



YOUR FUTURE. IN FOCUS
2018



PENSION PLAN



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Al Meyer



Martin McInnis

EXECUTIVE DIRECTOR AND BOARD PRESIDENT'S REPORT

On behalf of the Board of Directors, management and staff, we are pleased to present the 2018 annual report of the Co-operative Superannuation Society (CSS) Pension Plan.

CSS turns 80 in 2019.

It is truly inspiring to consider the foresight demonstrated by the founders of our pension plan in 1939 and the hard work put in by the Plan's directors, delegates, management and staff over the years to build CSS into what it is today. With 333 member employers, over 48,000 members and retirees, and \$4.4 billion in assets, CSS is one of the oldest and largest defined contribution plans in Canada.

VALUE

Administering a multi-employer, multi-jurisdiction defined contribution registered pension plan comes with many complexities. However, there is one simple principle, one simple

question, that drives everything we do at CSS: Is it in the members' best interest?

Throughout this annual report, you will see statistics on how many employers are members of our Plan, how many individual members and retirees we serve, how much in retirement savings dollars we manage on behalf of members, the number of retiring members who choose to stay in the Plan and take a retirement income option from CSS, and the many thousands of service interactions we've had with members over the past year. The figures are impressive and we're proud of them because what they tell us is that members continue to derive significant value from the Plan.



Administering a multi-employer, multi-jurisdiction defined contribution registered pension plan comes with many complexities. However, there is one principle, one simple question, that drives everything we do at CSS: Is it in the members' best interest?

MEMBER EXPERIENCE

We believe there are three key aspects to ensuring CSS members are able to generate an optimized financial retirement outcome for themselves:

- 1) an investment vehicle with reasonable costs and a high probability of generating strong investment growth over the long-term;
- 2) retirement income products with reasonable costs and a high probability of meeting members' income needs in retirement; and
- 3) objective information, education resources, and retirement planning tools that help members grow their retirement literacy so that they can make informed choices and the most of their retirement nest egg.

The uncertain economic environment we endured in 2018 ultimately led to the year ending in disappointment for many investors. Most financial markets declined by year end 2018 and that led to CSS posting negative one-year returns in our Balanced and Equity

Funds for the year. A highlight for us, however, was that despite negative returns, most members we spoke with about the one-year returns indicated that they recognize that markets will occasionally decline and that they are not allowing the 2018 results to motivate them to change their long-term investing objectives. This is a great sign that we have wise and financially literate investors in our Plan.

In 2018 we added Emerging Market Debt and Commercial Mortgage allocations to our Bond Fund to better diversify its holdings and position its risk/return profile between our Money Market Fund and Balanced Fund. We also added an Emerging Market Debt allocation to our Balanced Fund to better diversify the fixed income portion of the fund and position it to take advantage of the risk/return characteristics available in emerging markets.

We also significantly advanced our initiative to enhance management of longevity risk in our pensions fund.

This is an important initiative to protect our pensions fund from unexpected changes in the mortality of our existing monthly pension recipients and will enable CSS to continue to offer fixed monthly pensions for life, a popular retirement income choice amongst many of our retired members, for many years to come.

In 2018 we made a simple retirement planner available in the member portal (myCSSPEN) area of our website. The app was an instant hit amongst members with several hundred members accessing the tool through 2018. In addition, we continued our very popular Retirement Income Option (RIO) workshops. Attendee satisfaction scores rate very high for these sessions telling us members continue to highly value them.

GROWTH

CSS welcomed several new employers and their employees into the Plan in 2018 helping us move closer to realizing our vision of being the preferred pension plan for Canadian co-operatives and their employees. Overall, CSS employer member numbers declined in 2018 due to mergers and amalgamations occurring in the credit union and retail co-operative sectors however we continued to see healthy growth in the number of employee members and retirees served by CSS.

Growth is an important measure of

success for CSS. Not because our objective is to necessarily be the largest defined contribution plan in Canada but because of the benefits that become available to CSS members through a larger Plan.

- Growth in new employer members tells us that these new co-operative and credit union employers see value in our Plan in helping them attract the talent they need for success in their organizations.

- Growth in the overall assets we manage on behalf of CSS members allows us to spread the costs of administering the Plan across a larger asset base keeping Plan costs reasonable for all members.

- Growth in the number of inactive (non-contributing) members and retirees is particularly telling because these members have choices outside our Plan yet choose to stay with CSS. The significant growth we see here tells us that the Plan's products and services are highly valued by these groups.

RISK MANAGEMENT

Successfully managing risk and taking advantage of opportunities that will benefit our members has been, and continues to be, a hallmark of CSS' success. The CSS Board has overall responsibility for the oversight, management and administration of the pension plan and continually monitors both present and

future potential risks. We utilize robust organization-wide risk management practices to manage risks as well as to understand opportunities.

Some important areas of focus for CSS in 2018 were: ensuring members have access to effective retirement planning tools and education resources to help them minimize risk in their decision-making; enhancing our information technology and cybersecurity practices and policies to mitigate and manage risk in those areas; addressing longevity risk in our pensions fund; and, ensuring the plan's investments fund and pensions fund portfolios are designed and managed appropriately to continue our long history of creating value for members at reasonable cost and acceptable levels of risk.

GOVERNANCE

CSS serves co-operatives and credit unions, and their current and former employees, exclusively. Our governance structure, while not unique in the co-operative landscape, is unique amongst Canadian defined contribution pension plans and ensures that members' best interests are at the heart of all Plan decision-making.

