Desjardins Group Pension Plan

Quarter ending June 30, 2021

At the end of the second quarter, the financial position of the Desjardins Group Pension Plan ("DGPP" or "Plan") continues to improve significantly. In addition to being consistently well capitalized, the Plan is now close to being fully funded in terms of solvency.

This progress is the result of our innovative, carefully implemented strategies, the excellent 6.0% returns achieved by our investment teams over this past quarter, and continued financial contributions from employers and plan members. Our Plan can weather whatever challenges lie ahead. It is in an excellent position to meet all of its obligations.

Sylvain Gareau, Vice-President, DGPP

Financial situation

Based on our most recent estimates, the Plan's funding ratio, which indicates its ability to meet its long-term obligations based on its projected sustainability, is now 122.7%. This is well above the stabilization target of 112.6%, set by the Quebec government. The solvency ratio, which determines the Plan's ability to meet its obligations in the event it is ever terminated, has seen an increase and is nearly fully funded at 98.0%.

Since the beginning of 2021, the Plan has posted a return of -1.2%, resulting in a $0.3 billion decrease in the Plan's assets, which now total $16.9 billion.

The returns on various asset classes were as follows: fixed income, -6.8%; public equity, 10.8%; infrastructure, 3.8%; real estate, 3.9%; private equity, 11.9%; and innovation and opportunities, 4.2%.

Funding ratio	Solvency ratio	Net assets	Return 2nd qtr.	2021 Return
122.7%	98.0%	$16.9B	6.0%	-1.2%

Interest rate management strategy

Despite a drop in Q2, interest rates have trended up since the beginning of the year, which is why we see only a small drag in performance this quarter.

However, thanks to our rate management strategy, the Plan's financial position has improved, despite these performance lags. Higher interest rates have offset plan liabilities (that is, the present value of all current and future pension benefits). Therefore, when we have more in assets than we owe in pension benefits, the Plan's financial position improves.

Conversely, if interest rates drop, the strategy also protects the Plan's financial health by making sure a good chunk of the assets increases to compensate for the growth of pension benefits.

Now, that's a relief, isn't it? Our strategy makes the Plan very resilient. The DGPP is stable and your retirement income is safe and sound.

Thermal coal exclusion

The DGPP Investment Management Committee has adopted a position to exclude companies affiliated with coal mining for energy production from our investment portfolios.

This decision applies to current and future investments. However, energy companies that have an aggressive clean energy transition plan are not excluded. This way, the DGPP can optimize future returns and keep its options open with companies that acknowledge and are taking action to fight climate change.

This decision, along with other climate risk considerations and associated opportunities, are helping us make the Plan even more resilient and ensuring its long-term success.

This position is in line with the DGPP's policy on responsible investment and with Desjardins's goal to attain net zero emissions by 2040.

Additional information

Funding ratio: The DGPP's ability to meet its obligations over the long term.
Solvency ratio: The DGPP's ability to meet its obligations if it were terminated.

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