

# At your side. On your side.



2023 Annual Report  
Desjardins Group Pension Plan

 Desjardins

**Your pension plan is a valuable asset.**

**We're here for your financial security.**



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## Information

[rcd-dgp.com/en](http://rcd-dgp.com/en)

### DGPP Member Services

**1-866-434-3166**

Monday to Friday from 8:00 a.m. to 5:00 p.m.

Send a secure message: **Contact us** section of the DGPP website at [rcd-dgp.com](http://rcd-dgp.com)

### Desjardins Group Retirement Committee

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## General notes

The abbreviations "DGPP" and "Plan" refer to the Desjardins Group Pension Plan.

This annual report was produced by the DGPP Division.

This document is for information purposes only. In the event of any discrepancies between this report and the Desjardins Group Pension Plan Regulation, the Regulation shall prevail.

The letters M and B stand for millions and billions respectively. Therefore, "\$22M" means "twenty-two million dollars" and "\$100B" means "one hundred billion dollars."

Returns are gross of investment management fees.

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**MESSAGE FROM THE CHAIR OF THE RETIREMENT COMMITTEE**

**At your side, on your side and here for your financial security.**

As chair of the Desjardins Group Retirement Committee, I'm proud of the sound management of our Plan and our Retirement Committee's excellent teamwork. The committee members draw on their rich and diverse experience to ensure the success of this important financial security tool.

We're aiming to promote efficiency and innovation through our diversity in terms of gender, age, cultural background and seniority. This diversity allows the Retirement Committee, as the administrator of the DGPP and pension fund trustee, to fulfill its role and protect your rights as a Plan member or beneficiary. Every member is personally responsible for fulfilling the Retirement Committee's obligations. That's why it's important for us to develop our skills through a continuous training program.

Our role is different from the role of Plan sponsor. Backed by experts, we ensure that the Plan is properly funded while controlling risk and overseeing its administration. We can count on the essential support of DGPP Division teams and our valued partners, both inside and outside Desjardins.

We'd like to express our gratitude to these individuals and teams whose outstanding commitment helped drive the Plan's excellent results once again in 2023. Thanks to their diligence and innovation, our management strategies have evolved to improve and strengthen the Plan's financial position for Desjardins, Plan members and beneficiaries.

We'd also like to thank Sylvain Gareau, who left his position as Vice-President of the DGPP at the end of 2023 for a well-deserved retirement. Thank you, Mr. Gareau, for strengthening the DGPP since you took office in late 2008. You played a key role in building the DGPP Division's remarkable team.

We're also pleased to welcome Frédéric Godbout as the new Vice-President of the DGPP. We are confident that his leadership, collaborative spirit and strategic skills will contribute to the Plan's success and growth. Mr. Godbout has a strong background in the investment industry.

Building on the commitment of its members and partners, the Retirement Committee will continue to ensure sound and rigorous management so that the Plan remains a valuable asset for all Plan members and beneficiaries. We're doing everything we can to keep and grow the pension fund's assets so the DGPP can continue to fulfill its commitment to you.



**Denis Latulippe**  
FCIA, MBA, MSc, ASC

**MESSAGE FROM THE VICE-PRESIDENT OF THE DESJARDINS GROUP PENSION PLAN**

**Looking to the future, the Plan remains an asset for all members and is a long-term source of added value for Desjardins.**

In 2023, our investment strategies showed continued resilience despite the economic slowdown, serious inflationary pressures and volatile interest rates. The performance portfolio slightly exceeded long-term return objectives, while financial ratios remained strong despite large rate fluctuations. The solvency ratio improved significantly, from 97% in 2022 to 103% in 2023 according to the most recent financial review. The funding ratio evaluated at 120% at the end of the year, proving that the Plan remains in a good financial position. It also continues to provide peace of mind for Plan members.

2023 was a year of change, with the retirement of my predecessor, Sylvain Gareau, and the DGPP's transition to a new organizational model. I'd like to start by thanking Mr. Gareau for his significant contribution to the Plan over the past 15 years and for his support during the transition. It's an honour to be the vice-president of a pension plan in good financial health, backed by a team of skilled and committed professionals. These winning conditions will allow us to continue the excellent work of securing and promoting the Plan, made possible by the many initiatives rolled out under Mr. Gareau's leadership. In this favourable environment, we were able to reorganize and align our operations with the market and Desjardins Group best practices. These new foundations will ensure the Plan's strong financial health and position us as a leader in pension plan management.

We're also proud to have completed several major strategic projects in 2023. This includes the modernization of our financial ecosystem and our analytical capacity, including the operationalization of a portfolio data aggregation platform; the integration of environmental, social and governance (ESG) factors into our internal processes; and our contributions to Desjardins Group initiatives that promote the Plan in terms of total compensation, organizational culture and equity, diversity and inclusion.

I'd like to thank the Desjardins Group Retirement Committee members for their support and commitment, and my Desjardins Group colleagues for their teamwork. I'd also like to express my gratitude to Plan teams for their dedication to continuous improvement. Your exceptional team spirit plays a direct role in ensuring the success of our mission.