In 2018, one new director joined the Board. Mike Gartner, who is retired from Federated Co-operatives Ltd., was elected as an employee director at the 2018 annual meeting.



Al Meyer
Board President

CSS directors engaged in a number of significant training sessions in 2018 focused primarily on: 1) the various and numerous pieces of legislation that apply to CSS; 2) the fiduciary role and responsibilities of directors and delegates of CSS and the protections afforded them under legislation and insurance carried by CSS; and 3) effectively managing the risks, in particular longevity risk, inherent in the pensions fund.

A delegate election was held for the seven employee delegate positions in the Saskatchewan region in 2018 resulting in seven nominees being acclaimed. In addition, a new inactive employee delegate was appointed in 2018 to represent the interests of our inactive employee members.

The Board extends their sincere gratitude to our outgoing delegates for their service and welcomes our newly acclaimed / appointed delegates.

In closing, we would like to thank CSS directors, the Plan's management and staff, consultants and advisors for their combined efforts to deliver on the strategic priorities set by the Board. Our mutual commitment to the Plan's mission, vision and values, and our unending focus on creating value for members, will provide CSS with the privilege of continuing to assist our members in optimizing their retirement outcomes for many years to come. Happy 80th birthday CSS!

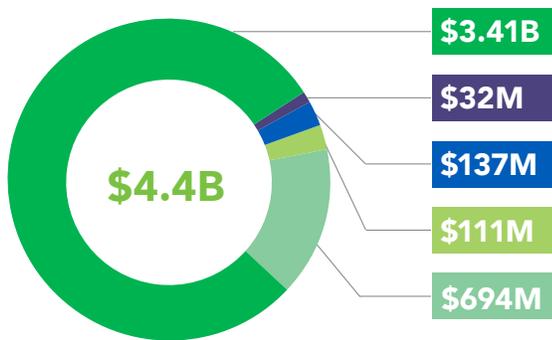


Martin McInnis
Executive Director

2018 HIGHLIGHTS

INVESTMENT HIGHLIGHTS

TOTAL ASSETS



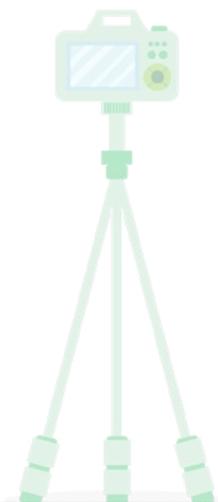
FUND MERs

Balanced Fund	0.41%
Bond Fund	0.26%
Equity Fund	0.41%
Money Market Fund	0.14%

FUND RATES OF RETURN

Balanced Fund	-4.81%
Bond Fund	1.98%

Equity Fund	-9.01%
Money Market Fund	1.75%

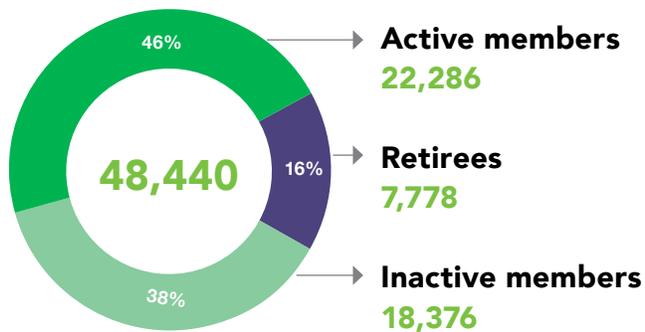


YOUR FUTURE. IN FOCUS

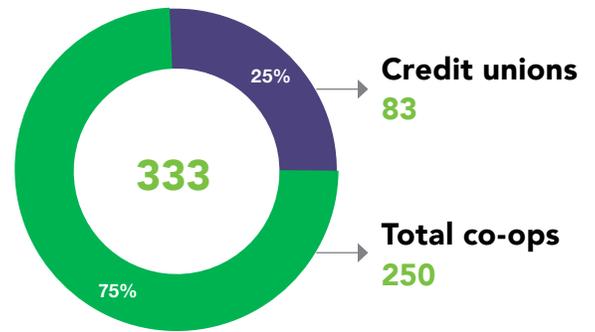
For 80 years, we've helped co-operative and credit union employees focus on their financial futures, while providing an important attraction and retention tool for co-operative and credit union employers. These highlights show some of the key outcomes of our year at the CSS Pension Plan that will help members achieve clarity as we bring their retirement goals into focus.

