



NAVIGATING THE FUTURE

2017



PENSION PLAN

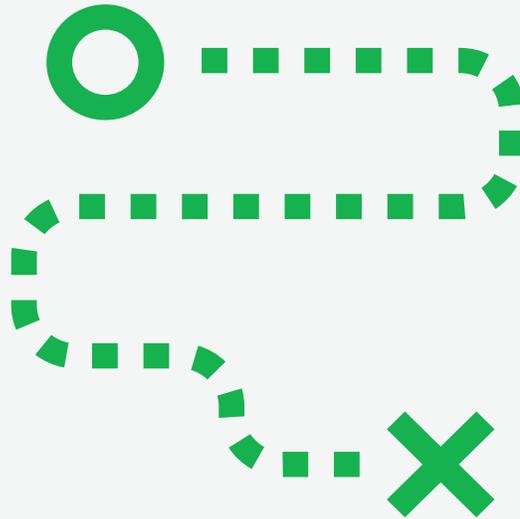


PENSION PLAN

2017 ANNUAL REPORT

LEGEND

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BOARD'S REPORT

On behalf of the Board, I am pleased to present the 2017 annual report of the Co-operative Superannuation Society (CSS) Pension Plan.

2017 marked the beginning of a new planning cycle for the Board, and it was a busy year of continued change and progress in several areas:

- A new multi-year strategic plan was adopted;
- Analysis and research continued into alternative asset classes to maintain return and volatility objectives in our investment portfolio, and led to a decision to introduce emerging market debt to the investment portfolio;
- A detailed mortality study was completed on our Pensions Fund to assist in continuing to prudently manage the risks inherent in the Pensions Fund;
- Continued enhancements were introduced to the website, allowing members to better tailor their CSS investments to their own unique circumstance;
- The Board supported management's need to lease new space and to add additional staff in 2018 to continue to grow the Plan and enhance the services provided to members; and
- Scheduled work continued under the Plan's internal audit program that was adopted in 2016.

Constant and rapid change has been a theme in recent annual reports of CSS, and that theme continued in 2017. The Board and management met at a full-day, facilitated strategy session in August to consider the changes occurring in our industry and how we can best navigate those changes. The session culminated with the identification and adoption of high-level strategic objectives that will guide us for the next number of years.

While investment markets produced healthy returns in 2017, we recognize that the current cycle is likely getting



While investment markets produced healthy returns in 2017, we recognize that the cycle is likely getting long in the tooth and members should be aware that we may see increased volatility in the relative near term.

long in the tooth and members should be aware that we may see increased volatility in the markets and in CSS fund unit values over the relative near term. Low long-term interest rates continued to impact new pension starts in 2017.

The Board also met to receive the usual reports from the Plan management team 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. Investment expenses increased in 2017 to pursue changes in our investment mandates as noted above. Growth in membership resulting from changes within our employer membership base and investment gains in 2017 have assisted in keeping the Plan's administration expenses steady as a percentage of overall assets under administration.

GOVERNANCE

In the governance area, one new director joined the Board in 2017. Jason Sentes of 1st Choice Savings and Credit Union in Lethbridge, AB was elected as

an employee director at the 2017 Annual General Meeting. Delegate elections were held in 2017 in the Manitoba/East region, Alberta/BC/ Northern Canada region as well as to represent retirees.

Director training continued in 2017 with a focus this year on risks inherent in the Pensions Fund to provide information necessary for the Board to make informed and prudent decisions in this area on behalf of all Plan members.

The Board also did its part in assisting the Plan to reduce its paper footprint by moving to an online Board portal in 2017.

In closing, I would like to thank 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. Together, we are committed to the Plan's mission, vision and values and are focused on providing excellent service to members. [⚓](#)

Al Meyer, President
Co-operative Superannuation Society



EXECUTIVE DIRECTOR'S REPORT

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

PLOTTING THE COURSE

Navigating change has become our new normal at CSS. The Board and management took the opportunity in 2017, in a facilitated one-day planning session, to consider the changes occurring within our industry and changes in our members' expectations of CSS; and to plot a course over the next number of years that will help us pilot those changes to the benefit of our members.

A core theme coming from these discussions that is currently, and will continue to be, central to our initiatives over the coming years is the evolution of the overall member experience delivered by CSS. Simplicity of design, reasonable cost and competitive investment returns will, of course, remain key objectives, but we recognize that there is a continued growing need amongst our members for information, education, tools and in-person assistance to help them make informed decisions about their retirement

investments, both while accumulating their retirement funds but, increasingly, while they are drawing down their funds in retirement.

We are pleased to report progress on a number of member experience initiatives in 2017:

- Continuing build-out of website tools and calculators to aid members in their investment choices and decisions, including a target risk fund calculator members can use to tailor their CSS investments to their unique risk tolerance;
- Increased proactive calling by the Plan's Pension Plan Consultants to support members with retirement income option decisions at retirement;
- Expanded use of opt-in e-newsletters for employee as well as employer members;
- Preparations for the Plan to add social media channels in early 2018;



Investment performance is a primary element of the CSS member experience. The markets generally provided healthy returns in 2017, and we are pleased to report that returns in all four of the Plan's investment funds exceeded their benchmarks in 2017.

- Design and development of a simple online retirement planning tool to be released in early 2018;
- Continued transition toward digital communications and reduction in reliance on paper publications resulting in significant reductions in postage and printing costs in 2017; and
- Expanded delivery of our popular Retirement Income Options workshops.

