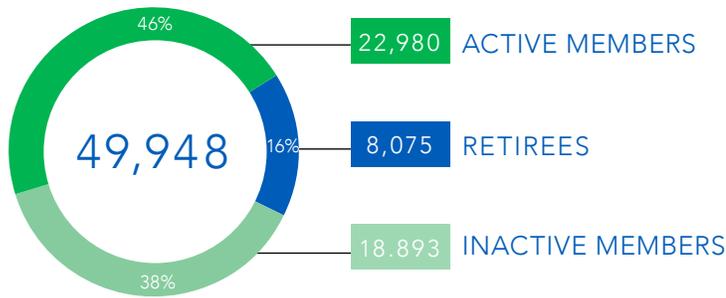
MEMBERSHIP HIGHLIGHTS

EMPLOYER MEMBERS



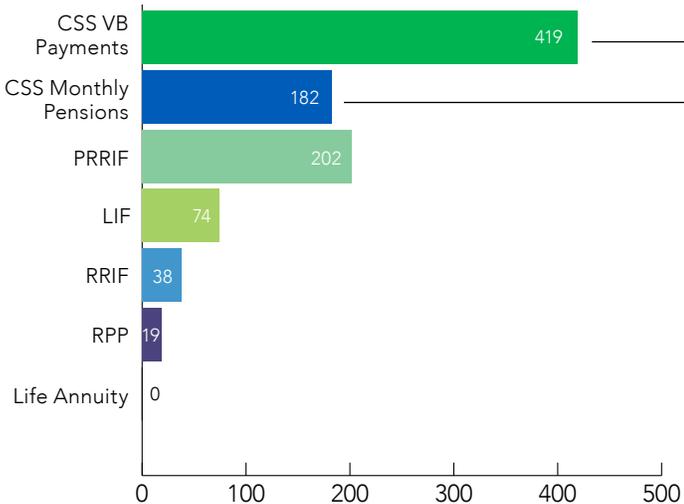
	AB	BC	MB	NS	ON	SK	NT/NU/YT
CO-OPS	47	15	42	0	9	103	24
CREDIT UNIONS	7	3	26	1	0	42	0

EMPLOYEE MEMBERS



RETIREMENT INCOMES STARTED

934



	TOTAL FUNDS	AVERAGE FUNDS
	\$119,305,204	\$284,738
	\$34,174,818	\$187,774



“

As a member of a co-operative organization, I believe there is significant value in knowing my contributions help sustain and progress the community overall.

KRISTINE KIESMAN
BEEMAID HONEY LIMITED
WINNIPEG, MB

WHO WE ARE

At the Co-operative Superannuation Society (CSS), we exist to serve you - our members.

We are a democratically controlled, non-profit pension society that serves as trustee and administrator of the CSS Pension Plan.

Our journey began in Saskatchewan in 1939 with the mission to provide value-added retirement products and services to co-operative and credit union employees so they could feel secure both during and after their working years. Today, we are one of the oldest and largest defined contribution pension plans in Canada with approximately \$4.8B in total assets (including assets to secure pensions).

Over our 80-year history, we've grown to serve a diverse membership of over 319 co-operative and credit union employers and nearly 50,000 members across Canada, including over 8,000 retirees who draw a retirement income from CSS.

Throughout 2019, we continued to move the Plan to higher places and lift our members up through greater value with the primary purpose of acting in your best interest at all times.

MANAGEMENT AND STAFF

Martin McInnis
Executive Director

Oyin Ajibola
Communications Specialist

Joanne Anderson
Member Services Administrator

Coleen Berge
Pension Plan Consultant

Whitney Bueckert
Programmer Analyst

Rachelle Camsell
Administration Services Specialist

Brina Chamney
Programmer Analyst

Gayle Dadey
Administrative Services Assistant

Darlene Dudiak
Part-time Office Administrator

Brent Godson
Director, Investments and Financial Management

Lynn Gramson
Part-time Office Administrator

Terri Imhoff
Repayments Specialist

David Kapeluck
Member Services Manager

Darlene Kirzinger
Retirement Benefits Specialist

Lori Kurney
Retirement Benefits Specialist

Kenny Layode
Programmer Analyst

Fiona May
Pension Plan Consultant

Kirby McInnis
ICT Manager

Rob Peddle
Programmer Analyst

Nicole Quintal
Communications Manager

Gayle Richmond
Administration Manager

Rhonda Rodh
Pension Plan Consultant

Joel Sawatsky
Investment/Accounting Officer



MISSION

To provide competitive, value-added retirement products and services through a democratically controlled organization for the benefit of members.



VISION

To be the preferred pension plan for Canadian co-operatives and their employees.



VALUES

Our core values support member focus in Plan decision making: **Service, fairness, integrity, accountability and transparency.**



“

I am so looking forward to the next chapter in life with my husband. The CSS Pension Plan is a large part of why we will be able to retire earlier than we expected, and it will give us an opportunity to travel and enjoy the world together like we've always planned. Thanks CSS Pension!

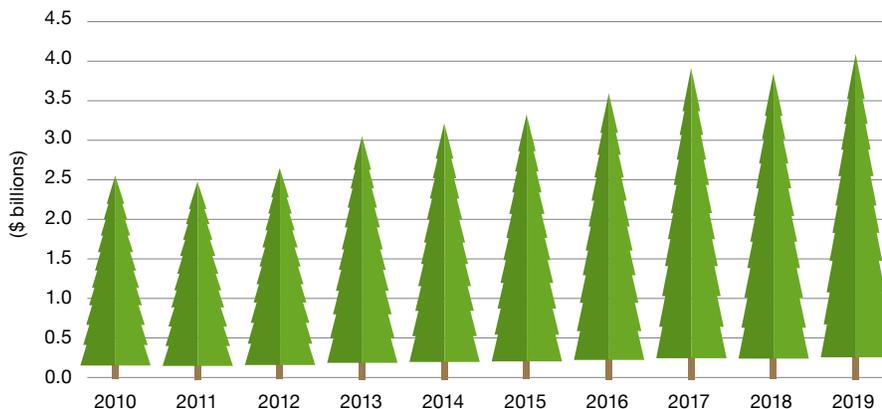
NANCY DOWNS
CANADIAN CREDIT UNION ASSOCIATION
TORONTO, ON

MANAGEMENT DISCUSSION & ANALYSIS

NET ASSETS

Growing the assets of the Plan improves the retirement outcomes for our members and provides scale for additional efficiencies.

ASSET GROWTH - INVESTMENT FUNDS



INVESTMENT FUND
ASSETS

\$4.1B

PENSIONS FUND
ASSETS

\$731M

EXPENSES / MERS

Investing - no matter with a pension plan or financial institution - includes costs for investment management and operating expenses. The management expense ratio (MER) is the combined total of these costs, expressed as a percentage of the fund's average assets for the year.

The returns you earn as an investor reflect the performance of the fund after the MER is deducted. Over the long term, even small differences in the MER can result in big differences in the amount of funds available at retirement.

Balanced Fund

0.38%

Bond Fund

0.30%

Equity Fund

0.36%

Money Market Fund

0.15%

INVESTMENT OVERVIEW

We aim to construct prudent portfolios with risk/return characteristics suitable for growing retirement savings over the long term.