MEMBERSHIP HIGHLIGHTS

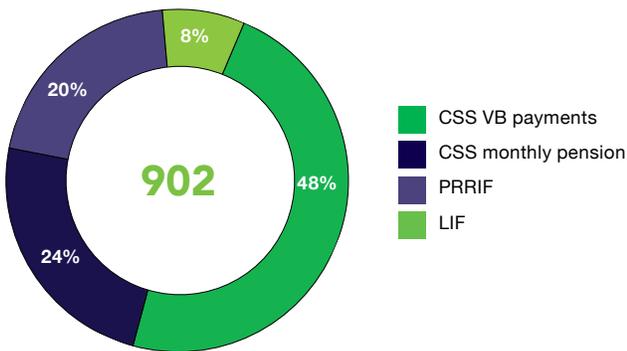
EMPLOYEE MEMBERSHIP



EMPLOYER MEMBERSHIP



RETIREMENT INCOMES STARTED

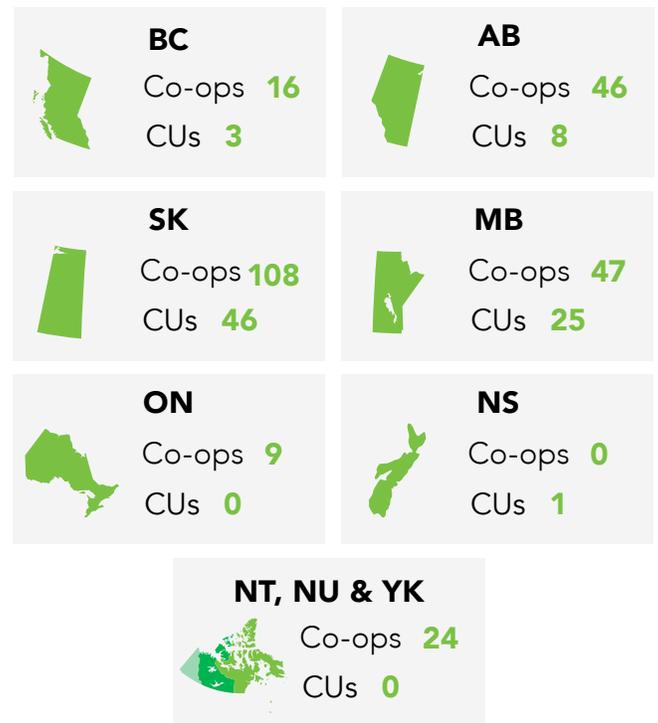


New VB payments

Total funds - \$114,357,608
Average funds - \$264,717

New monthly pensions

Total funds - \$35,103,996
Average funds - \$163,274



WHO WE ARE

YOUR FUTURE, OUR FOCUS

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 80 years ago in Saskatchewan, we have grown to become one of Canada's oldest and largest defined contribution (DC) pension plan with over \$4.4B in total assets.

We serve over 333 co-operative and credit union employers, holding the contributions of more than 48,000 of their current and past employees. We also provide retirement income to around 7,800 retired employees.

Since 1939, we have been focused on helping members navigate their retirement with clarity by offering a high-quality, affordable investment plan within a non-profit pension society while providing personal, transparent and non-conflicted advice in 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.**

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



Al Meyer (President)
CEO, Prairie Centre Credit Union



Jeff Ambrose (Vice-President)
VP Operations, Petroleum, WSB, HHC
& Cannabis, Calgary Co-operative
Association



Shannan Corey (Director)
Director, Total Rewards
Federated Co-operatives Limited



Heather Ryan (Director)
Vice-President, Human Resources
Federated Co-operatives Limited



Mike Gartner (Director)
Retired



Jason Sentes (Director)
CEO, 1st Choice Savings and Credit Union

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

Nick Billings, SaskCentral
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
Grant Wicks*, Saskatoon Co-op

NON-CONTRIBUTORS*

Ken Kosolofski

Employer (appointed)

FCL BOARD

Randy Graham
Valerie Pearson

FCL STAFF

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

CUC SK

Debbie Lane
Al Meyer
Corvyn Neufeld

CUC AB

Christine Smith

CUC MB

Barrie Davidson
Patty Gifford

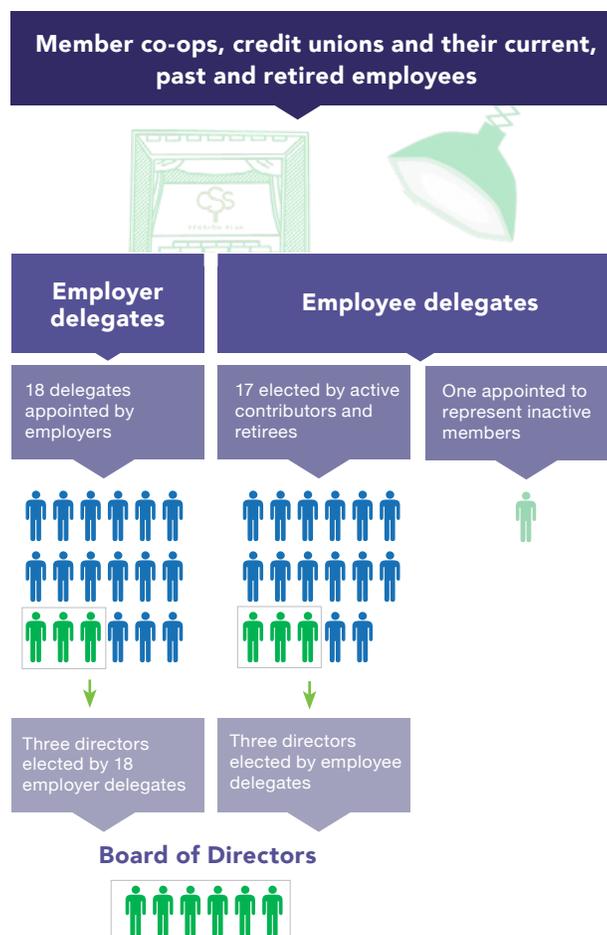
CONCENTRA BANK

Brian Guillemin

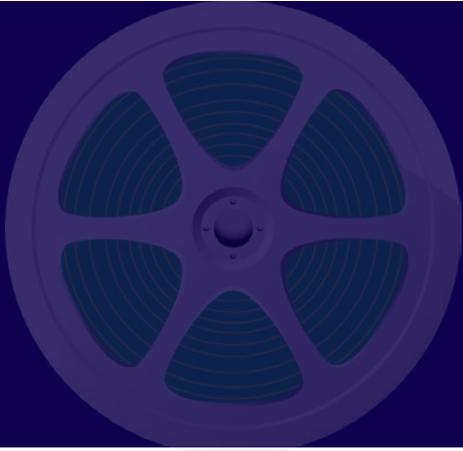
How does the Society work?