Investment performance is a primary element of the CSS member experience. The markets generally provided healthy returns in 2017, and we are pleased to report that returns in all four of the Plan's investment funds exceeded their benchmarks in 2017. Nonetheless, we continue to deal with a "lower for longer" interest rate environment and an overall investment environment that will likely become more volatile in the near term. Research and analysis conducted in conjunction with the Plan's external investment advisors in 2017 identified opportunities to better position our investment portfolio for these anticipated ongoing market conditions. This led to the decision to introduce an emerging market debt mandate to our investment portfolio in 2018.

LOOKING AHEAD

We look forward to another busy year in 2018. As our next multi-year planning cycle begins, we look forward to bringing the necessary changes and enhancements needed to ensure our Plan continues to provide our members with the tools and information they need to build appropriate retirement outcomes for themselves. And while much change will continue to occur, it is important to recognize what won't change: our core values of service, fairness, integrity, accountability and transparency will continue to support our singular focus – helping our members effectively prepare for and fund their retirements.

It has been our pleasure to serve our members this past year. In closing, and 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 on behalf of our members in 2017. [↕](#)

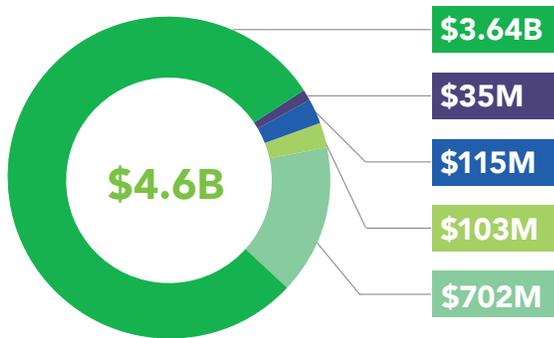
Martin McInnis
Executive Director
CSS Pension Plan



2017 HIGHLIGHTS

INVESTMENT HIGHLIGHTS

TOTAL ASSETS



- Balanced Fund
- Money Market Fund
- Pension Fund
- Bond Fund
- Equity Fund

AVERAGE BALANCED FUND RETURN SINCE 1948



FUND MERs

Balanced Fund	0.34%
Bond Fund	0.22%
Equity Fund	0.37%
Money Market Fund	0.13%

FUND RATES OF RETURN

Balanced Fund	10.77%
Bond Fund	2.63%
Equity Fund	15.67%
Money Market Fund	1.07%

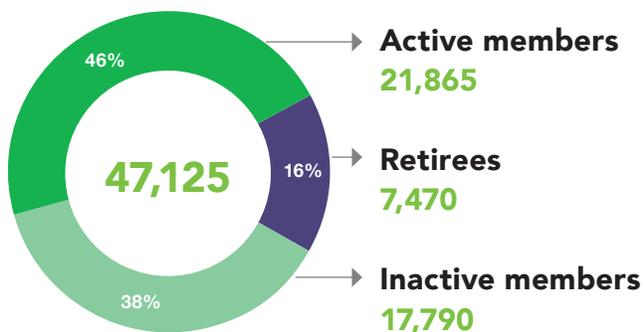


NAVIGATING THE FUTURE

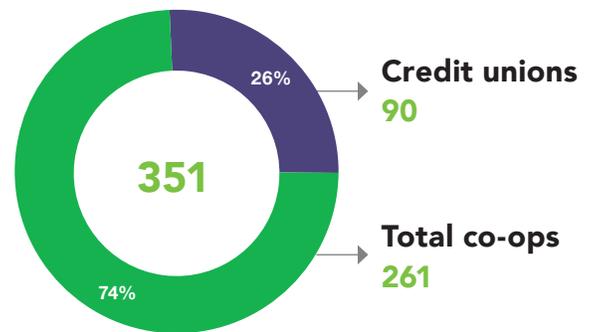
For more than 78 years, we've helped co-operative and credit union employees navigate their financial futures, while providing an important attraction and retention tool for co-operative and credit union employers. These highlights show some of the key outcomes of our year at the CSS Pension Plan that will impact members' journeys toward their retirement destinations.