Our investment strategy considers the diverse demographic characteristics and liquidity requirements of our membership. We offer four investment funds, each designed to serve the needs of members with varying financial goals and risk tolerances.

Through asset-class diversification, professional management, automatic rebalancing and low cost, the Balanced Fund – our default investment fund – is designed to provide a moderate risk/return profile suitable for the typical retirement saver; however, members can also choose to tailor their investments to their individual needs by investing in all or any of the Balanced Fund, Bond Fund, Equity Fund or Money Market Fund.

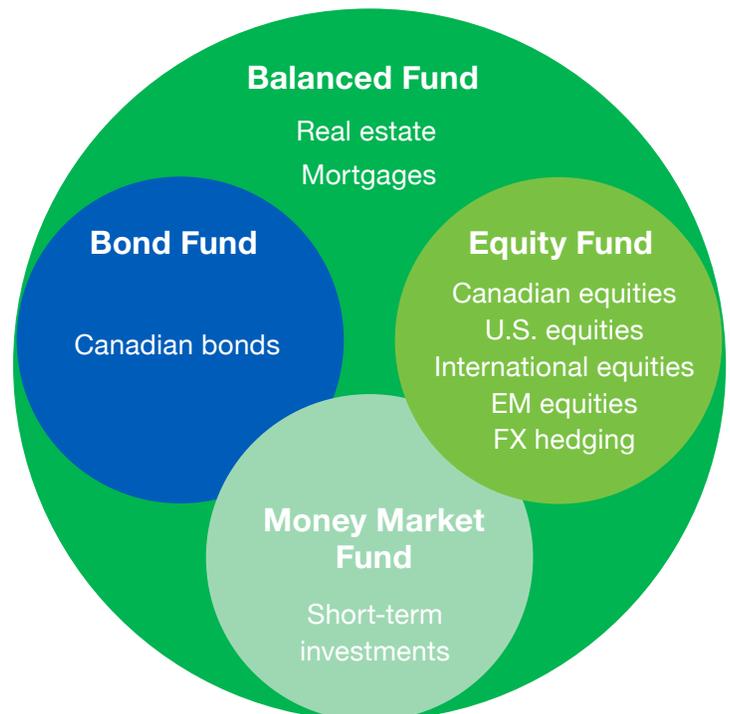
We employ both active and passive investing strategies, because some capital markets are more efficient than others. Where opportunities exist, we try to add to market returns through active management.

To increase diversification and the availability of investment opportunities, the Plan holds foreign investments. These foreign investments are exposed to gains and losses caused by currency movements. While we believe that currency exposure can provide additional diversification benefits, we manage the volatility that can result through a dynamic currency hedging strategy.

GLOBAL DIVERSIFICATION



INVESTMENT OPTIONS



A man with short dark hair, wearing a black jacket, blue jeans, and black and orange hiking boots, is sitting on a large, mossy rock. He is smiling slightly and looking towards the camera. The background shows a dense forest of evergreen trees, a body of water (likely a lake or reservoir), and rolling hills under an overcast sky. A green semi-transparent box is overlaid on the left side of the image, containing white text.

JEREMY TESKEY
PENINSULA CO-OP
VICTORIA, BC



MARKET OVERVIEW

STOCKS

Despite rising trade barriers, geopolitical tensions and slowing growth, global equities managed to post their best performance since 2009. US stocks once again led the way, with the S&P 500 (up 31%) surging on the year. Other developed markets including Canada (S&P TSX up 23%) and international equities (MSCI EAFE up 22%) also participated in the rally. Emerging markets trailed developed markets but still posted strong returns (MSCI EM up 19%).

FIXED INCOME

In 2019, central banks around the world reacted aggressively to the weaker economic activity. Over the course of the year, several—including the US Federal Reserve, the European Central Bank (ECB), and large emerging market central banks—cut interest rates, while the ECB also restarted asset purchases. This accommodative monetary policy drove up bond prices as evidenced by the FTSE Canada Universe's 7% return.

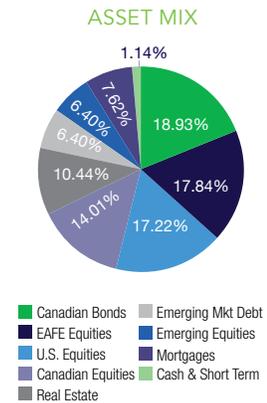
CURRENCY

The Canadian dollar recovered in 2019, as substantially all global currencies declined in value versus the loonie. This included major currencies such as the US dollar (down 5%), the British pound (down 1%), and the Euro (down 7%). This was reversal from 2018 when 80% of currencies strengthened relative to the Canadian dollar.

INVESTMENT FUND PERFORMANCE VS BENCHMARK

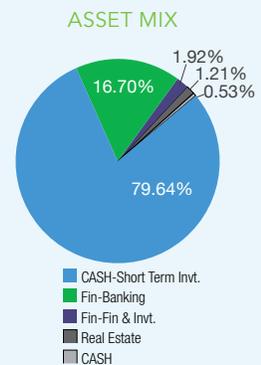
	1 YEAR	4 YEARS
BALANCED FUND	13.02%	6.64%
Objective: exceed benchmark return	14.91%	7.06%
Value added	-1.89%	-0.42%
Objective: exceed CPI plus 4%		5.90%
Difference		0.74%

The Balanced Fund is the Plan's default fund. The fund is currently in transition from 60% equities (stocks) and 40% fixed income (bonds) to a target allocation of 55% equities, 35% fixed income and 10% real estate. The risk/return profile is expected to produce moderate long-term growth with occasional short-term losses.



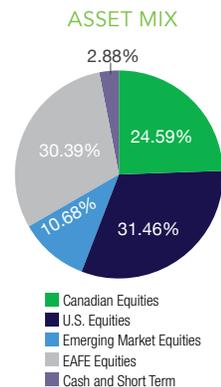
	1 YEAR	4 YEARS
MONEY MARKET FUND	1.99%	1.41%
Objective: exceed Canadian 91-day T-Bills	1.61%	1.02%
Value added	0.39%	0.39%

The Money Market Fund is the Plan's lowest risk/lowest return option. It typically produces a return similar to prevailing short-term interest rates in Canada.



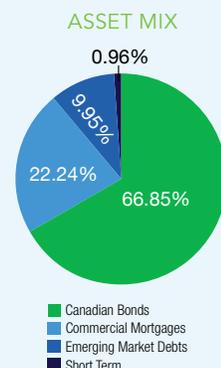
	1 YEAR	4 YEARS
EQUITY FUND	18.33%	9.03%
Objective: exceed benchmark return	21.25%	9.63%
Value added	-2.92%	-0.60%

The Equity Fund contains mainly publically traded stocks from around the world. It is managed by six different investment managers in seven different mandates. The fund is expected to produce higher average returns than the Balanced Fund over the long term, but with larger and more frequent short-term losses.



	1 YEAR	4 YEARS
BOND FUND	6.20%	3.92%
Objective: exceed benchmark return	6.31%	3.27%
Value added	-0.11%	0.65%

The Bond Fund consists mostly of Canadian bonds, as the name suggests. It is managed by two managers - one who employs an active management strategy, and the other, a passive strategy. The fund is expected to produce lower average returns than the Balanced Fund over the long term with less risk of short-term losses.