**Frédéric Godbout, CFA**

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# The DGPP in numbers

AS AT DECEMBER 31, 2023

**120%**  
funding

The Plan's ability to meet its obligations over the long term

**85,000**  
plan members

**50,000** active  
**24,000** retirees  
**11,000** deferred

**\$16.7B**  
net assets

**9.7%**  
2023 annualized return

**7.3%**  
10-year annualized return

**103%**  
solvency

The Plan's ability to meet its obligations if it were terminated

**6th**  
largest private pension fund in Canada<sup>1</sup>

**\$1.2B**  
investments in renewable energy infrastructure

<sup>1</sup> Benefits Canada, "2023 Top 100 Pension Funds Report" (June 2023)

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# New features and recognition



## ENHANCING DGPP'S ANALYTICAL CAPACITY

We implemented a centralized software that aggregates all portfolio information to optimize decision-making within the investment processes.



## VIDEO: THE DGPP, AN ADVANTAGEOUS PLAN (8 MIN 12 S)

This new video, developed in collaboration with human resources, presents the Plan's main advantages through a discussion between Mateo, a new employee and Johanne, an experienced employee.



## 4-STAR PRI RATING

The Principles for Responsible Investment (PRI) initiative gave the DGPP a 4-star rating for each of the themes assessed in the [2023 PRI Public Transparency Report](#). This score is greater than or equal to the median result of the 650 international asset holders who completed the report.



## TOP 100 EMPLOYERS

Desjardins Group is once again listed as one of Canada's Top 100 Employers according to [Mediacorp](#), thanks to its defined benefit pension plan: the Desjardins Group Pension Plan.

## The DGPP is a valuable part of your compensation



## NEW PRESENTATION HIGHLIGHTING THE PLAN

Over 7,500 Plan members attended a [new presentation](#) designed to help employees of all ages develop a better understanding and appreciation of the DGPP.

This simple and dynamic presentation for groups of employees is available upon manager request. It addresses the needs of Plan members and managers.

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# FINANCIAL POSITION



**120%**

**Funding ratio**

\$2,813M funding surplus



**103%**

**Solvency ratio**

\$544M solvency surplus



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# Financial position

## STABLE AND HEALTHY

As was the case in recent years, we experienced a particularly volatile market in 2023. Our risk management strategies were put to the test once again and once again they proved their effectiveness. The Plan remains robust, even in turbulent markets.

Our strategies help the DGPP stay on track financially, especially considering the fluctuation of long-term interest rates. During periods of interest rate variability, the strategies we have in place mitigate the impact on the financial situation by ensuring similar fluctuations in the value of the Plan's assets and actuarial liabilities (that is, the value of benefits promised to Plan members).

The Plan's most recent financial review, carried out as at December 31, 2023, estimates that the two main measures of the DGPP's financial health have improved over the year and are now above balance.

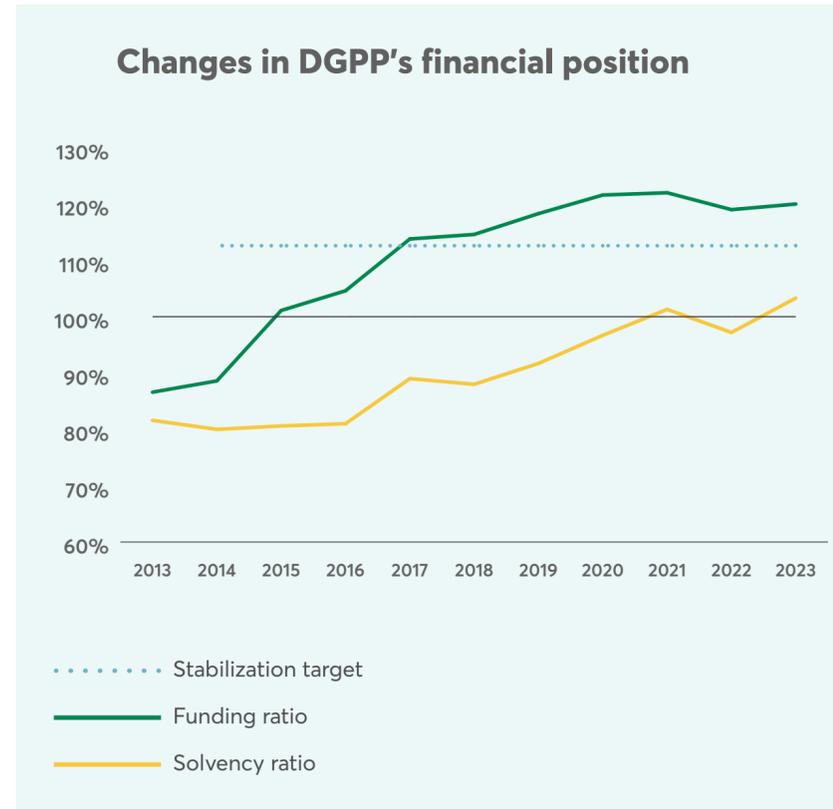
First, the funding ratio, which measures the Plan's ability to meet its obligations over the long term, went from 119% to approximately 120%. This remains well above the stabilization target required under Quebec legislation, which is 113% for the DGPP.

The solvency ratio posted significant gains in 2023, going from 97% to an estimated 103% based on the most recent financial review. The solvency ratio determines the DGPP's ability to pay benefits if they're transferred if membership ceases or if the Plan is terminated.