MEMBERSHIP HIGHLIGHTS

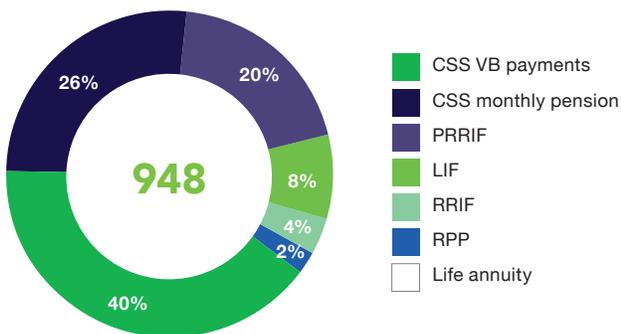
EMPLOYEE MEMBERSHIP



EMPLOYER MEMBERSHIP



RETIREMENT INCOMES STARTED

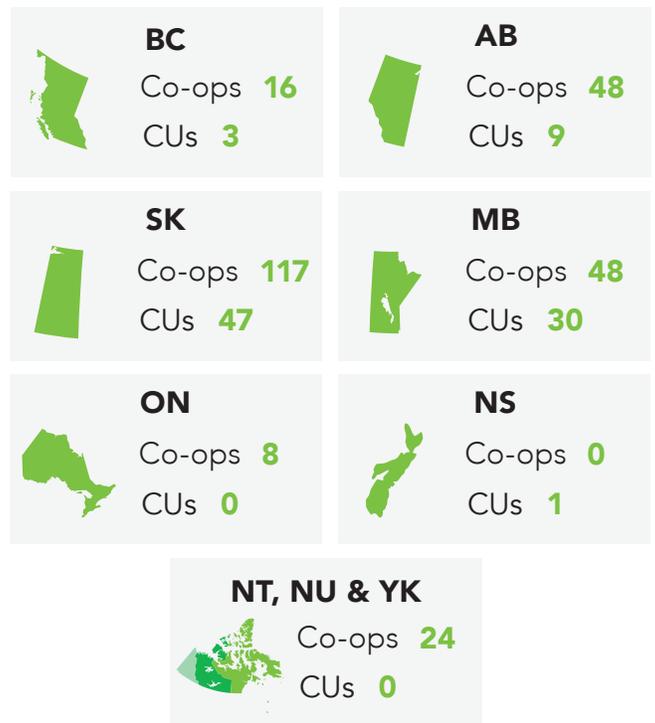


New VB payments

Total funds - \$102,841,153
Average funds - \$270,635

New monthly pensions

Total funds - \$42,580,884
Average funds - \$169,645



WHO WE ARE

GUIDING THE WAY FOR MEMBERS

The Co-operative Superannuation Society (CSS) is a democratically controlled, non-profit pension society that serves as trustee and administrator of the CSS Pension Plan. Pioneered in Saskatchewan in 1939, we are one of the oldest and largest defined contribution (DC) pension plans in Canada with approximately \$4.6B in total assets.

We serve over 350 co-operative and credit union employers, holding the contributions of more than 39,000 of their current and past employees. We also provide retirement income to more than 7,400 retired employees.

Our purpose is to serve our members and act in their best interest at all times. We do this by providing personal, transparent and non-conflicted advice within a commission-free environment.

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.**



You



Retirement



MANAGEMENT TEAM



Martin McInnis
Executive Director



Brent Godson
Director, Investments and
Financial Management



David Kapeluck
Member Services
Manager



Kirby McInnis
ICT Manager



Nicole Quintal
Communications
Manager



Gayle Richmond
Administration
Manager



Joel Sawatsky
Accounting /
Investment Officer

STAFF

Joanne Anderson
Office Administrator

Coleen Berge
Pension Plan Consultant

Whitney Bueckert
Programmer Analyst

Sharon Derksen
Office Administrator

Darlene Dudiak
Part-time Office Administrator

Sandra Ellis
Office Administrator

Lori Kurmey
Office Administrator

Kenny Layode
Programmer Analyst

Fiona May
Pension Plan Consultant

Rob Peddle
Programmer Analyst

Rhonda Rodh
Pension Plan Consultant

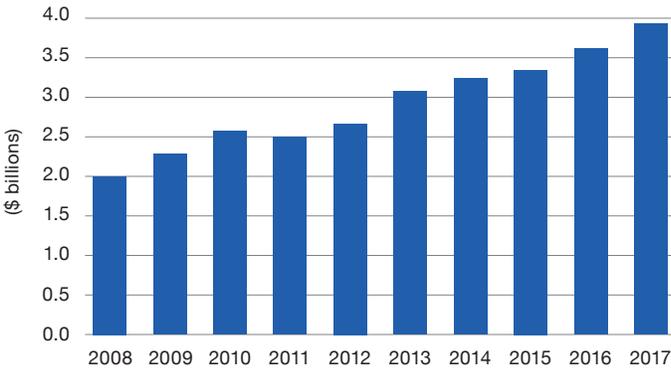
MANAGEMENT DISCUSSION & ANALYSIS

The net assets held by the Plan’s four investment funds increased by **\$320M** in 2017.

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
\$3.9B

Pensions Fund assets
\$702M

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
0.34%

Bond Fund
0.22%

Equity Fund
0.37%

Money Market Fund
0.13%



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 unique 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.

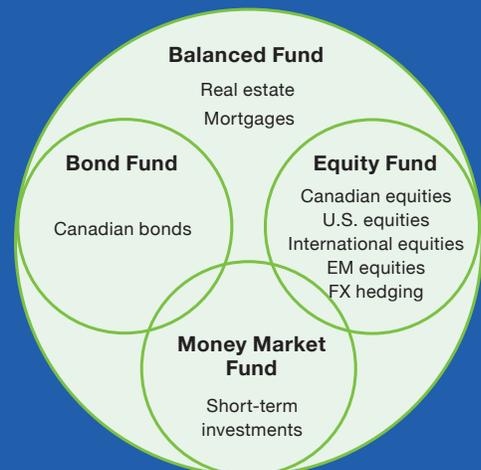
We employ both active and passive investing strategies, because some capital markets are more efficient than others. Where opportunities exist, we try to add to market returns through active management.

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



MARKET OVERVIEW

Stocks

Investors had a lot to cheer about in 2017. Global central banks were either adding to stimulus or holding steady for much of the year, and equity markets responded accordingly. U.S. markets led the way in developed countries with returns of 21.8%, but still fell well short of emerging market returns of 31.0%. In Canada, equity markets continued to lag with the TSX Composite Index posting a return of 9.1%.

Bonds

Canadian bonds had mixed performance on the year as investors assessed economic growth and inflationary pressures. The FTSE TMX Universe Bond Index gained 2.52% in 2017.

Currency

The Canadian dollar strengthened 7.13% to the U.S. dollar but declined relative to most other global currencies. When the loonie experiences gains relative to other foreign currencies, the value of our foreign assets declines and currency losses are incurred.