“

I love the fact that co-operatives differ from other forms of business, because they operate for the benefit of members. Making people a priority and taking a long-term view of business decisions is very important to me.

YANA NEVMERZHYTSKA
BEEMAID HONEY LIMITED
WINNIPEG, MB

INVESTMENT MANAGER PERFORMANCE*

INVESTMENT MANAGER	1 YEAR	4 YEARS
QV INVESTORS 24bps Benchmark: S&P TSX Composite Index	18.80% 22.88%	6.97% 10.28%
Value added/variance	-4.08%	-3.31%
SCHEER ROWLETT 9-39bps Benchmark: S&P TSX Composite Index	21.54% 22.88%	11.21% 10.28%
Value added/variance	-1.34%	0.93%
SPRUCEGROVE 33bps Benchmark: MSCI EAFE	11.18% 15.85%	7.35% 5.53%
Value added/variance	-4.67%	1.82%
JP MORGAN SMART BETA 6bps Benchmark: MSCI EAFE	10.43% 15.85%	N/A N/A
Value added/variance	-5.42%	N/A
WELLINGTON MANAGEMENT EMERGING MKTS 85bps Benchmark: MSCI Emerging Markets IMI Index	14.88% 11.70%	9.14% 8.84%
Value added/variance	3.18%	0.30%
WELLINGTON BONDS 7-30bps Benchmark: FTSE Universe Bond Index	6.65% 6.87%	3.37% 3.09%
Value added/variance	-0.22%	0.28%
GREYSTONE REAL ESTATE 75bps Benchmark: Consumer Price Index + 4%	7.96% 6.17%	8.20% 5.78%
Value added/variance	1.79%	2.42%
GREYSTONE MORTGAGES 28bps Benchmark: Custom	4.75% 4.65%	3.99% 2.43%
Value added/variance	0.10%	1.56%
TD ASSET MANAGEMENT SHORT TERM 3bps Benchmark: DEX 91-Day T-Bill Index	2.06% 1.61%	1.44% 1.01%
Value added/variance	0.45%	0.43%
BLACKROCK EMD 56bps Benchmark: CDOR + 5% annually	6.38% 7.04%	N/A N/A
Value added/variance	-0.66%	N/A
SCIENTIFIC BETA U.S. EQUITIES 8bps Benchmark: S&P 500 Total Return	N/A N/A	N/A N/A
Value added/variance	N/A	N/A
HILLSDALE 65 bps Benchmark: Russell 2000	N/A N/A	N/A N/A
Value added/variance	N/A	N/A
SSgA CURRENCY OVERLAY 5bps Benchmark: Custom	2.97% 2.43%	0.78% 0.75%
Value added/variance	0.54%	0.03%

*Each manager's performance is net of estimated fees

PENSIONS FUND

For members who wish to convert their accumulated retirement savings into a regular monthly income, the Plan offers a fixed monthly pension. These monthly pensions are paid from our Pensions Fund, which is invested in high-quality, long-term bonds, private debt and commercial mortgages.

The manager of the Pensions Fund employs an immunization strategy that matches the cash flow and duration characteristics of the fund to the Plan's pension liability. The immunization strategy aims to protect the fund's surplus through changing market conditions.

Our actuary (AON) filed a full report with the Superintendent of Pensions in 2017 on the funded status of the Plan's pensions (an updated report must be filed at least every third year). The report confirmed that the Pension Fund's assets continued to exceed our pension liability.

As of April 1, 2019 the Plan executed a longevity insurance contract on existing pensioners. The agreement eliminates the risks to the Plan of this group of members living longer than expected.

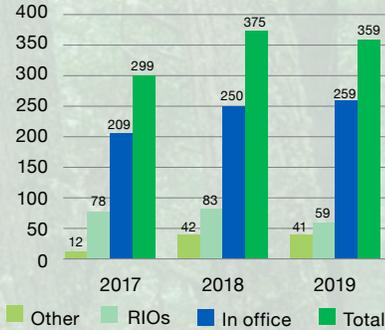
PENSIONS FUND ASSET/LIABILITY RATIO



Pensions Fund adjusted assets as a percentage of liabilities (as of Dec. 31, 2017)

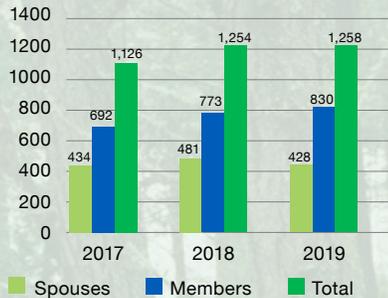
MEMBER SERVICE ACTIVITIES

INDIVIDUAL CONSULTATIONS



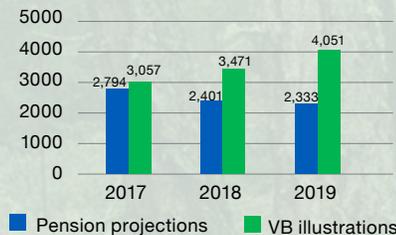
Approximately 259 individual counselling sessions were held in the Pension Plan's office during 2019. In addition, another 59 sessions were held in conjunction with RIO workshops and another 41 in conjunction with other member service activities outside the office for a combined total of 359 appointments for 2019.

RETIREMENT INCOME OPTIONS (RIO) WORKSHOPS



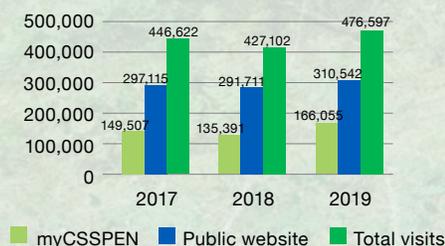
Thirteen RIO workshops were held in Swift Current, Tisdale, Grande Prairie, Calgary (2), Saskatoon (2), Regina, Estevan, Russell, Brandon and Edmonton. Total registration for the 13 workshops was 1,258, comprised of 830 members and 428 spouses. Feedback was very positive. On average, 92.41% of participants rated the 13 categories of the workshop as 'excellent' or 'very good.' The responses ranged from 85.12% to 97.33%.

PROJECTIONS



During 2019, approximately 2,333 personalized sets of pension projections and 4,051 Variable Benefit (VB) illustrations were prepared for and on behalf of employee members of the Plan.

WEBSITE



There was a total of 476,597 visits to the website in 2019. The Plan continued to improve the site throughout the year, adding new features and functionality to the myCSSPEN member portal to enhance efficiency for members when managing their pension funds.

GOVERNANCE

CO-OPERATIVE SUPERANNUATION SOCIETY

Democratically controlled by the Co-operative Superannuation Society (CSS) – a non-profit pension society that is our trustee and administrator - control rests with our member co-ops and credit unions and their current, past and retired employees. This means our members have a voice in everything that we do.

BOARD OF DIRECTORS



From left: **Mike Gartner**, retired; **Jason Sentes**, CEO, 1st Choice Savings and Credit Union; **Shannan Corey (Vice-President)**, Director, Total Rewards, Federated Co-operatives Limited; **Jeff Ambrose (President)**, VP Operations, Petroleum, Wine Spirits Beer, Home Health Care and Cannabis, Calgary Co-operative Association; **Heather Ryan**, VP, Human Resources, Federated Co-operatives Limited; **Al Meyer**, CEO, Prairie Centre Credit Union.