In both cases, the DGPP benefitted from strong returns from the performance portfolio and contributions from Desjardins Group Plan members and employers. The DGPP's financial health improved despite the creation of an additional reserve for high short-term inflation.

## SOUND MANAGEMENT

The DGPP's funding level is regularly monitored each year. In 2024, Desjardins will maintain the same funding hypotheses as 2023, which means that approximately \$840 million will be contributed to the DGPP by Plan members and employers. These funds will help the DGPP maintain its enviable position in an uncertain economic environment. This decision stems from a responsible, prudent and long-term oriented management approach.



**\$796M**  
**Contributions made in 2023**  
 \$517M by employers  
 \$279M by employees

**\$659M**  
**Benefits paid in 2023**  
 \$578M in pension benefits  
 \$81M in reimbursements and death benefits

**The Plan remains robust, even in turbulent markets.**

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# STRATEGIES



**2**  
separate portfolios  
with different,  
complementary  
goals



Global approach  
to optimizing  
portfolios and  
added value

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# Risk management

The Plan's proactive risk management allows it to fulfill its commitments. It's constantly evolving, positioning us as a leader in industry best practices.

The Plan's risk management activities involve modelling, projections and simulations that are continually updated and used as a basis for risk-taking decisions. Integrated, dynamic management of all of the Plan's risks is a strategic driver of performance. Risk management is central to building the overall portfolio and informs all investment decisions.

We take sufficient risks to ensure adequate long-term returns, while implementing strategies to stabilize and maintain the sound financial health of the Plan under a range of possible scenarios.

Since the Plan has repercussions on the organization, we ensure that we comply with Desjardins's policies and limits in terms of risk taking, specifically the risk budget. This is one of the most important variables underlying our strategy.

## MAIN RISKS



### Interest rate

Interest rate fluctuations have had a direct and substantial effect on the Plan's health.



### Market

Market volatility could lead to negative returns, which would impact the contributions needed to properly fund the Plan.



### Life expectancy

Plan members living longer than expected or updated mortality tables could drive costs up.



### Liquidity

The Plan must have enough money available to fulfill its financial obligations at all times.

## RISK MITIGATION MEASURES

### Exhaustive risk register

The main purpose of the risk register is to identify risks to the Plan's administration and financial management. Each risk is assessed and tracked using indicators with set targets and ranges. The tracking process helps make sure we meet objectives by identifying the causes when risk levels are exceeded and correcting the strategy if needed.

### Resilient asset allocation strategy

Asset allocation is dynamically adjusted based on risk coverage. This aims to ensure cost-effective funding and to maximize the Plan's resiliency to as many economic scenarios as possible.

### Targeted investment approach

The investment plan identifies how major asset classes function in the portfolio and which features are targeted during investment selection. Our rigorous investment process ensures consistent investment decisions and objectives. More specifically, investments are monitored to ensure that their performance and contribution that their performance and contribution remain with the needs of the global portfolio.

### Customized mortality table

To better estimate how long Plan members will live, the Plan customizes the standard Canadian mortality tables on an annual basis using actual DGPP member experiences and socio-economic analyses.

▯▯ **Integrated, dynamic management of all of the Plan's risks is a strategic driver of performance.** ▯▯

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# Strategic asset allocation

Strategic allocation is designed to maximize resilience in a volatile environment and help us gradually improve the Plan’s long-term financial health. We simulate a multitude of economic scenarios to ensure the achievement of these objectives in as many plausible economic contexts as possible. We continually roll out initiatives to optimize our activities and improve results.