INVESTMENT FUND PERFORMANCE

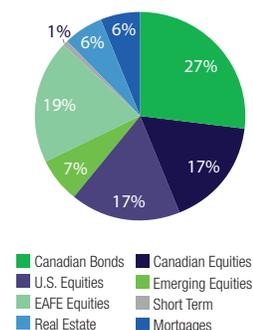
Balanced Fund

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.

ANNUAL RATE OF RETURN

	1 YEAR	4 YEARS
Actual	10.77%	7.87%
Objective: exceed benchmark return	9.73%	7.40%
Value added	1.04%	0.47%

ASSET MIX



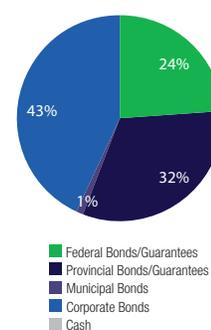
Bond Fund

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.

ANNUAL RATE OF RETURN

	1 YEAR	4 YEARS
Actual	2.63%	4.01%
Objective: exceed benchmark return	2.52%	4.09%
Value added	0.11%	-0.08%

ASSET MIX



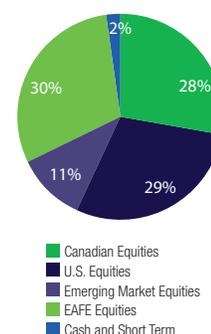
Equity Fund

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.

ANNUAL RATE OF RETURN

	1 YEAR	4 YEARS
Actual	15.67%	10.46%
Objective: exceed benchmark return	15.32%	9.77%
Value added	0.35%	0.69%

ASSET MIX



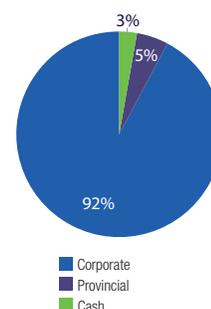
Money Market Fund

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.

ANNUAL RATE OF RETURN

	1 YEAR	4 YEARS
Actual	1.07%	0.97%
Objective: exceed Canadian 91-day T-Bills	0.53%	0.65%
Value added	0.52%	0.32%

ASSET MIX



INVESTMENT MANAGER PERFORMANCE*

INVESTMENT MANAGER	1 YEAR	4 YEARS
CANADIAN EQUITIES		
Scheer Rowlett and Associates (active)	10.92%	7.99%
QV Investors (active)	5.79%	7.17%
Benchmark: S&P TSX Composite Index	9.10%	7.57%
U.S. LARGE-CAP EQUITIES		
State Street Global Advisors (passive)	13.82%	16.70%
Benchmark: S&P 500 Index	13.83%	16.69%
U.S. MID-CAP EQUITIES		
State Street Global Advisors (passive)	8.58%	15.41%
Benchmark: S&P 400 Index	8.61%	15.46%
EAFE EQUITIES		
Sprucegrove Investment Management (active)	19.37%	10.00%
State Street Global Advisors (active)	17.27%	
Benchmark: MSCI EAFE Index	16.82%	8.87%
EMERGING MARKET EQUITIES		
Wellington Management (active)	33.02%	11.17%
Benchmark: MSCI Emerging Markets IMI Index	27.84%	10.67%
CANADIAN BONDS		
Wellington Management (active)	2.83%	4.09%
TD Asset Management (passive)	2.51%	4.06%
Benchmark: FTSE TMX Universe Bond Index	2.52%	4.09%
CANADIAN SHORT TERM		
TD Asset Management (active)	0.99%	1.01%
Benchmark: FTSE TMX 91 Day T-Bill Index	0.55%	0.65%
CURRENCY OVERLAY		
State Street Global Advisors (active)	2.07%	-1.06%
Benchmark: 50% Hedge on Developed Market Currency	1.56%	-2.04%
CANADIAN DIRECT REAL ESTATE		
Greystone Investment Management (active)	9.84%	N/A
Benchmark: Consumer Price Index +4%	6.10%	
GLOBAL REAL ESTATE INVESTMENT TRUSTS (PASSIVE)		
State Street Global Advisors (passive)	3.64%	N/A
Benchmark: FTSE Developed Global Liquid Index	3.03%	
CANADIAN COMMERCIAL MORTGAGES		
Greystone Investment Management (active)	3.71%	N/A
Benchmark: 60% FTSE TMX mid + 40% FTSE TMX short + 0.50%	0.93%	

*Each manager's performance is net of estimated fees

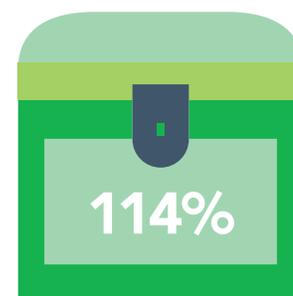
PENSIONS FUND PERFORMANCE

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.

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 Hewitt) filed a full report with the Superintendent of Pensions in 2016 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.