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



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.

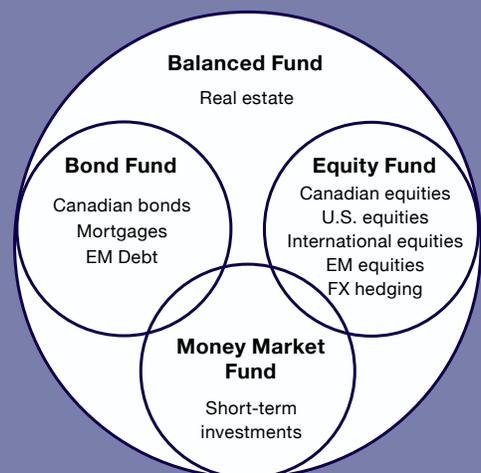
We employ both active and passive investing strategies, because some capital markets are more efficient than others. Where opportunities exist, we try to add to market returns through active management.

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

For much of the year, the U.S. stock market was firing on all cylinders delivering strong returns, but it did so without the rest of the world's participation. Eventually trade wars, together with slowing global growth, global uncertainty, and rising bond yields lead to a 4th quarter correction that took equity returns deep into negative territory. The S&P TSX composite index fell 8.89% on the year, while the U.S. S&P 500 index declined 4.39%.

Bonds

Canadian Bond markets were in the red for much of the year as the Bank of Canada continued on a path of tightening monetary policy. However, as the growth outlook became more uncertain and stock markets plunged in the 4th quarter, bonds rallied wiping out year to date losses and producing a positive return. The FTSE TMX Universe Bond Index produced a return of 1.41%

Currency

The Canadian dollar declined 7.75% relative to the U.S. dollar through 2018 reversing gains earned in 2017.

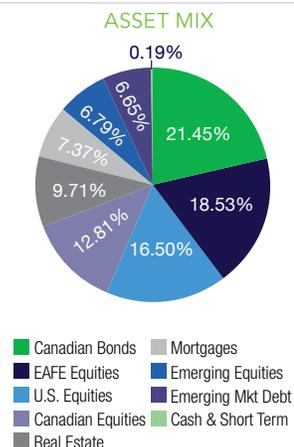
INVESTMENT FUND PERFORMANCE

Balanced Fund

The Balanced Fund portfolio has a target asset mix of 55% equities, 35% fixed income and 10% real estate investments. The Fund is broadly diversified by asset class, manager and market. Active managers are used in those markets where historical returns suggest favourable results. (Foreign investments are partially hedged to the Canadian dollar to reduce volatility caused by currency movements.)

ANNUAL RATE OF RETURN

	1 YEAR	4 YEARS
Actual	-4.81%	4.40%
Objective: exceed benchmark return	-2.51%	4.30%
Value added	-2.30%	0.10%

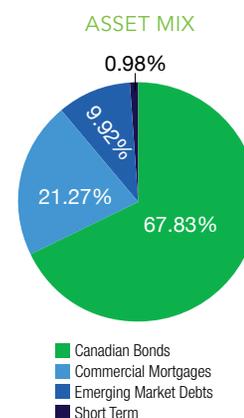


Bond Fund

The Bond Fund is designed to offer members a moderate level of risk and return which resides between the Money Market Fund and the Balanced Fund. The Fund is primarily invested in Canadian bonds, commercial mortgages, and emerging market debt. Both active and passive investment management is used within the Fund.

ANNUAL RATE OF RETURN

	1 YEAR	4 YEARS
Actual	1.98%	2.41%
Objective: exceed benchmark return	1.29%	2.27%
Value added	0.69%	0.14%

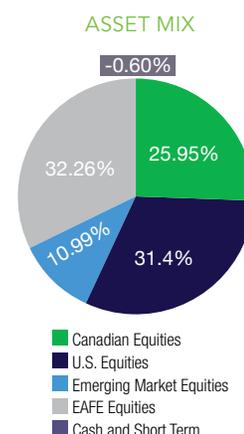


Equity Fund

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. Foreign investments are partially hedged to the Canadian dollar.