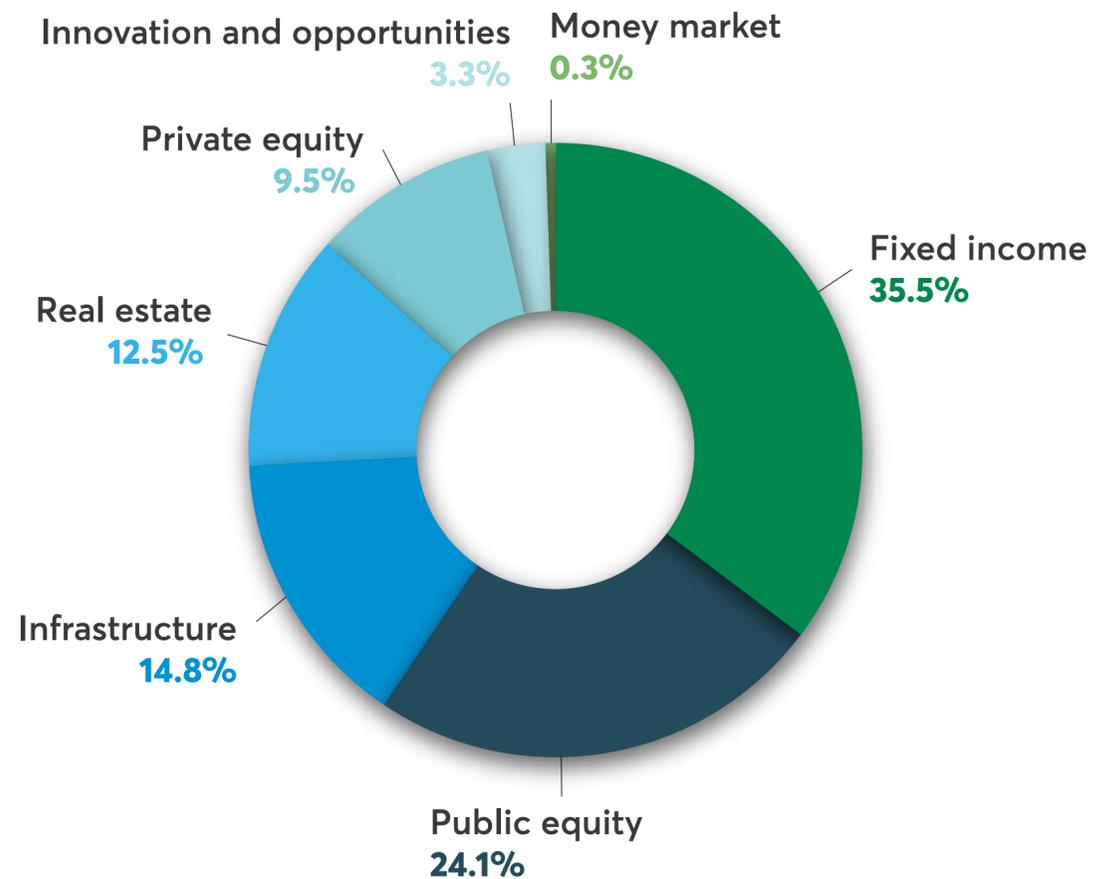
## Performance portfolio

The objective of the performance portfolio is to help the Plan achieve its long-term target return, so that we can maintain contributions at a reasonable level for plan members and employers.

The performance portfolio consists of the following asset classes: public equity, real estate, infrastructure, private equity, and innovation and opportunities.

The target allocation across these asset classes aims to benefit from diversification to achieve the long-term target return. Our investment teams are always on the lookout for innovations with favourable risk-return profiles that would complement the overall portfolio.

## Asset allocation as at December 31, 2023



## Matching portfolio

The objective of the matching portfolio is to match assets with liabilities at the target level in order to protect the Plan’s financial health, minimize volatility and comply with the organization’s risk budget.

The Plan’s liabilities, which consist of the payments promised to Plan members, are significantly affected by interest rate fluctuations. To effectively close the gap between assets and liabilities, the portfolio includes securities that are sensitive to interest rate fluctuations, such as fixed-income securities and other derivatives.

The objective of the matching portfolio is to match assets with liabilities, rather than to predict interest rate changes. Normally, when rates go down, both the matching portfolio and liabilities produce a positive return, and vice versa.

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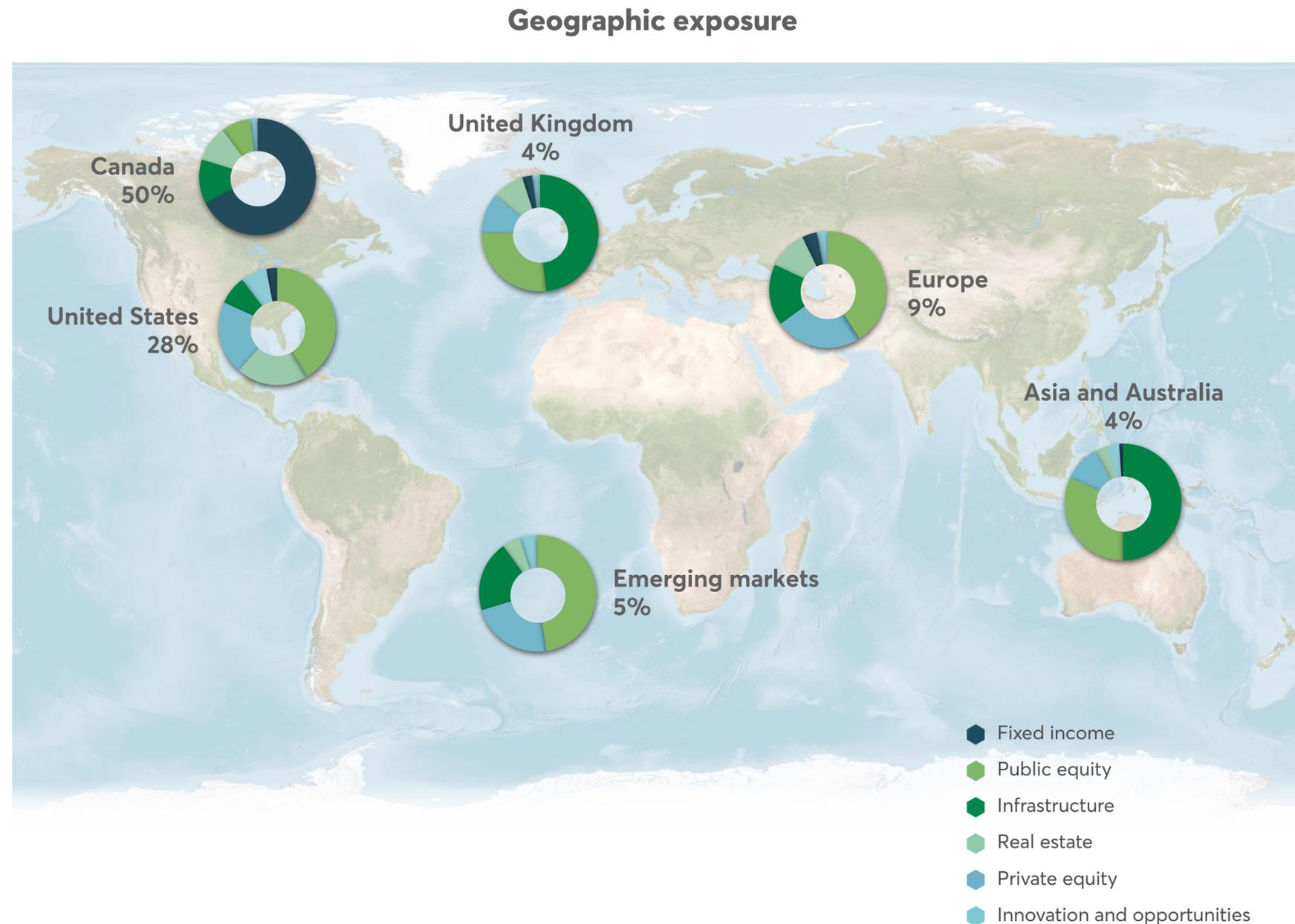
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# Global presence