Pensions Fund Asset/Liability Ratio

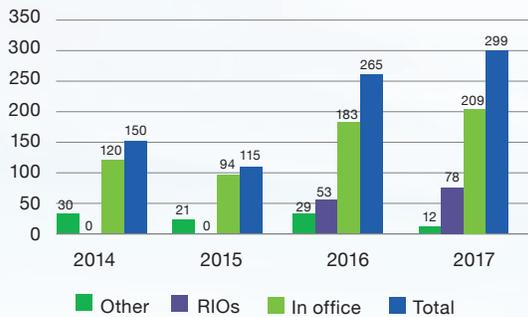


Pensions Fund adjusted assets as a percentage of liabilities (as of Dec. 31, 2015)

MEMBER SERVICE ACTIVITIES

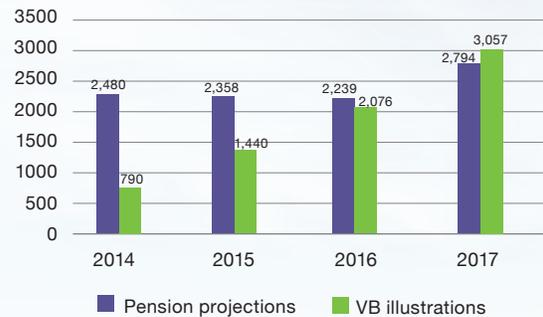
Individual consultations

Approximately 209 individual counselling sessions were held in the Pension Plan's office during 2017. In addition, another 78 sessions were held in conjunction with RIO workshops and another 12 in conjunction with other member service activities outside the office, for combined total of 299 appointments.



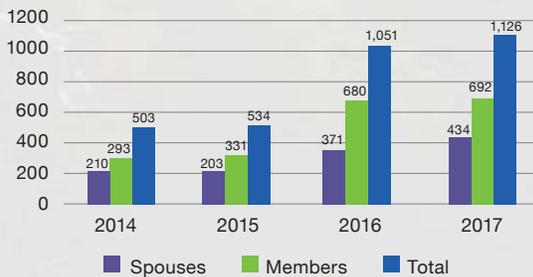
Projections

During 2017, approximately 2,794 personalized sets of pension projections and 3,057 Variable Benefit (VB) illustrations were prepared for and on behalf of employee members of the Plan.



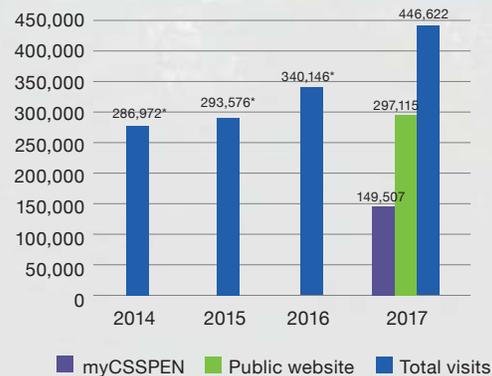
Retirement Income Options (RIO) Workshops

Fourteen RIO workshops were held in Saskatoon (FCL and Saskatoon Co-op), Winnipeg, Tisdale, St. Paul, Meadow Lake, Lethbridge, Calgary, Estevan, Regina, Medicine Hat (pilot with Servus Credit Union), Dauphin, Brandon, Swift Current and Saskatoon. Total registration for the 14 workshops was 1,126, comprised of 692 members and 434 spouses.



Website

There was a total of 446,622 visits to the website in 2017. The Plan continued to improve the site throughout the year, adding new tools and calculators, along with an improved online registration process for the RIO workshop program.



*Analytics prior to 2017 for the public website and member/employer portals were tracked together.

GOVERNANCE

We're a member-owned co-operative ourselves. While this may be a typical governance structure in the co-op sector, it is unique in the pension sector.

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



*Back row from left: **Jason Sentes**, CEO, 1st Choice Savings and Credit Union; **Jim Huggard**, retired; **Brad Bauml**, Executive VP, Ag and Consumer Business, Federated Co-operatives Limited; **Jeff Ambrose (Vice-President)**, VP Operations, Petroleum, Wine Spirits Beer and Home Health Care, Calgary Co-operative Association.*

*Front row from left: **Al Meyer (President)**, CEO, Prairie Centre Credit Union; **Shannan Corey**, Director, Total Rewards, Federated Co-operatives Limited.*

CSS DELEGATES

The delegates elected and appointed to represent the Society's employer and employee members at the 2018 annual meeting are:

Employee (elected)

RETIREES

Ken Edey
Mike Gartner

ACTIVE CONTRIBUTORS

Alberta/B.C./N. Canada

Jeff Ambrose, Calgary Co-op
Ian Anderson, Mid-Island Co-op
Carol Rollheiser, Wild Rose Co-op
Jason Sentes, 1st Choice Savings

Manitoba/E. Canada

Murray Dehn, Red River Co-op
Darren Heide, Access Credit Union
Audrey Wilkinson, Concentra Bank
Anthony Zulyniak, FCL Winnipeg Region

Saskatchewan

C.A. Hatelid, CUDG SK
Ron Inkster, Goodsoil Credit Union
Guy Martin, Accent Credit Union
Mike McCann, FCL Saskatoon Region
Mike Moon, Central Plains Co-op
Greg Sarvis, Riverbend Co-op
Jason Schenn, Borderland Co-op

NON-CONTRIBUTORS*

Rand Smale

Employer (appointed)

FCL BOARD

Randy Graham
Marc Topola

FCL STAFF

Brad Bauml
Shannan Corey
Duane DeRosier
Dave Dyck
Barry Engele
Darrell McKee
Angela Pomazon
Terry Wallin
Jim Wightman

CUC SK

Debbie Lane
Al Meyer
Corvyn Neufeld

CUC AB

Laurie Munro

CUC MB

Barrie Davidson
Patty Gifford

CONCENTRA BANK

Brian Guillemin

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.



*Appointed by employee directors

A scenic view of a large body of water, likely a lake or bay, with a wooden pier in the foreground. The pier has a railing and a small boat docked at it. In the background, there are mountains under a sky with scattered clouds. The water is calm, reflecting the light from the sky.

FINANCIAL STATEMENTS

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. The financial statements have been prepared in accordance with Canadian accounting standards for pension plans. Management is responsible for the contents of the financial statements and the financial information contained within the annual report.