KEN EDEY
EMPLOYEE DELEGATE
RETIRES



ANGELA POMAZON
EMPLOYER DELEGATE
FEDERATED CO-OPERATIVES LIMITED



KIMBERLEY OLPERT
EMPLOYER DELEGATE
SASKCENTRAL

CSS DELEGATES

The delegates elected and appointed to represent the Society's employer and employee members at the 2020 annual meeting are:

EMPLOYEE

RETIRES

Ken Edey
Mike Gartner

ACTIVE CONTRIBUTORS

Alberta/B.C./N. Canada

Jeff Ambrose, Calgary Co-op
David Hoy, Peninsula Co-op
Carol Rollheiser, Wild Rose Co-op
Jason Sentes, 1st Choice Savings

Manitoba/E. Canada

Tara Baker, FCL Winnipeg
Greg Gill, Valleyview Co-op
Darren Heide, Access Credit Union
Audrey Wilkinson, Concentra Bank

Saskatchewan

Nick Billings, SaskCentral
Peter Gruening, FCL Saskatoon
Guy Martin, Accent Credit Union
Mike Moon, Central Plains Co-op
Greg Sarvis, Riverbend Co-op
Jason Schenn, Borderland Co-op
Grant Wicks*, Saskatoon Co-op

NON-CONTRIBUTORS

Ken Kosolofski*

EMPLOYER

FCL BOARD

Robert Grimsrud
Valerie Pearson

FCL STAFF

Shannan Corey
Duane DeRosier
Dave Dyck
Brenda Engele
Cassie Horsman
Angela Pomazon
Don Ryan
Heather Ryan
Jim Wightman

CUC SK

Al Meyer
Corvyn Neufeld
Kimberley Olfert

CUC AB

Heather Hemsing James

CUC MB

Barrie Davidson
Patty Gifford

CONCENTRA BANK

Jayleen Groff

*Appointed by employee directors

HOW DOES THE SOCIETY WORK?

Employer and employee members are represented at all meetings of the Society by 36 delegates, as shown in the graphic below.

Three directors are elected by and from the 18 employer delegates, and three others are elected by and from the employee delegates. The six elected directors form the CSS Board of Directors. The Board supervises the business and affairs of the Society.



Member co-ops, credit unions and their current, past and retired employees



18 delegates
appointed by
employers



17 delegates
elected by active
contributors and
retirees



One delegate
appointed
to represent
inactive members



Three directors
elected by
18 employer
delegates



Three directors
elected by
employee
delegates



Board of Directors





My contributions to the CSS Pension Plan make financial security in retirement become possible.

LALAINÉ DYOK
CANADIAN CREDIT UNION ASSOCIATION
TORONTO, ON



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

To the Members of the Co-operative Superannuation Society Pension Plan:

The financial statements of the Co-operative Superannuation Society ("the Society") and the CSS Pension Plan ("the Plan") have been prepared by Plan management and approved by the Society's Board of Directors.

Plan management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for pension plans and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, Plan management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets under administration by the Society are safeguarded and controlled, that transactions comply with the Society's Act of Incorporation and Bylaws and the Plan's Rules and Statement of Investment Policies and Goals, and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors of the Society is composed entirely of Directors who are neither management nor employees of the Plan. The Board is responsible for overseeing Plan management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Society's Board is also responsible for recommending the appointment of the Plan's external auditors.

MNP LLP is appointed by the Society's Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Society's Board and Plan management to discuss their audit findings.



Martin McInnis
Executive Director
CSS Pension Plan
Secretary-Treasurer
Co-operative Superannuation Society



Brent Godson
Director, Investments and Financial Management
CSS Pension Plan

Independent Auditor's Report

To the Members of Co-operative Superannuation Society Pension Plan:

Opinion

We have audited the financial statements of Co-operative Superannuation Society Pension Plan (the "Plan"), which comprise the statement of financial position as at December 31, 2019, and the statement of changes in net assets available for benefits for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2019, and its financial performance for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Independent Auditor's Report

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saskatoon, Saskatchewan

February 26, 2020

MNP LLP

Chartered Professional Accountants



STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

Investment funds

(thousands of dollars)

ASSETS	2019	2018
Investments (Note 3)	4,083,613	3,708,457
Due from brokers	7,728	-
Cash	2,861	3,998
Accrued investment income	4,059	3,777
Accounts receivable		
Employee contributions	1,326	234
Employer contributions	1,086	229
Capital assets	506	620
Interfund balance (Note 8)	5,221	3,209
	4,106,400	3,720,524
LIABILITIES		
Due to brokers	-	23,053
Accounts payable	5,162	5,548
Interfund balance (Note 8)	5,130	3,057
	10,292	31,658
NET ASSETS AVAILABLE FOR BENEFITS (NOTE 10)	4,096,108	3,688,866
REPRESENTED BY: Member contribution accounts (Note 7)	4,096,108	3,688,866

Pensions Fund

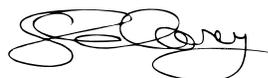
(thousands of dollars)

ASSETS	2019	2018
Investments (Note 3)	743,526	689,441
Accrued investment income	4,942	5,299
	748,468	694,740
LIABILITIES		
Due to broker	17,140	-
Accounts payable	365	367
Interfund balance (Note 8)	91	152
	17,596	519
NET ASSETS AVAILABLE FOR BENEFITS	730,872	694,221
REPRESENTED BY: Pension reserve	730,872	694,221

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31, 2019

Investment funds

(thousands of dollars)

INCREASE IN ASSETS	2019	2018
Investment income		
Interest	4,064	3,374
Dividends		
Canadian dividends	17,712	16,818
Foreign dividends	19,131	11,350
Pooled fund distributions	43,500	51,862
Increase (decrease) in market value of investments	397,271	(250,677)
Other	758	579
	482,436	(166,694)
Contributions		
Employee	85,008	80,806
Employer	89,679	94,992
	174,687	175,798
Total increase in assets	657,123	9,104
DECREASE IN ASSETS	2019	2018
Administrative expenses		
Investment services	11,222	11,881
Investment transaction costs	692	641
Salaries and employment costs	2,266	1,970
Operations	2,485	1,165
Membership control	172	179
Administrative expenses (recovery from Pensions Fund)	(2,324)	(1,057)
	14,513	14,779
Equity repayments	162,400	133,797
Variable benefit payments	37,960	33,038
Equity transferred to Pensions Fund	35,008	35,587
	235,368	202,392
Total decrease in assets	249,881	217,171
Increase (decrease) in net assets	407,242	(208,067)
Net assets available for benefits, beginning of year	3,688,866	3,896,933
Net assets available for benefits, end of year (Note 10)	4,096,108	3,688,866

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31, 2019

Pensions Fund

(thousands of dollars)

INCREASE IN ASSETS	2019	2018
Investment income		
Interest	27,300	27,106
Increase (decrease) in market value of investments	28,309	(18,132)
Pooled fund distributions	761	-
Equity transferred from Investment Funds	35,008	35,587
Other	121	140
Total increase in assets	91,499	44,701
DECREASE IN ASSETS		
Pension paid	52,522	51,436
Administrative expenses	2,326	1,057
Total decrease in assets	54,848	52,493
Increase (decrease) in net assets	36,651	(7,792)
Net assets available for benefits, beginning of year	694,221	702,013
Net assets available for benefits, end of year	730,872	694,221

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. DESCRIPTION OF PLAN

A summary description of the Co-operative Superannuation Society Pension Plan (“the Plan”) appears below. For complete information, refer to the Co-operative Superannuation Society’s Act of Incorporation, its Bylaws, and the Rules and Regulations of the Co-operative Superannuation Society Pension Plan.