The Plan invests worldwide, allocating capital to the most attractive opportunities and working with the best partners. In the current environment, where there is fierce competition for high-quality assets, we stand out thanks to our well-established network of partners worldwide, with whom we make diverse investments.



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# ASSET MANAGEMENT



**\$396M**  
New investments  
in private markets



**80**  
partners  
A well-established network  
to seize the best investment  
opportunities



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## Economic context

**Inflation and changes to monetary policy were the major themes explaining variations in the financial markets in 2023.**

After reaching levels not seen since the 1980s in 2022, inflation declined sharply in most developed economies. After the first half of the year, when major central banks decided to raise key interest rates to rein in inflationary pressures, they changed course and held rates steady. This strategy was driven by mounting compelling evidence that inflation was slowing in response to the expected delayed impacts of rate hikes. Inflation remained higher than long-term targets, however. Meanwhile, there was continued concern about the persistent high cost of basic services and upward pressure from wage increases.

Tighter monetary policy ended up putting a damper on the growth of many economies. The Canadian economy, hindered by high levels of household debt and high property prices, ended the year with slightly negative growth. The real estate sector, which is particularly sensitive to interest rate hikes, continues to face some challenges.

Nevertheless, as the year went on, a more favourable economic scenario seemed more likely with anticipated interest rate cuts and the resilience of the major economies. As a result, there were strong returns in the stock and bond markets. The tech sector was the main driver of stock market performance, due to enthusiasm for artificial intelligence. Bond markets have generally benefited from both interest rate cuts and credit spreads.



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# Global return

First of all, it's important to highlight that the DGPP is a long-term investor. Our excellent return of 7.3% over the last 10 years exceeded our expectations and the Plan's long-term return target of 6.7%. The DGPP posted a global return of 9.7% in 2023, a year marked by positive stock market returns and lower interest rates. Our overall portfolio strategies helped maintain the Plan's solid financial position during the year.

The performance portfolio posted a positive annual return of 8.6%, buoyed primarily by strong performance from public equity. This asset class stood out with the best absolute performance in 2023. The matching portfolio posted an annual return of 12.2%, despite falling interest rates and credit spreads.

In comparison, the DGPP benchmark index posted a return of 9.4%, which is lower than the Plan's global return. Overall, the DGPP's investments have proven to be relatively strong. The portfolio's added value compared to the benchmark is 0.3%, which represents nearly \$35 million in added value for the DGPP in 2023.



**7.3%**  
Annualized returns  
over 10 years



**\$1,810M**  
Total added value  
over 10 years



**THE EDGE, multi-residential building**  
Real estate | Tennessee, United States | Partner: BGO



**QUALTRICS, an experience management software company**  
Private equity | Utah, United States | Partner: Silverlake



**NEXTECH, medical clinic technology solutions**  
Private equity | United States | Partner: TPG

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# Performance portfolio

The objective of the performance portfolio is to help the Plan achieve its long-term target return so that we can maintain contributions at a reasonable level for Plan members and employers.

We reached this objective in 2023, with an 11.3% annualized return over 10 years. All asset classes posted long-term annualized returns that were higher than their respective targets, helping the DGPP improve its financial health.