Plan Management is responsible for the integrity, objectivity and consistency of the financial statements presented. The Plan maintains records and develops and maintains systems of internal controls and supporting procedures to provide reasonable assurance that the assets under administration by the Society are safeguarded and controlled and that transactions comply with the Society’s Act of Incorporation and Bylaws and the Plan’s Rules and Statement of Investment Policies and Goals.

The Board of Directors of the Society is composed entirely of Directors who are neither management nor employees of the Plan. The Board has oversight responsibility for the Plan’s systems of internal controls. The Board oversees Management’s responsibility for the financial statements by reviewing them with Management and the Society’s external auditors before approving them for issuance to the members.

The Society’s external auditors, MNP LLP, have conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing tests and other procedures as they consider necessary to express an opinion in their Auditors’ Report. The external auditors have full and unrestricted access to Management and the Board to discuss any findings related to the integrity of the Society’s financial reporting and the adequacy of the Plan’s internal control systems.



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



Brent Godson
Investment Manager
CSS Pension Plan

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Co-operative Superannuation Society Pension Plan, which comprise the statement of financial position as at December 31, 2017, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Co-operative Superannuation Society Pension Plan as at December 31, 2017 and its financial performance for the year then ended in accordance with Canadian accounting standards for pension plans.

Saskatoon, Saskatchewan
February 16, 2018


Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

Investment funds

(thousands of dollars)

ASSETS	2017	2016
Investments (Note 3)	3,871,467	3,563,507
Due from brokers	19,696	4,373
Cash	5,700	8,348
Accrued investment income	3,983	3,709
Accounts receivable		
Employee contributions	390	382
Employer contributions	470	359
Capital assets	316	382
Prepaid expenses	6	-
Interfund balance (Note 8)	2,541	2,262
	3,904,569	3,583,322
LIABILITIES		
Accounts payable	5,175	3,872
Interfund balance (Note 8)	2,461	2,182
	7,636	6,054
NET ASSETS AVAILABLE FOR BENEFITS (NOTE 10)	3,896,933	3,577,268
REPRESENTED BY: Member contribution accounts (Note 7)	3,896,933	3,577,268

Pensions Fund

(thousands of dollars)

ASSETS	2017	2016
Investments (Note 3)	697,042	673,143
Accrued investment income	5,351	5,110
Due from broker	63	-
	702,456	678,253
LIABILITIES		
Accounts payable	363	349
Due to broker	-	221
Interfund balance (Note 8)	80	80
	443	650
NET ASSETS AVAILABLE FOR BENEFITS	702,013	677,603
REPRESENTED BY: Pension reserve	702,013	677,603

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, 2017

Investment funds*(thousands of dollars)*

INCREASE IN ASSETS	2017	2016
Investment income		
Interest	2,497	2,275
Dividends		
Canadian dividends	18,205	18,783
Foreign dividends	10,212	8,871
Pooled fund distributions	60,333	63,113
Increase in market value of investments	292,264	189,696
Other	803	765
	384,314	283,503
Contributions		
Employee	78,333	74,713
Employer	86,593	77,061
	164,926	151,774
Total increase in assets	549,240	435,277
DECREASE IN ASSETS	2017	2016
Administrative expenses		
Investment services	8,799	7,372
Investment transaction costs (Note 10)	645	1,163
Salaries and employment costs	1,926	1,844
Operations	930	945
Membership control	150	160
Administrative expenses (recovery from Pensions Fund)	(975)	(976)
	11,475	10,508
Equity repayments	150,168	129,166
Variable benefit payments	25,351	19,078
Equity transferred to Pensions Fund	42,581	36,062
	218,100	184,306
Total decrease in assets	229,575	194,814
Increase in net assets	319,665	240,463
Net assets available for benefits, beginning of year	3,577,268	3,336,805
Net assets available for benefits, end of year (Note 10)	3,896,933	3,577,268

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, 2017

Pensions Fund

(thousands of dollars)

INCREASE IN ASSETS	2017	2016
Investment income		
Equity transferred from Investment Funds	42,581	36,062
Interest	27,130	26,668
Increase in market value of investments	6,200	-
Other	110	109
Total increase in assets	76,021	62,839
DECREASE IN ASSETS		
Pension paid	50,636	49,764
Decrease in market value of investments	-	9,859
Administrative expenses	975	976
Total decrease in assets	51,611	60,599
Increase in net assets	24,410	2,240
Net assets available for benefits, beginning of year	677,603	675,363
Net assets available for benefits, end of year	702,013	677,603

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

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 381 (2016 - 389) independent co-operatives and credit unions and more than 39,000 (2016 - 38,000) of their current and past employees. The Plan also pays retirement income to more than 7,500 (2016 - 7,500) 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	2017		2016	
	Market Value	Investment Percentage	Market Value	Investment Percentage
Short Term				
Custodial Cash Accounts	\$ 3,036		\$ 3,010	
Short-Term Investments	18,281		21,530	
	21,317	0.5%	24,540	0.7%
Equities				
Canadian	639,683		628,568	
Non-North American	323,877		276,154	
	963,560	24.9%	904,722	25.4%
Pooled Funds				
Short Term	124,802		199,582	
Fixed Income	1,039,960		1,051,188	
U.S. Equities	634,446		590,833	
International Equities	381,687		336,672	
Emerging Mkt Equities	273,339		205,250	
Canadian Real Estate	120,613		44,770	
Global REITS	103,112		99,389	
Commercial Mortgages	208,631		106,561	
	2,886,590	74.6%	2,634,245	73.9%
Total	\$ 3,871,467	100.0%	\$ 3,563,507	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 and non-north American equities, and units in pooled funds (short-term, fixed income, 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 and non-north American equities and units in U.S., international and emerging markets pooled funds. The Bond fund contains cash, short-term investments, and units in two fixed income pooled funds.