ANNUAL RATE OF RETURN

	1 YEAR	4 YEARS
Actual	-9.01%	5.59%
Objective: exceed benchmark return	-6.71%	5.26%
Value added	-2.30%	0.33%

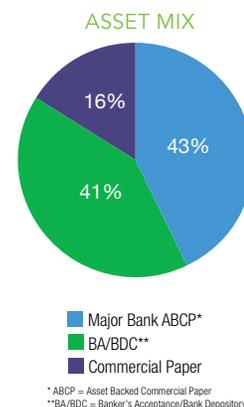


Money Market Fund

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	1.75%	1.14%
Objective: exceed Canadian 91-day T-Bills	1.38%	0.77%
Value added	0.37%	0.37%



* ABCP = Asset Backed Commercial Paper
 ** BA/BDC = Banker's Acceptance/Bank Depository Notes

INVESTMENT MANAGER PERFORMANCE*

INVESTMENT MANAGER	1 YEAR	4 YEARS
CANADIAN EQUITIES		
Scheer Rowlett and Associates (active)	-10.81%	3.86%
QV Investors (active)	-13.39%	1.00%
Benchmark: S&P TSX Composite Index	-8.89%	2.49%
U.S. LARGE-CAP EQUITIES		
State Street Global Advisors (passive)	4.17%	11.71%
Benchmark: S&P 500 Index	4.23%	11.74%
U.S. MID-CAP EQUITIES		
State Street Global Advisors (passive)	-3.13%	9.48%
Benchmark: S&P 400 Index	-3.08%	9.54%
EAFE EQUITIES		
Sprucegrove Investment Management (active)	-6.98%	6.77%
State Street Global Advisors (active)	-4.61%	N/A
Benchmark: MSCI EAFE Index	-6.03%	6.23%
EMERGING MARKET EQUITIES		
Wellington Management (active)	-10.99%	7.02%
Benchmark: MSCI Emerging Markets IMI Index	-7.39%	6.73%
CANADIAN BONDS		
Wellington Management (active)	2.71%	2.64%
TD Asset Management (passive)	1.36%	2.24%
Benchmark: FTSE TMX Universe Bond Index	1.41%	2.27%
CANADIAN SHORT TERM		
TD Asset Management (active)	1.82%	1.18%
Benchmark: FTSE TMX 91 Day T-Bill Index	1.38%	0.77%
CURRENCY OVERLAY		
State Street Global Advisors (active)	-4.34%	-1.47%
Benchmark: 50% Hedge on Developed Market Currency	-3.54%	-1.91%
CANADIAN DIRECT REAL ESTATE		
Greystone Investment Management (active)	7.96%	N/A
Benchmark: Consumer Price Index +4%	5.68%	
GLOBAL REAL ESTATE INVESTMENT TRUSTS (PASSIVE)		
State Street Global Advisors (passive)	3.93%	N/A
Benchmark: FTSE Developed Global Liquid Index	3.06%	
CANADIAN COMMERCIAL MORTGAGES		
Greystone Investment Management (active)	4.68%	N/A
Benchmark: 60% FTSE TMX mid + 40% FTSE TMX short + 0.50%	2.41%	

*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 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.

Pensions Fund Asset/Liability Ratio

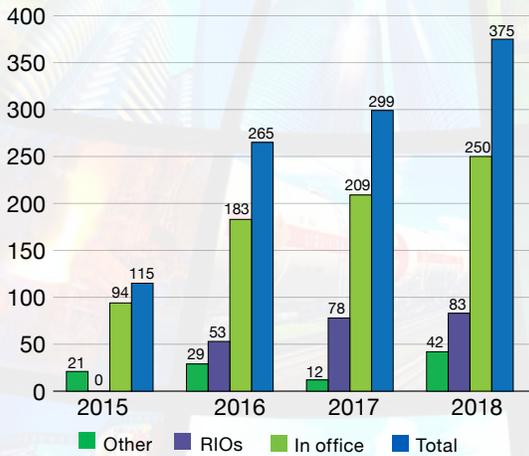


Pensions Fund adjusted assets as a percentage of liabilities (as of Dec. 31, 2017)

MEMBER SERVICE ACTIVITIES

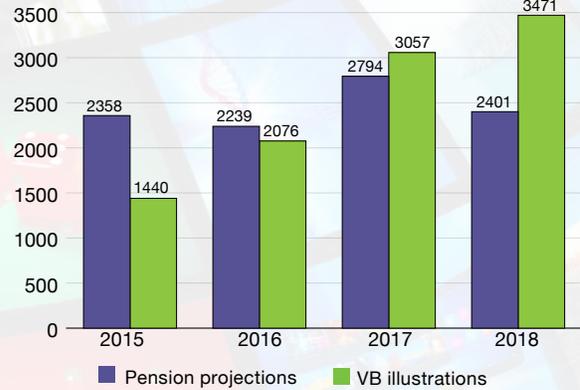
Individual consultations

Approximately 250 individual counselling sessions were held in the Pension Plan's office during 2018. In addition, another 83 sessions were held in conjunction with RIO workshops and another 42 in conjunction with other member service activities outside the office, for combined total of 375 appointments.



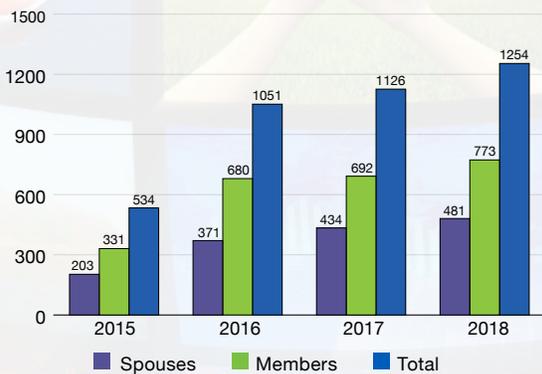
Projections

During 2018, approximately 2,401 personalized sets of pension projections and 3,471 Variable Benefit (VB) illustrations were prepared for and on behalf of employee members of the Plan.