(A) GENERAL

The Co-operative Superannuation Society (“the Society”) is a non-profit pension society incorporated on a membership basis by a private Act of the Saskatchewan Legislature. The Society serves as administrator of the Co-operative Superannuation Society (“CSS”) Pension Plan and as fund holder and trustee of five investment funds.

The Co-operative Superannuation Society Pension Plan (“the Plan”) is a multi-employer defined contribution pension plan. The Plan’s purpose is to enable employees of member Co-operatives and Credit Unions to prepare for and fund their retirements by providing tax-deferred saving and income products and services through a member owned and controlled non-profit organization.

Member employees bear the risk of investment losses and are the sole beneficiaries of investment gains.

The Plan includes 319 (2018 – 333) independent co-operatives and credit unions and more than 41,000 (2018 – 40,000) of their current and past employees. The Plan also pays retirement income to more than 8,000 (2018 – 7,900) of their retired employees. Each of these employers, employees and retirees is a member of the Plan. Actively contributing employers and employees, and retirees receiving pensions or variable benefit payments from the Plan, are also members of the Society.

The Plan is registered under the *Income Tax Act* and the Saskatchewan *Pension Benefits Act* (Registration Number 0345868) and is not subject to income taxes.

(B) FUNDING POLICY

Each participating employer must establish a required contribution rate for its employees between 0% and 9% of regular earnings or total earnings. Employers must deduct employees’ required contributions from their earnings and match that contribution with an employer contribution of an equal amount. If the employee required contribution rate is set at 0%, the employer must still contribute a minimum of 1% of earnings. The Plan permits both employees and employers to make additional voluntary contributions to the Plan. The total of all contributions to the Plan may not exceed the annual limit prescribed by the *Income Tax Act*.

(C) VESTING

Employer contributions vest in employees immediately upon receipt by the Plan.

(D) INVESTMENT FUNDS

The Plan offers members four unitized funds for the investment of their contributions and accumulated benefits – a Balanced Fund, a Money Market Fund, a Bond Fund and an Equity Fund. The number and type of investment funds offered to members is determined by the Society’s Board of Directors.

Members are permitted, but not required to choose how they wish to distribute their contributions and accumulated benefits among the investment funds offered. Members who do not make a choice are invested in the Plan’s default investment option, which is a Balanced Fund.

(E) RETIREMENT

Employees who no longer work for an employer member of the Plan may apply for retirement benefits upon reaching age 50 or once the employee’s age plus years of completed continuous service reaches a factor of 75. Phased retirement, as permitted under the *Income Tax Act* and provincial pension legislation, is also available to employees with the consent of their employer.

The Plan offers retirees two internal retirement income options – a fixed monthly pension and a variable benefit payment option. Members’ accumulated benefits may also be transferred to an insurer or financial institution licensed to provide retirement income products. Retirees must start a retirement income from the Plan or transfer their benefits into a self-directed lifetime retirement income product no later than the maximum age of deferral under the *Income Tax Act*.

(F) PENSIONS

The accumulated benefits of retirees who choose to start a fixed monthly pension are transferred into the CSS Pensions Fund – a segregated portfolio that secures the Plan’s pension liability. Monthly pension payments are paid from this Fund. The Plan offers both single and joint life pensions.

Pensions provided by the Plan may receive periodic ad hoc increases, subject to the solvency of the CSS Pensions Fund and the policies adopted by the Plan’s Board of Directors.

(G) VARIABLE BENEFIT PAYMENTS

The accumulated benefits of members who choose to start a variable benefit payment remain in their account and under their control, invested in the Plan’s Investment Funds as directed by the member. Variable

benefit payments are periodic withdrawals taken directly from the member's accumulated benefits. Members may select a monthly or annual payment. Members receiving variable benefit payments have control over the amounts withdrawn, subject to the limits in the *Income Tax Act* and applicable pension legislation. Depending on a member's life span, investment returns and payment choices, a variable benefit payment may not provide a lifetime retirement income.

(H) DISABILITY PENSIONS

In the event of termination due to health, injury or disability, a pension or variable benefit payment may commence at any age, subject to the Plan receiving acceptable medical confirmation.

(I) DEATH BENEFITS

In the event of a member's death prior to starting a pension or variable benefit payment, the member's accumulated benefits are paid to the member's spouse, beneficiary or estate in accordance with the member's designation, but subject to the provisions of the *Income Tax Act* and applicable pension legislation.

(J) TERMINATION OPTIONS

Upon final termination of employment with any employer participating in the Plan, an employee member has the following options:

Accumulated benefits locked-in for pension

The member may:

- i) leave locked-in benefits in the Plan to commence a pension or variable benefit payment when eligible to do so, or
- ii) provided that the member has not started a pension, he/she may transfer locked-in benefits to a registered plan with an insurer or financial institution licensed to provide retirement income products that meet the conditions prescribed by the *Income Tax Act* and applicable pension legislation.

Accumulated benefits not locked-in for pension

The member may:

- i) leave non-locked-in benefits in the Plan to commence a pension or start a variable benefit payment, or;
- ii) provided that the member has not used them to start a pension, he/she may withdraw non-locked-in benefits in the form of a cash payment net of income tax or as a qualified transfer to a registered plan with an insurer or financial institution.

(K) ADMINISTRATIVE AND INVESTMENT EXPENSE

All Plan expenses are paid directly from the Balanced Fund. Expenses associated with the administration and investment of the other investment funds are reimbursed to the Balanced Fund in proportion to their share of the expense. The Pensions Fund reimburses the Balanced Fund monthly based on a daily accrual charge.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. The statements present the combined operations of the Co-operative Superannuation Society and the Co-operative Superannuation Society Pension Plan, independent of participating employers and plan members.

INVESTMENT TRANSACTIONS AND INCOME

Investment transactions are recognized on the trade date (the date upon which substantial risks and rewards have been transferred). Investment transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

Investment income consists of earned income (interest and dividends), realized gains and losses on disposal of investments, and unrealized gains and losses resulting from changes in the market value of investments, including pooled fund distributions.

Average cost reflects the purchase cost of the investment and includes direct acquisition costs.

CATEGORY	BASIS OF VALUATION
Interest income	Accrual basis
Dividend income	Accrual basis on the ex-dividend date
Realized gains and losses for investments sold	Difference between proceeds on disposal and the average cost
Unrealized gains and losses for investments held	Difference between market value and the average cost



INVESTMENT VALUATION

Fixed income and equity investments are stated at market values as determined by reference to quoted year-end prices provided by independent investment services organizations. Pooled funds are stated at the year-end unit values, which reflect the market value of their underlying securities. Real Estate pooled fund underlying assets are valued by 3rd party appraisers. Short-term investments are recorded at cost, which together with accrued interest or discount earned, approximates market value.

FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated into Canadian dollars at rates of exchange prevailing on the transaction date. Investments denominated in foreign currencies and held at the end of the year are translated at exchange rates in effect at year-end. The resulting realized and unrealized gains and losses are included in investment income.

FINANCIAL INSTRUMENTS

The carrying amounts of the Plan's receivables, payables, and accruals approximate fair value due to their short-term nature.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts, the value of which is derived from changes in underlying assets or indices as measured at the closing date of the period being reported. Derivative transactions are conducted in the over-the-counter market directly between two counter parties or on regulated exchange markets. All derivative financial instruments are recorded at market value using market prices. Where quoted market values are not readily available, appropriate valuation techniques are used to determine market value.

USE OF ESTIMATES AND JUDGMENT

The preparation of financial statements prepared in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the amounts of increases and decreases in net assets available for benefits for the reporting period. The most significant estimates relate to the fair values of investments. Actual results could differ from those estimates.

3. INVESTMENTS

The Society serves as fund holder and trustee for the Pensions Fund and four unitized Investment Funds: a Balanced Fund, a Money Market Fund, a Bond Fund, and an Equity Fund. The structures of these funds are determined by the Society's Board of Directors, which sets the Plan's Investment Policy. The Plan's Investment Policy conforms to the legal requirements and best practice guidelines applicable to pension trusts.

CSS INVESTMENT FUNDS

(thousands of dollars)

Investment Type	2019		2018	
	Market Value	Investment Percentage	Market Value	Investment Percentage
Short-Term				
Custodial Cash Accounts	\$ 1,828		\$ 2,949	
Short-Term Investments	27,305		26,519	
	29,133	0.7%	29,468	0.8%
Equities				
Canadian	528,161		434,815	
U.S. Equities	561,338		-	
Non-North American	342,041		308,614	
	1,431,540	35.1%	743,429	20.0%
Pooled Funds				
Short-Term	190,861		164,255	
Fixed Income	740,302		753,572	
U.S. Equities	125,158		596,595	
International Equities	366,247		356,369	
Emerging Mkt Equities	254,227		243,261	
Canadian Real Estate	285,729		225,708	
Global REITS	111,347		107,279	
Emerging Mkt Debt	245,414		230,360	
Commercial Mortgages	303,655		258,161	
	2,622,940	64.2%	2,935,560	79.2%
Total	\$ 4,083,613	100.0%	\$ 3,708,457	100.0%

The CSS Investment Funds contain cash, short-term investments, bonds, Canadian and foreign equities, and units in pooled funds. The Balanced Fund contains cash, short-term investments, Canadian equities, non-north American equities, U.S. equities, and units in pooled funds (short-term, fixed income, emerging markets debt, U.S. equities, international equities, emerging markets equities, Canadian real estate, global REITS, and commercial mortgages). The Money Market Fund contains cash and units in a short-term pooled fund. The Equity Fund contains cash, short-term investments, Canadian equities, non-north American equities, U.S. equities, and units in short-term, U.S., international, emerging market equity pooled funds. The Bond Fund contains cash, and units in short-term, fixed income, emerging market debt, and commercial mortgage pooled funds.

CSS PENSIONS FUND

(thousands of dollars)

	2019		2018	
	Market Value	Investment Percentage	Market Value	Investment Percentage
Short-Term				
Custodial Cash Accounts	\$ 20,974		\$ 3,134	
Short-Term Investments	-		5,027	
	20,974	2.8%	8,161	1.2%
Bonds and Debentures				
Federal	41,410		52,534	
Provincial	244,528		286,982	
Municipal	40,071		49,095	
Corporate	306,642		292,669	
	632,651	85.1%	681,280	98.8%
Pooled Funds				
Private Debt	47,782		-	
Commercial Mortgages	42,119		-	
	89,901	12.1%	-	-
Total	\$ 743,526	100.0%	\$ 689,441	100.0%

The Pensions Fund contains cash, short-term investments, Canadian bonds and units in Private Debt and Commercial Mortgage pooled funds. An immunization strategy is employed by the Pensions Fund Manager to ensure that cash flows from the fund will meet the Plan's pension payroll, and to render the portfolio immune to changes in interest rates.

FAIR VALUE

The Plan has classified its financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements. Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified in Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's financial instruments within a fair value hierarchy, excluding custodial cash accounts:

(thousands of dollars)	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018
Investment Funds								
Short-Term	-	-	27,305	26,519	-	-	27,305	26,519
Equities	1,431,540	743,429	-	-	-	-	1,431,540	743,429
Pooled Funds	111,347	107,279	2,225,864	2,602,573	285,729	225,708	2,622,940	2,935,560
Total	\$ 1,542,887	\$ 850,708	\$ 2,253,169	\$ 2,629,092	\$ 285,729	\$ 225,708	\$ 4,081,785	\$ 3,705,508
Pensions Fund								
Short-Term	-	-	-	5,027	-	-	-	5,027
Bonds	-	-	632,651	681,280	-	-	632,651	681,280
Pooled Funds	-	-	-	-	89,901	-	89,901	-
Total	\$ -	\$ -	\$ 632,651	\$ 686,307	\$ 89,901	\$ -	\$ 722,552	\$ 686,307

The following table represents the changes to Level 3 instruments during the period ended December 31, 2019.

(thousands of dollars)

RECONCILIATION OF LEVEL 3 ASSETS:	2019	2018
Investment Funds		
Balance at January 1	\$ 225,708	\$ 120,613
Net purchases, sales, principal pyts	38,022	90,434
Unrealized gains	21,999	14,661
Balance at December 31	\$ 285,729	\$ 225,708
Pensions Fund		
Balance at January 1	\$ -	\$ -
Net purchases, sales, principal pyts	90,780	-
Unrealized losses	(879)	-
Balance at December 31	\$ 89,901	\$ -

4. RISK MANAGEMENT

The net assets available for benefits in the Plan's Investment Funds and Pensions Fund consist almost entirely of financial instruments. The risks of holding financial instruments include interest rate risk, credit risk, market risk, foreign exchange risk, equity price risk and liquidity risk. Significant financial risks are related to the investments held on behalf of Plan members. These financial risks are managed by having an investment policy, which is approved annually by the Board of Directors. The investment policy provides guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity of fixed term investments and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. The Board reviews regular compliance reports from its investment managers and custodian as to their compliance with the investment policy.

INTEREST RATE RISK

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position, and income. Each Fund's exposure to interest rate risk, if any, is concentrated in its investments in debt securities including short-term investments, bonds and debentures and fixed income pooled funds. The Plan's sensitivity to interest rate changes is estimated using the weighted average duration of the fixed income portfolio. In practice, the actual trading results may differ from these approximations and the difference can be material.

The CSS Investment Funds has exposure to interest rate risk as follows: As at December 31, 2019, if the prevailing interest rate had changed by 1.00%, assuming a parallel shift in the yield curve with all other variables held constant, net assets would have decreased or increased respectively by approximately, \$66.4 million (approximately 1.62% of net assets) (2018 - \$64.4 million or 1.74% of net assets).