CSS PENSIONS FUND

(thousands of dollars)

	2017		2016	
	Market Value	Investment Percentage	Market Value	Investment Percentage
Short Term				
Custodial Cash Accounts	\$ 791		\$ 856	
Short-Term Investments	943		1,449	
	1,734	0.2%	2,305	0.3%
Bonds and Debentures				
Federal	55,096		56,517	
Provincial	287,706		272,270	
Municipal	50,642		49,509	
Corporate	301,864		292,542	
	695,308	99.8%	670,838	99.7%
Total	\$ 697,042	100.0%	\$ 673,143	100.0%

The Pensions Fund contains Canadian bonds and short-term investments. 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	
	2017	2016	2017	2016	2017	2016	2017	2016
Investment Funds								
Short Term	-	-	18,281	21,530	-	-	18,281	21,530
Equities	963,560	904,722	-	-	-	-	963,560	904,722
Pooled Funds	103,112	99,389	2,662,865	2,490,086	120,613	44,770	2,886,590	2,634,245
Total	\$ 1,066,672	\$ 1,004,111	\$ 2,681,146	\$ 2,511,616	\$ 120,613	\$ 44,770	\$ 3,868,431	\$ 3,560,497
Pensions Fund								
Short Term	-	-	943	1,449	-	-	943	1,449
Bonds	-	-	695,308	670,838	-	-	695,308	670,838
Total	\$ -	\$ -	\$ 696,251	\$ 672,287	\$ -	\$ -	\$ 696,251	\$ 672,287

The following table represents the changes to Level 3 instruments during the period ended December 31, 2017.

(thousands of dollars)

RECONCILIATION OF LEVEL 3 ASSETS:

	2017	2016
Balance at January 1	\$ 44,770	\$ 7,023
Net purchases, sales, principal pyts	67,133	35,245
Gains		
Unrealized	8,710	2,502
Balance at December 31	\$ 120,613	\$ 44,770

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, 2017, 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, \$81.6 million (approximately 2.09% of net assets) (2016 - \$76.5 million or 2.14% of net assets).

The CSS Pensions Fund has exposure to interest rate risk as follows:

As at December 31, 2017, 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, \$62.5 million (approximately 8.91% of net assets) (2016 - \$59.6 million or 8.79% 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, 2017, 100% (2016 - 100%) of the Plan's short-term investments were rated "R-1 low" or better and 86.70% (2016 - 86.44%) of the bonds and debentures held in the CSS Investment Funds and 94.59% (2016 - 93.44%) 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, 2017, securities on loan had a market value of \$356.2 million (2016 - \$343.3 million). Collateral held to secure those loans had a market value of \$370.1 million (2016 - \$360.7 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, 2017, the Plan's foreign currency exposures were as follows:

CURRENCY

<i>(thousands of Canadian dollars)</i>	2017	2016
United States dollar	\$ 710,707	\$ 706,482
British pound sterling	95,292	111,738
Euro	136,009	87,536
Other European currencies	138,121	86,511
Japanese yen	145,483	131,567
Other Pacific currencies	179,572	168,784
Emerging Market currencies	301,712	212,532
Total	\$ 1,706,896	\$ 1,505,150

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, 2017 the fair value of the currency forwards payable was \$2,357.5 million (2016 - \$2,086.7 million) and the fair value of the currency forwards receivable was \$2,377.2 million (2016 - \$2,090.8 million). The Plan's currency forward contracts at December 31, 2017, were as follows:

CURRENCY

<i>(thousands of Canadian dollars)</i>	2017			2016		
	Market Value	Notional Value	Gain (Loss)	Market Value	Notional Value	Gain (Loss)
Canadian Dollar	\$ 809,371	809,371	-	\$ 694,732	694,732	-
Swiss Franc	(45,203)	(46,219)	1,016	(40,143)	(40,206)	63
British Pound	(31,410)	(32,336)	926	(54,594)	(55,375)	781
Hong Kong Dollar	(43,974)	(45,235)	1,261	(36,760)	(36,830)	70
Euro	(82,920)	(84,782)	1,862	(74,643)	(75,340)	697
United States Dollar	(496,988)	(510,432)	13,444	(393,396)	(394,323)	927
Australian Dollar	(35,176)	(35,064)	(112)	(31,571)	(32,207)	636
Singapore Dollar	(34,959)	(35,629)	670	(29,877)	(30,168)	291
Swedish Krona	-	-	-	28	28	-
Danish Krone	(2,532)	(2,590)	58	(2,354)	(2,375)	21
Israeli Shekel	(137)	(140)	3	(5,638)	(5,652)	14
Japanese Yen	(14,104)	(14,615)	511	(25,078)	(25,610)	532
New Zealand Dollar	(2,349)	(2,327)	(22)	(2,463)	(2,506)	43
Total	\$ 19,619	2	19,617	\$ (1,757)	(5,832)	4,075