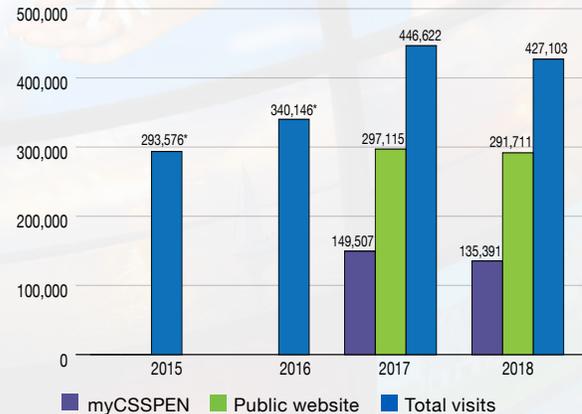
Retirement Income Options (RIO) Workshops

Thirteen RIO workshops were held in Portage la Prairie, Prince Albert, North Battleford, Calgary, Saskatoon (2), Yorkton, Moose Jaw, Red Deer, Edmonton, Brandon, Winnipeg and Regina. Total registration for the 13 workshops was 1,254, comprised of 773 members and 481 spouses.



Website

There was a total of 427,103 visits to the website in 2018. 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.

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 Auditor's 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

February 14, 2019

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, 2018, 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, 2018, 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.

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 14, 2019

MNP **LLP**

Chartered Professional Accountants

MNP

Co-operative Superannuation Society Pension Plan

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

Investment funds

(thousands of dollars)

ASSETS	2018	2017
Investments (Note 3)	3,708,457	3,871,467
Due from brokers	-	19,696
Cash	3,998	5,700
Accrued investment income	3,777	3,983
Accounts receivable		
Employee contributions	234	390
Employer contributions	229	470
Capital assets	620	316
Prepaid expenses	-	6
Interfund balance (Note 8)	3,209	2,541
	3,720,524	3,904,569
LIABILITIES		
Due to brokers	23,053	-
Accounts payable	5,548	5,175
Interfund balance (Note 8)	3,057	2,461
	31,658	7,636
NET ASSETS AVAILABLE FOR BENEFITS (NOTE 10)	3,688,866	3,896,933
REPRESENTED BY: Member contribution accounts (Note 7)	3,688,866	3,896,933

Pensions Fund

(thousands of dollars)

ASSETS	2018	2017
Investments (Note 3)	689,441	697,042
Accrued investment income	5,299	5,351
Due from broker	-	63
	694,740	702,456
LIABILITIES		
Accounts payable	367	363
Interfund balance (Note 8)	152	80
	519	443
NET ASSETS AVAILABLE FOR BENEFITS	694,221	702,013
REPRESENTED BY: Pension reserve	694,221	702,013

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, 2018

Investment funds*(thousands of dollars)*

INCREASE IN ASSETS	2018	2017
Investment income		
Interest	3,374	2,497
Dividends		
Canadian dividends	16,818	18,205
Foreign dividends	11,350	10,212
Pooled fund distributions	51,862	60,333
Increase in market value of investments	(250,677)	292,264
Other	579	803
	(166,694)	384,314
Contributions		
Employee	80,806	78,333
Employer	94,992	86,593
	175,798	164,926
Total increase in assets	9,104	549,240
DECREASE IN ASSETS	2018	2017
Administrative expenses		
Investment services	11,881	8,799
Investment transaction costs	641	645
Salaries and employment costs	1,970	1,926
Operations	1,165	930
Membership control	179	150
Administrative expenses (recovery from Pensions Fund)	(1,057)	(975)
	14,779	11,475
Equity repayments	133,767	150,168
Variable benefit payments	33,038	25,351
Equity transferred to Pensions Fund	35,587	42,581
	202,392	218,100
Total decrease in assets	217,171	229,575
(Decrease) Increase in net assets	(208,067)	319,665
Net assets available for benefits, beginning of year	3,896,933	3,577,268
Net assets available for benefits, end of year (Note 10)	3,688,866	3,896,933

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, 2018

Pensions Fund

(thousands of dollars)

INCREASE IN ASSETS	2018	2017
Investment income		
Equity transferred from Investment Funds	35,587	42,581
Interest	27,106	27,130
(Decrease) Increase in market value of investments	(18,132)	6,200
Other	140	110
Total increase in assets	44,701	76,021
DECREASE IN ASSETS		
Pension paid	51,436	50,636
Administrative expenses	1,057	975
Total decrease in assets	52,493	51,611
(Decrease) Increase in net assets	(7,792)	24,410
Net assets available for benefits, beginning of year	702,013	677,603
Net assets available for benefits, end of year	694,221	702,013

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2018

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 333 (2017 - 381) independent co-operatives and credit unions and more than 40,000 (2017 - 39,000) of their current and past employees. The Plan also pays retirement income to almost 7,800 (2017 - 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	2018		2017	
	Market Value	Investment Percentage	Market Value	Investment Percentage
Short Term				
Custodial Cash Accounts	\$ 2,949		\$ 3,036	
Short-Term Investments	26,519		18,281	
	29,468	0.8%	21,317	0.5%
Equities				
Canadian	434,815		639,683	
Non-North American	308,614		323,877	
	743,429	20.0%	963,560	24.9%
Pooled Funds				
Short Term	164,255		124,802	
Fixed Income	753,572		1,039,960	
U.S. Equities	596,595		634,446	
International Equities	356,369		381,687	
Emerging Mkt Equities	243,261		273,339	
Canadian Real Estate	225,708		120,613	
Global REITS	107,279		103,112	
Emerging Mkt Debt	230,360		-	
Commercial Mortgages	258,161		208,631	
	2,935,560	79.2%	2,886,590	74.6%
Total	\$ 3,708,457	100.0%	\$ 3,871,467	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, 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 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 short-term, fixed income, emerging market debt, and commercial mortgage pooled funds.