The CSS Pensions Fund has exposure to interest rate risk as follows: As at December 31, 2019, if the prevailing interest rate had changed by 1.00%, assuming a parallel shift in the yield curve with all other variables held constant, net assets would have decreased or increased respectively

ly by approximately, \$70.6 million (approximately 9.66% of net assets) (2018 - \$58.8 million or 8.47% of net assets).

CREDIT RISK

Credit risk refers to the potential loss arising from a party not being able to meet its financial obligation. The Plan is subject to credit risk within its investment holdings, forward currency contracts and securities lending program.

Credit risk within investments is managed through the Plan's Statement of Investment Policies and Goals. The investment policy together with the investment management agreement establishes limits on each manager's exposure to lower credit quality issues and borrowers as well as the maximum exposure to any one issuer or borrower.

As at December 31, 2019, 100% (2018 - 100%) of the Plan's short-term investments were rated "R-1 low" or better and 66.35% (2018 - 70.81%) of the bonds and debentures held in the CSS Investment Funds and 89.05% (2018 - 95.54%) of the bonds and debentures held in the CSS Pensions Fund were rated "A" or better.

Currency forward contracts are entered into between the Plan and approved counter parties. The credit risk associated with these contracts is mitigated by establishing a minimum number of counter parties, and through credit analysis of counterparties performed by the Currency Manager.

Under the securities lending program, collateral is pledged to the Plan by various counter parties for securities out on loan to the counter parties. The plan has entered into a securities lending agreement with BNY Mellon Global Collateral Services, to enhance portfolio returns. The securities lending program operates by lending the Plan's available securities to approved borrowers. Credit risk associated with the securities lending program is mitigated by requiring borrowers to provide cash or collateral that exceeds the market value of the loaned securities. At December 31, 2019, securities on loan had a market value of \$539.0 million (2018 - \$342.6 million). Collateral held to secure those loans had a market value of \$571.3 million (2018 - \$355.9 million).

MARKET RISK

Market risk is the risk that the value of an investment will fluctuate as a result of changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and security prices.

FOREIGN CURRENCY RISK

The Plan is exposed to currency risk through holdings of foreign equities where investment values may fluctuate due to changes in foreign exchange rates. The Plan manages foreign currency risk by investing in securities that are strategically distributed over several geographic areas to limit exposure to any one foreign currency.

On December 31, 2019, the Plan's foreign currency exposures were as follows:

CURRENCY

<i>(thousands of Canadian dollars)</i>	2019	2018
United States dollar	\$ 813,906	\$ 660,981
British pound sterling	169,965	143,185
Euro	138,046	118,425
Other European currencies	73,640	75,047
Japanese yen	130,796	155,719
Other Pacific currencies	119,172	163,121
Emerging Market currencies	310,507	291,257
Total	\$ 1,756,032	\$ 1,607,735

The Plan also manages currency risk through the use of currency forwards. These currency forwards are used to dynamically hedge the Plan's developed market foreign currency exposure. As at December 31, 2019 the fair value of the currency forwards payable was \$2,766.0 million (2018 - \$2,555.1 million) and the fair value of the currency forwards receivable was \$2,781.6 million (2018 - \$2,532.0 million).

The Plan's currency forward contracts at December 31, 2019, were as follows:

CURRENCY

<i>(thousands of Canadian dollars)</i>	2019			2018		
	Market Value	Notional Value	Gain (Loss)	Market Value	Notional Value	Gain (Loss)
Canadian Dollar	\$ 942,474	942,474	-	\$ 729,228	729,228	-
Swiss Franc	(41,956)	(41,746)	(210)	(39,238)	(37,605)	(1,633)
British Pound	(34,575)	(34,613)	38	(15,763)	(15,382)	(381)
Hong Kong Dollar	(51,585)	(52,550)	965	(50,085)	(48,717)	(1,368)
Euro	(106,430)	(107,279)	849	(94,153)	(90,753)	(3,400)
United States Dollar	(606,723)	(620,847)	14,124	(465,661)	(451,124)	(14,537)
Australian Dollar	(40,170)	(39,605)	(565)	(37,359)	(37,689)	330
Singapore Dollar	(28,020)	(28,209)	189	(31,769)	(30,711)	(1,058)
Danish Krone	(2,443)	(2,464)	21	(2,623)	(2,534)	(89)
Israeli Shekel	(143)	(145)	2	(139)	(136)	(3)
Japanese Yen	(12,531)	(12,765)	234	(13,074)	(12,170)	(904)
New Zealand Dollar	(2,309)	(2,251)	(58)	(2,415)	(2,407)	(8)
Total	\$ 15,589	-	15,589	\$ (23,051)	-	(23,051)

As at December 31, 2019, if the Fund's functional currency, the Canadian dollar, had strengthened or weakened by 5% in relation to all other currencies with all other variables held constant, the net assets would have decreased or increased respectively, by approximately \$41.5 million (approximately 1% of net assets) (2018 - \$42.8 million or 1% of net assets). In practice, the actual trading results may differ from this approximate sensitivity analysis and the differences could be material.

EQUITY PRICE RISK

The Plan is exposed to changes in equity prices in global markets. The Board's policy is to invest in a diversified portfolio of investments. No one investee or related group of investees represents greater than 10% of the total book value of the assets of the plan. As well, no one holding represents more than 30% of the voting rights of any corporation.

As at December 31, 2019 had market prices, as measured by the benchmark indices, increased or decreased by 10%, with all other variables held constant, the Investment Fund's net assets available for benefits would have increased or decreased by approximately:

<i>(thousands of dollars)</i>	2019 IMPACT	2018 IMPACT
Benchmark		
S&P TSX Composite Total Return Index	\$ 52,816	\$ 43,481
S&P 500 Total Return Index	56,134	31,186
S&P 400 Total Return Index	-	28,473
Russell 2000 Total Return Index	12,516	-
MSCI EAFE Total Return Index	70,829	66,498
MSCI Emerging Markets IMI Total Return Index	25,423	24,326
FTSE Epra/Nareit Developed Liquid Index	11,135	10,728
Total	\$ 228,853	\$ 204,692

LIQUIDITY RISK

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan manages liquidity risk by maintaining adequate cash and short-term securities and monitoring actual and forecasted cash flows to support the Plan's operating needs.

5. ACTUARIAL VALUATION OF PENSION ASSETS AND LIABILITIES

The payments to retired members who chose to receive a fixed monthly pension from the Plan are paid from the CSS Pensions Fund. An actuarial valuation of the assets held in the CSS Pensions Fund and of the Plan's pension liability is required every three years by law. The most recently completed valuation was conducted as at December 31, 2017. At that date, the Plan's actuary reported that the market value of the assets held in the CSS Pensions Fund exceeded the Plan's pension liability as indicated below.

ACTUARIAL POSITION

<i>(thousands of dollars)</i>	2017	2015
Market Value of Assets:	\$ 702,013	\$ 675,363
Less actuarial value of Pension Liability	(641,231)	(594,521)
Surplus at December 31	\$ 60,782	\$ 80,842
Reserve for adverse deviation from assumptions	\$ 60,782	\$ 80,842

On April 1, 2019 the Plan entered into a longevity insurance contract with The Co-operators Life Insurance Company. The agreement transfers the Plan's exposure to potential increases in pensioner longevity (the risk pensioners will live longer than expected), for over 6,300 retired members, to The Co-operators Life Insurance Company in exchange for a quarterly premium payment. The strategy mitigates the risk that pension assets will be insufficient to pay liabilities in the future.