As at December 31, 2017, 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 \$45.7 million (approximately 1% of net assets) (2016 - \$40.7 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, 2017 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>	2017 IMPACT	2016 IMPACT
Benchmark		
S&P TSX Composite Total Return Index	\$ 63,968	\$ 62,857
S&P 500 Total Return Index Hedged (C\$ BA's)	33,140	31,179
S&P 400 Total Return Index Hedged (C\$ BA's)	30,305	27,905
MSCI EAFE Total Return Index	70,556	61,283
MSCI Emerging Markets IMI Total Return Index	27,334	20,525
FTSE Epra/Nareit Developed Liquid Index	10,311	9,939

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, 2015. 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>	2015	2012
Market Value of Assets:	\$ 675,363	\$ 623,999
Less actuarial value of Pension Liability	(594,521)	(546,159)
Surplus at December 31	\$ 80,842	\$ 77,840
Reserve for adverse deviation from assumptions	\$ 80,842	\$ 77,840

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, 2017, 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, 2017, the CSS Balanced Fund's unit price was \$23.4307 (2016 - \$21.1521), the CSS Money Market Fund's unit price was \$12.4897 (2016 - \$12.3576), the CSS Equity Fund's unit price was \$20.4437 (2016 - \$17.6744), and the CSS Bond Fund's unit price was \$13.0541 (2016 - \$12.7201).

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, 2017, 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, 2017 was \$3,896,933 while the total value of members' accounts as per the Plan's unitized record keeping system on this same date was \$3,896,090. The difference between these two amounts is reconciled below.

RECONCILIATION

(thousands of dollars)

	2017	2016
Net Assets available for Benefits	\$ 3,896,933	\$ 3,577,268
Add Back:		
Accrued Expenses	75	116
Withdrawals Payable	2,675	1,482
Deduct:		
Market Value Adjustments	(2,118)	(1,112)
Prepaid Expenses	(7)	-
Contributions Receivable	(1,468)	(1,216)
Total Value of Members' Accounts	\$ 3,896,090	\$ 3,576,538

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 2017 were as follows:

Fund	2017		2016	
	Return	MER	Return	MER
Balanced Fund	10.77%	0.34%	8.52%	0.31%
Money Market Fund	1.07%	0.13%	0.83%	0.14%
Bond Fund	2.63%	0.22%	1.44%	0.19%
Equity Fund	15.67%	0.37%	13.47%	0.36%

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

11. INVESTMENT FUNDS DETAIL

STATEMENT OF FINANCIAL POSITION

(thousands of dollars)

	2017					2016
	Balanced Fund	Money Market Fund	Bond Fund	Equity Fund	Total	Total
Assets						
Investments	3,617,019	114,160	34,967	105,321	3,871,467	3,563,507
Due from brokers	19,692	-	-	4	19,696	4,373
Cash	5,700	-	-	-	5,700	8,348
Accrued investment income	3,853	-	-	130	3,983	3,709
Accounts Receivable						
Employee contributions	390	-	-	-	390	382
Employer contributions	470	-	-	-	470	359
Fixed assets	316	-	-	-	316	382
Prepaid expenses	6	-	-	-	6	-
Interfund balance	-	1,190	1,351	-	2,541	2,262
	3,647,446	115,350	36,318	105,455	3,904,569	3,583,322
Liabilities						
Accounts payable	4,886	203	26	60	5,175	3,872
Interfund balance	532	-	-	1,929	2,461	2,182
	5,418	203	26	1,989	7,636	6,054
Net Assets Available for Benefits	3,642,028	115,147	36,292	103,466	3,896,933	3,577,268

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(thousands of dollars)

2017

2016

	Balanced Fund	Money Market Fund	Bond Fund	Equity Fund	Total	Total
Increase in Net Assets						
Investment Income						
Interest	690	1,807	-	-	2,497	2,275
Dividends						
Canadian dividends	17,439	-	-	766	18,205	18,783
Foreign dividends	9,822	-	-	390	10,212	8,871
Pooled fund distributions	57,457	-	1,746	1,130	60,333	63,113
Increase in market value of investments	284,466	(709)	(840)	9,347	292,264	189,696
Other	715	43	14	31	803	765
	370,589	1,141	920	11,664	384,314	283,503
Employee contributions	74,015	661	397	3,260	78,333	74,713
Employer contributions	81,531	1,339	438	3,285	86,593	77,061
Interfund transfers	(31,148)	18,848	(1,594)	13,894	-	-
	124,398	20,848	(759)	20,439	164,926	151,774
Total increase in assets	494,987	21,989	161	32,103	549,240	435,277
Decrease in Net Assets						
Administrative expenses						
Investment services	8,447	61	36	255	8,799	7,372
Investment transaction costs	603	19	6	17	645	1,163
Salaries and employment cost	1,799	61	19	47	1,926	1,844
Operations	869	30	9	22	930	945
Membership control	139	5	2	4	150	160
Admin. expense (recovery)	(911)	(31)	(10)	(23)	(975)	(976)
	10,946	145	62	322	11,475	10,508
Equity repayments	129,484	15,951	3,068	1,665	150,168	129,166
Variable benefit payments	15,735	8,597	884	135	25,351	19,078
Equity transferred to Pensions Fund	29,741	11,746	1,059	35	42,581	36,062
	174,960	36,294	5,011	1,835	218,100	184,306
Total decrease in assets	185,906	36,439	5,073	2,157	229,575	194,814
Increase (Decrease) in Net Assets	309,081	(14,450)	(4,912)	29,946	319,665	204,463
Net Assets, Beginning of Year	3,332,947	129,597	41,204	73,520	3,577,268	3,336,805
Net Assets, End of Year	3,642,028	115,147	36,292	103,466	3,896,933	3,577,268



PENSION PLAN

CSS Pension Plan

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Strength in Numbers.