CSS PENSIONS FUND

(thousands of dollars)

	2018		2017	
	Market Value	Investment Percentage	Market Value	Investment Percentage
Short Term				
Custodial Cash Accounts	\$ 3,134		\$ 791	
Short-Term Investments	5,027		943	
	8,161	1.2%	1,734	0.2%
Bonds and Debentures				
Federal	52,534		55,096	
Provincial	286,982		287,706	
Municipal	49,095		50,642	
Corporate	292,669		301,864	
	681,280	98.8%	695,308	99.8%
Total	\$ 689,441	100.0%	\$ 697,042	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	
	2018	2017	2018	2017	2018	2017	2018	2017
Investment Funds								
Short Term	-	-	26,519	18,281	-	-	26,519	18,281
Equities	743,429	963,560	-	-	-	-	743,429	963,560
Pooled Funds	107,279	103,112	2,602,573	2,662,865	225,708	120,613	2,935,560	2,886,590
Total	\$ 850,708	\$ 1,066,672	\$ 2,629,092	\$ 2,681,146	\$ 225,708	\$ 120,613	\$ 3,705,508	\$ 3,868,431
Pensions Fund								
Short Term	-	-	5,027	943	-	-	5,027	943
Bonds	-	-	681,280	695,308	-	-	681,280	695,308
Total	\$ -	\$ -	\$ 686,307	\$ 696,251	\$ -	\$ -	\$ 686,307	\$ 696,251

The following table represents the changes to Level 3 instruments during the period ended December 31, 2018.

(thousands of dollars)

RECONCILIATION OF LEVEL 3 ASSETS:

	2018	2017
Balance at January 1	\$ 120,613	\$ 44,770
Net purchases, sales, principal pyts	90,434	67,133
Gains		
Unrealized	14,661	8,710
Balance at December 31	\$ 225,708	\$ 120,613

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, 2018, 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, \$64.4 million (approximately 1.74 % of net assets) (2017 - \$81.6 million or 2.09% of net assets).

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

As at December 31, 2018, 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, \$58.8 million (approximately 8.47% of net assets) (2017 - \$62.5 million or 8.91% 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, 2018, 100% (2017 - 100%) of the Plan's short-term investments were rated "R-1 low" or better and 70.81% (2017 - 86.70%) of the bonds and debentures held in the CSS Investment Funds and 95.54% (2017- 94.59%) 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, 2018, securities on loan had a market value of \$342.6 million (2017 - \$356.2 million). Collateral held to secure those loans had a market value of \$355.9 million (2017 - \$370.1 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, 2018, the Plan's foreign currency exposures were as follows:

CURRENCY

<i>(thousands of Canadian dollars)</i>	2018	2017
United States dollar	\$ 660,981	\$ 710,707
British pound sterling	143,185	95,292
Euro	118,425	136,009
Other European currencies	75,047	138,121
Japanese yen	155,719	145,483
Other Pacific currencies	163,121	179,572
Emerging Market currencies	291,257	301,712
Total	\$ 1,607,735	\$ 1,706,896

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, 2018 the fair value of the currency forwards payable was \$2,555.1 million (2017 - \$2,357.5 million) and the fair value of the currency forwards receivable was \$2,532.0 million (2017 - \$2,377.2 million). The Plan's currency forward contracts at December 31, 2018, were as follows:

CURRENCY

<i>(thousands of Canadian dollars)</i>	2018			2017		
	Market Value	Notional Value	Gain (Loss)	Market Value	Notional Value	Gain (Loss)
Canadian Dollar	\$ 729,228	729,228	-	\$ 809,371	809,371	-
Swiss Franc	(39,238)	(37,605)	(1,633)	(45,203)	(46,219)	1,016
British Pound	(15,763)	(15,382)	(381)	(31,410)	(32,336)	926
Hong Kong Dollar	(50,085)	(48,717)	(1,368)	(43,974)	(45,235)	1,261
Euro	(94,153)	(90,753)	(3,400)	(82,920)	(84,782)	1,862
United States Dollar	(465,661)	(451,124)	(14,537)	(496,988)	(510,432)	13,444
Australian Dollar	(37,359)	(37,689)	330	(35,176)	(35,064)	(112)
Singapore Dollar	(31,769)	(30,711)	(1,058)	(34,959)	(35,629)	670
Danish Krone	(2,623)	(2,534)	(89)	(2,532)	(2,590)	58
Israeli Shekel	(139)	(136)	(3)	(137)	(140)	3
Japanese Yen	(13,074)	(12,170)	(904)	(14,104)	(14,615)	511
New Zealand Dollar	(2,415)	(2,407)	(8)	(2,349)	(2,327)	(22)
Total	\$ (23,051)	-	(23,051)	\$ 19,619	2	19,617