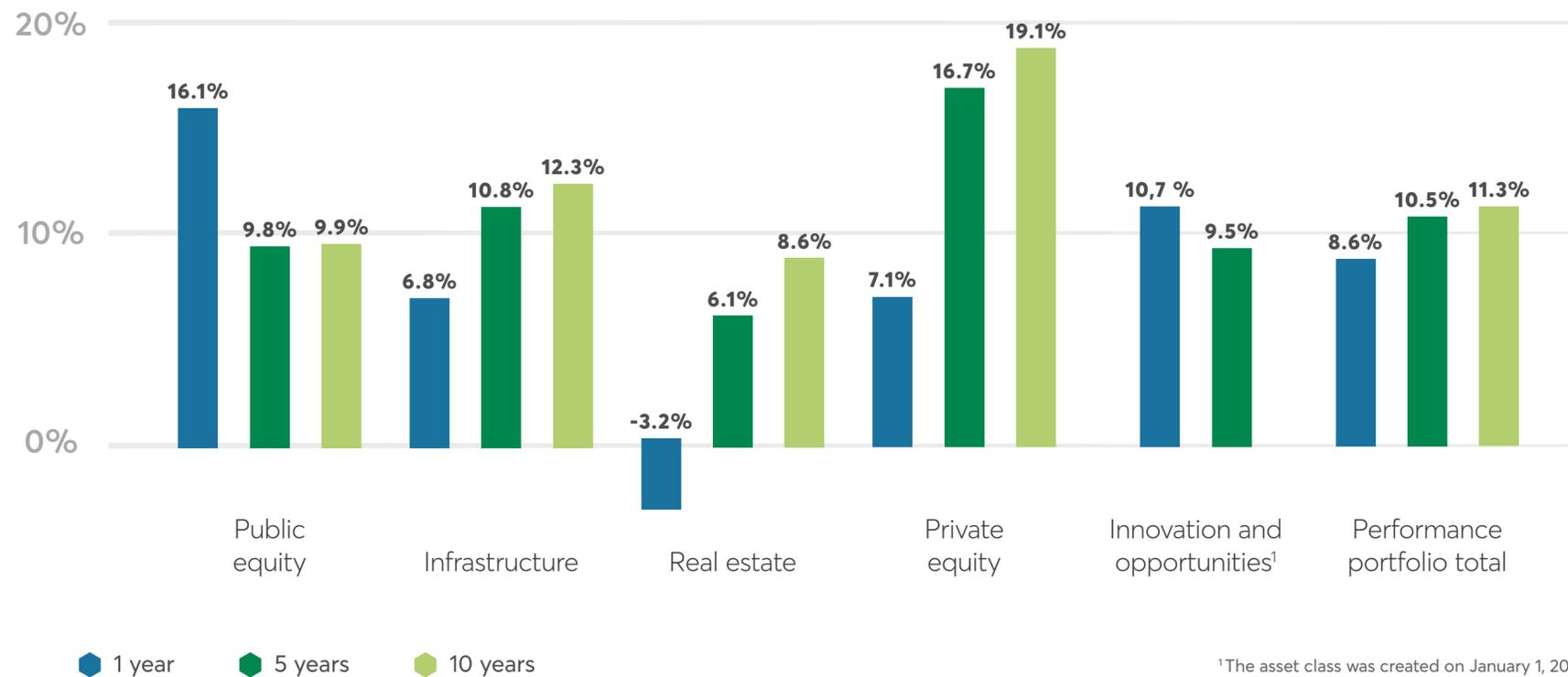
In 2023, diversification and risk management investment strategies continued to perform well. After a difficult 2022, the stock market rally was a major contributor to the performance portfolio's 8.6% return. This added \$54 million in value, despite challenges in the real estate market.

The latest interest rate hikes could continue to hurt the short-term return prospects of more interest-sensitive asset classes like real estate and infrastructure. However, the portfolio's sector and geographic positioning should limit negative impacts.

**11.3%**  
Annualized returns  
over 10 years

**\$1,377M**  
Total added value  
over 10 years

**Performance portfolio return**



<sup>1</sup>The asset class was created on January 1, 2017.

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# Performance portfolio

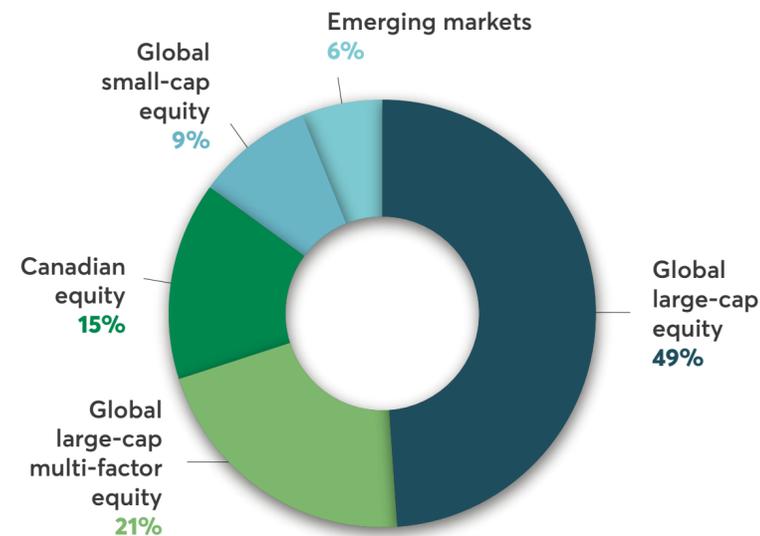
## PUBLIC EQUITY

### Strategy

Take advantage of the stock market's expected long-term returns to fund the Plan at a lower cost and ensure access to emergency liquidity.