Based on monthly immunization calculations performed by the Plan's external Pensions Fund Manager, Management estimates that the market value of the Pensions Fund as at December 31, 2019, continued to be adequate to fully fund the Plan's pension liability and provide a reserve for adverse deviation from assumptions. The assumptions used by the Pensions Fund Manager may vary from the assumptions used by the Plan's actuary in performing the Plan's triennial actuarial valuations.

6. UNIT PRICING

Investment income, gains and losses accruing on the assets held in the investment funds available to members are credited to those invested through daily changes in fund unit prices. Investment and administration expenses relating to each fund are accrued to each fund prior to establishing its daily unit price. Depending on whether a fund experiences a net gain or loss after expenses, the fund's unit price increases or decreases accordingly. Fund transactions may be suspended temporarily at management's discretion where an accurate unit price for a fund cannot be determined due to the unavailability of reliable market pricing or other asset valuations.

Fund transactions are processed using "forward pricing". This means that they are processed at the next unit price set after receiving funds or instructions. Contributions to, and transfers between the investment funds available to members are processed on a daily basis in the normal course. Lump sum withdrawals are generally processed on a weekly basis. Periodic withdrawals of retirement income are processed in accordance with the terms of each member's application for benefits.

On December 31, 2019, the CSS Balanced Fund's unit price was \$25.2067 (2018 - \$22.3026), the CSS Money Market Fund's unit price was \$12.9621 (2018 - \$12.7087), the CSS Equity Fund's unit price was \$22.0097 (2018 - \$18.6009), and the CSS Bond Fund's unit price was \$14.1374 (2018 - \$13.3121).

7. RECONCILIATION OF MEMBERS' ACCOUNTS

In accordance with Canadian accounting standards for pension plans, the Statement of Net Assets Available for Benefits includes the fair value of the investments held on behalf of plan members as well as fixed assets and various adjustments and accruals. Only actual cash transactions and market value changes that occurred from January 1, 2019, to the last business day of the year, however, are reflected in the unit prices and unit counts that determine the total value of members' accounts at year-end.

As stated in the Statement of Financial Position, the value of net assets available for benefits as at December 31, 2019 was \$4,096,108 while the total value of members' accounts as per the Plan's unitized record keeping system on this same date was \$4,090,688. The difference between these two amounts is reconciled below.

RECONCILIATION

(thousands of dollars)

	2019	2018
Net Assets available for Benefits	\$ 4,096,108	\$ 3,688,866
Add Back:		
Accrued Expenses	154	89
Withdrawals Payable	1,929	1,609
Deduct:		
Market Value Adjustments	(4,549)	(1,555)
Contributions Receivable	(2,954)	(946)
Total Value of Members' Accounts	\$ 4,090,688	\$ 3,688,063

8. INTERFUND BALANCES

Interfund balances represent an accrual of the outstanding administration charges owed by the CSS Pensions Fund to the CSS Balanced Fund at the end of the reporting period, plus an interest charge on this and other amounts owed during the year. Interest is calculated on the amount outstanding monthly at the rate earned on Canadian T-bills for the immediately preceding month. Amounts owed are reimbursed to the CSS Balanced Fund.

9. FUND RETURNS AND EXPENSES

The rates of return and management expense ratios (MER) of the investment funds offered to Plan members in 2019 were as follows:

Fund	2019		2018	
	Return	MER	Return	MER
Balanced Fund	13.02%	0.38%	(4.81%)	0.41%
Money Market Fund	1.99%	0.15%	1.75%	0.14%
Bond Fund	6.20%	0.30%	1.98%	0.26%
Equity Fund	18.33%	0.36%	(9.01%)	0.41%

The returns stated are net of all administrative and investment expenses.

11. INVESTMENT FUNDS DETAIL

STATEMENT OF FINANCIAL POSITION

(thousands of dollars)

	2019					2018
	Balanced Fund	Money Market Fund	Bond Fund	Equity Fund	Total	Total
Assets						
Investments	3,755,301	161,113	41,223	125,976	4,083,613	3,708,457
Due from brokers	7,700	-	-	28	7,728	-
Cash	2,861	-	-	-	2,861	3,998
Accrued investment income	3,887	-	-	172	4,059	3,777
Accounts receivable						
Employee contributions	1,326	-	-	-	1,326	234
Employer contributions	1,086	-	-	-	1,086	229
Capital assets	506	-	-	-	506	620
Interfund balance	2,792	1,927	502	-	5,221	3,209
	3,775,459	163,040	41,725	126,176	4,106,400	3,720,524
Liabilities						
Due to brokers	-	-	-	-	-	23,053
Accounts payable	4,711	306	53	92	5,162	5,548
Interfund balance	-	-	-	5,130	5,130	3,057
	4,711	306	53	5,222	10,292	31,658
Net Assets Available for Benefits	3,770,748	162,734	41,672	120,954	4,096,108	3,688,866

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(thousands of dollars)

2019

2018

	Balanced Fund	Money Market Fund	Bond Fund	Equity Fund	Total	Total
Increase in Net Assets						
Investment Income						
Interest	1,145	2,919	-	-	4,064	3,374
Dividends						
Canadian dividends	16,882	-	-	830	17,712	16,818
Foreign dividends	18,337	-	-	794	19,131	11,350
Pooled fund distributions	42,160	-	1,279	61	43,500	51,862
Increase (decrease) in market value of investments	385,520	110	580	11,061	397,271	(250,677)
Other	710	23	6	19	758	579
	464,754	3,052	1,865	12,765	482,436	(166,694)
Employee contributions	78,598	703	348	5,359	85,008	80,806
Employer contributions	82,489	1,339	642	5,209	89,679	94,992
Interfund transfers	(79,914)	74,681	12,426	(7,193)	-	-
	81,173	76,723	13,416	3,375	174,687	175,798
Total increase in assets	545,927	79,775	15,281	16,140	657,123	9,104
Decrease in Net Assets						
Administrative expenses						
Investment services	10,870	53	32	267	11,222	11,881
Investment transaction costs	637	27	7	21	692	641
Salaries employment costs	2,093	82	22	69	2,266	1,970
Operations	2,390	45	12	38	2,485	1,165
Membership control	160	6	1	5	172	179
Admin. expense (recovery)	(2,184)	(67)	(18)	(55)	(2,324)	(1,057)
	13,966	146	56	345	14,513	14,779
Equity repayments	129,860	23,953	3,900	4,687	162,400	133,767
Variable benefit payments	22,341	14,161	1,124	334	37,960	33,038
Equity transferred to Pensions Fund	18,050	16,062	454	442	35,008	35,587
	170,251	54,176	5,478	5,463	235,368	202,392
Total decrease in assets	184,217	54,322	5,534	5,808	249,881	217,171
Increase (Decrease) in Net Assets	361,710	25,453	9,747	10,332	407,242	(208,067)
Net Assets Available for Benefits, Beginning of Year	3,409,037	137,282	31,925	110,622	3,688,866	3,896,933
Net Assets Available for Benefits, End of Year	3,770,747	162,735	41,672	120,954	4,096,108	3,688,866





PENSION PLAN

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Strength in Numbers.