As at December 31, 2018, 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 \$42.8 million (approximately 1% of net assets) (2017 - \$45.7 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, 2018 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>	2018 IMPACT	2017 IMPACT
Benchmark		
S&P TSX Composite Total Return Index	\$ 43,481	\$ 63,968
S&P 500 Total Return Index Hedged (C\$ BA's)	31,186	33,140
S&P 400 Total Return Index Hedged (C\$ BA's)	28,473	30,305
MSCI EAFE Total Return Index	66,498	70,556
MSCI Emerging Markets IMI Total Return Index	24,326	27,334
FTSE Epra/Nareit Developed Liquid Index	10,728	10,311
Total	\$ 204,692	\$ 235,614

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

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, 2018, 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, 2018, the CSS Balanced Fund's unit price was \$22.3026 (2017 - \$23.4307), the CSS Money Market Fund's unit price was \$12.7087 (2017 - \$12.4897), the CSS Equity Fund's unit price was \$18.6009 (2017 - \$20.4437), and the CSS Bond fund's unit price was \$13.31205 (2017 - \$13.0541).

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, 2018, 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, 2018 was \$3,688,866 while the total value of members' accounts as per the Plan's unitized record keeping system on this same date was \$3,688,063. The difference between these two amounts is reconciled below.

RECONCILIATION

(thousands of dollars)

	2018	2017
Net Assets available for Benefits	\$ 3,688,866	\$ 3,896,933
Add Back:		
Accrued Expenses	89	75
Withdrawals Payable	1,609	2,675
Deduct:		
Market Value Adjustments	(1,555)	(2,118)
Prepaid Expenses	-	(7)
Contributions Receivable	(946)	(1,468)
Total Value of Members' Accounts	\$ 3,688,063	\$ 3,896,090

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 2018 were as follows:

Fund	2018		2017	
	Return	MER	Return	MER
Balanced Fund	(4.81%)	0.41%	10.77%	0.34%
Money Market Fund	1.75%	0.14%	1.07%	0.13%
Bond Fund	1.98%	0.26%	2.63%	0.22%
Equity Fund	(9.01%)	0.41%	15.67%	0.37%

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

10. INVESTMENT FUNDS DETAIL

STATEMENT OF FINANCIAL POSITION

(thousands of dollars)

	2018					2017
	Balanced Fund	Money Market Fund	Bond Fund	Equity Fund	Total	Total
Assets						
Investments	3,430,925	138,026	31,274	108,232	3,708,457	3,871,467
Due from brokers	-	-	-	-	-	19,696
Cash	3,998	-	-	-	3,998	5,700
Accrued investment income	3,639	-	-	138	3,777	3,983
Accounts Receivable						
Employee contributions	234	-	-	-	234	390
Employer contributions	229	-	-	-	229	470
Fixed assets	620	-	-	-	620	316
Prepaid expenses	-	-	-	-	-	6
Interfund balance	-	-	753	2,456	3,209	2,541
	3,439,645	138,026	32,027	110,826	3,720,524	3,904,569
Liabilities						
Due to brokers	23,053	-	-	-	23,053	-
Accounts payable	4,838	404	103	203	5,548	5,175
Interfund balance	2,718	339	-	-	3,057	2,461
	30,609	743	103	203	31,658	7,636
Net Assets Available for Benefits	3,409,036	137,283	31,924	110,623	3,688,866	3,896,933

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

*(thousands of dollars)***2018****2017**

	Balanced Fund	Money Market Fund	Bond Fund	Equity Fund	Total	Total
Increase in Net Assets						
Investment Income						
Interest	905	2,469	-	-	3,374	2,497
Dividends						
Canadian dividends	15,863	-	-	955	16,818	18,205
Foreign dividends	10,869	-	-	481	11,350	10,212
Pooled fund distributions	49,381	-	1,163	1,318	51,862	60,333
(Decrease) Increase in market value of investments	(241,430)	36	(441)	(8,842)	(250,677)	292,264
Other	546	15	4	14	579	803
	(163,866)	2,520	726	(6,074)	(166,694)	384,314
Employee contributions	75,375	661	306	4,464	80,806	78,333
Employer contributions	86,673	2,212	511	5,596	94,992	86,593
Interfund transfers	(66,802)	61,366	(1,528)	6,964	-	-
	95,246	64,239	(711)	17,024	175,798	164,926
Total increase (decrease) in assets	(68,620)	66,759	15	10,950	9,104	549,240
Decrease in Net Assets						
Administrative expenses						
Investment services	11,516	45	56	264	11,881	8,799
Investment transaction costs	593	24	5	19	641	645
Salaries and employment cost	1,830	65	17	58	1,970	1,926
Operations	1,083	39	10	33	1,165	930
Membership control	168	5	1	5	179	150
Admin. expense (recovery)	(989)	(32)	(8)	(28)	(1,057)	(975)
	14,201	146	81	351	14,779	11,475
Equity repayments	110,854	16,737	3,145	3,031	133,767	150,168
Variable benefit payments	19,929	11,819	996	294	33,038	25,351
Equity transferred to Pensions Fund	19,387	15,922	160	118	35,587	42,581
	150,170	44,478	4,301	3,443	202,392	218,100
Total decrease in assets	164,371	44,624	4,382	3,794	217,171	229,575
Increase (Decrease) in Net Assets	(232,991)	22,135	(4,367)	7,156	(208,067)	319,665
Net Assets, Beginning of Year	3,642,028	115,147	36,292	103,466	3,896,933	3,577,268
Net Assets, End of Year	3,409,037	137,282	31,925	110,622	3,688,866	3,896,933



PENSION PLAN

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Strength in Numbers.