<b>\$3.7B</b> Net assets
<b>16.1%</b> Return
<b>-1.8%</b> Added value
<b>9.8%</b> 5-year return

### Strategic allocation



### Result

Various global indexes posted better-than-expected returns in 2023, thanks in large part to technology stocks, especially those with very large market capitalizations. Investor sentiment went from bearish at the beginning of the year to bullish, despite rising interest rates. As a result, there was a period of market consolidation that was unfavourable to active management.

With its diversified profile, the portfolio was unable to follow index performance. For example, our underweight positions in technology and mega-caps detracted from performance.

Note the strong performance of value-based and small-cap mandates relative to their respective indexes. However, growth and Canadian equity faced greater challenges.

Restrictive factors from the past year are starting to ease, which should allow for an environment that's more conducive to active management.

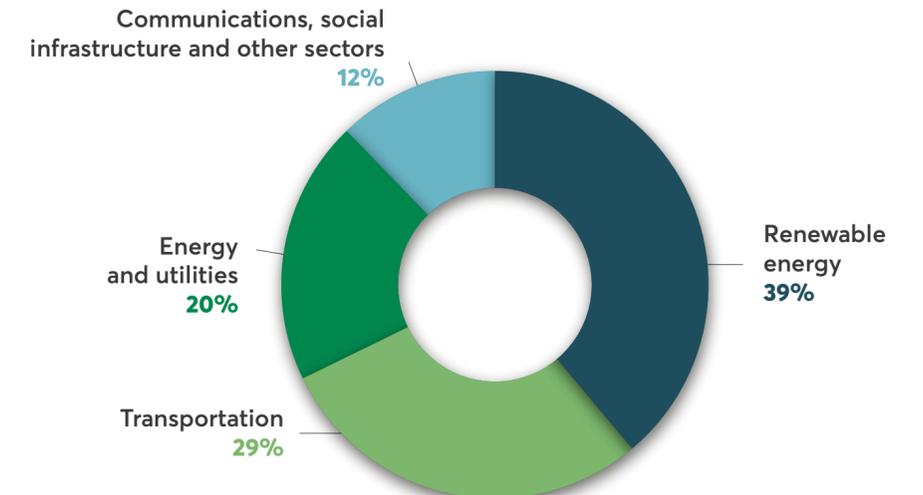
## INFRASTRUCTURE

### Strategy

Generate strong, predictable current income and improve matching between Plan assets and liabilities.

<b>\$2.5B</b> Net assets
<b>6.8%</b> Return
<b>0.5%</b> Added value
<b>10.8%</b> 5-year return

### Sector allocation



### Result

Despite a tumultuous economic context, the portfolio's performance exceeded expectations in 2023, demonstrating the resilience of this asset class. The portfolio's positioning, generally placed in traditional high-quality assets through experienced partners, continues to pay off. Its diversification across sectors and geographic areas contribute positively to its performance.

Portfolio assets performed well in this context thanks to income generally benefiting directly or indirectly from inflation-adjustment mechanisms.

Despite investors' concerns about the direction of interest rates, these adjustment mechanisms, combined with elevated demand for infrastructure assets, have so far mitigated the impact of interest rate hikes on valuations. However, after a slight increase for certain sectors or asset types during the year, there may be increases in discount rates in the coming quarters.

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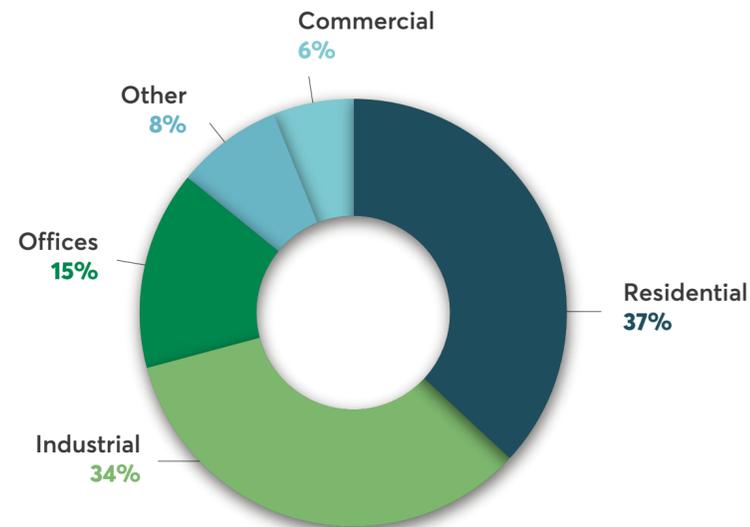
## REAL ESTATE

### Strategy

Acquire real estate assets whose total return is mostly based on current income, combined with growth potential and sensitivity to inflation.

<b>\$2.1B</b> Net assets
<b>-3.2%</b> Return
<b>3.7%</b> Added value
<b>6.1%</b> 5-year return

### Sector allocation



### Result

The real estate portfolio's solid performance in 2023 is attributable to its exposure to sectors with good fundamentals, specifically industrial and residential, as well as other real estate sectors. On the other hand, the portfolio remains significantly underweight in the office building sector. This sector is currently facing structural issues that have negatively impacted valuations, particularly office buildings lacking modern amenities or features, or that are located far from urban centres.

Nevertheless, the rapid interest rate increases had major impacts on absolute returns for the real estate portfolio over the year, as capitalization rates expanded across the board. The scale of these fluctuations varies between sectors and regions.

Monetary policies of the major central banks will have a significant impact on the outlook for returns in real estate in the next few quarters, and investors are expecting better visibility before investing more in this asset class.



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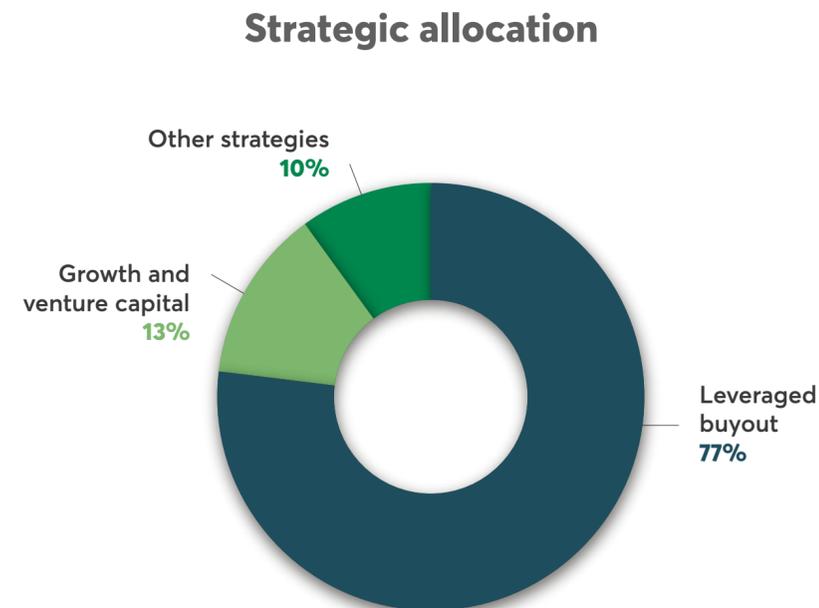
# Performance portfolio

## PRIVATE EQUITY

### Strategy

Expose the portfolio to economic growth and higher potential returns, rounding out public equity through a focus on size and liquidity premiums.

<b>\$1.7B</b> Net assets
<b>7.1%</b> Return
<b>0.3%</b> Added value
<b>16.7%</b> 5-year return



### Result

Despite the economic context marked by persistent inflation, slower economic growth and higher cost of capital, the private equity portfolio was resilient and able to generate a return that outperformed its benchmark.

Portfolio performance is above performance targets over a 5-year horizon. However, the portfolio lost value in 2023 due to the absolute return index.

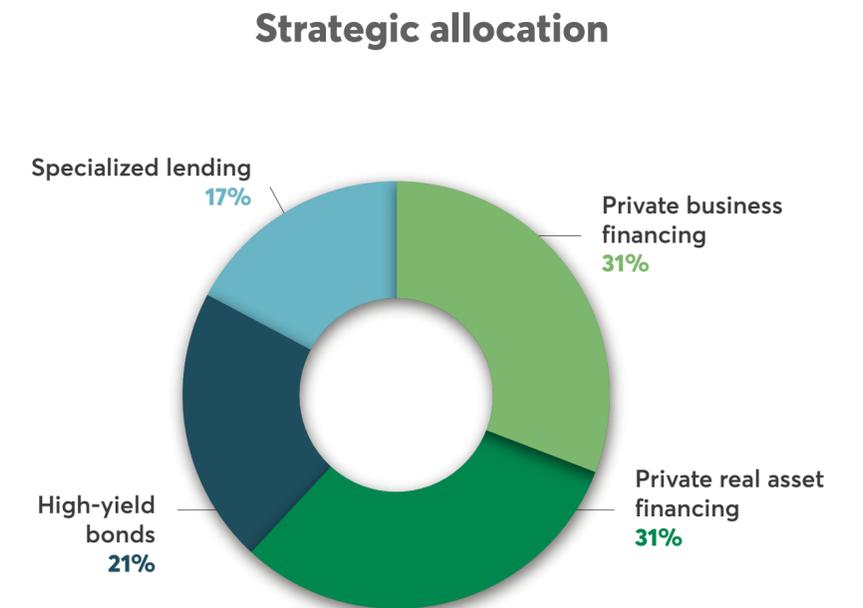
During 2023, four new co-investments were made. They will help optimize portfolio fees. Many other portfolio optimization initiatives are also underway and will continue to create added value in the coming years.

## INNOVATION AND OPPORTUNITIES

### Strategy

Take advantage of the subprime market's credit and liquidity risk premium and consider all innovative opportunities that could improve risk-adjusted performance of the global portfolio.

<b>\$0.5B</b> Net assets
<b>10.7%</b> Return
<b>4.6%</b> Added value
<b>9.5%</b> 5-year return



### Result

Current market conditions are a major driver for the innovation and opportunities asset class. In fact, higher interest rates have positively influenced the portfolio's performance.

In 2023, nearly all of our portfolio mandates contributed to the added value of the innovation and opportunities asset class compared to the benchmark index.

Two new mandates were added to the portfolio: specialized lending and opportunistic credit. Both mandates have an attractive risk-return profile and improve the portfolio's diversification and resilience.

We expect the innovation and opportunity portfolio to continue to develop in 2024, particularly with the addition of new managers. Many investment opportunities are under analysis.

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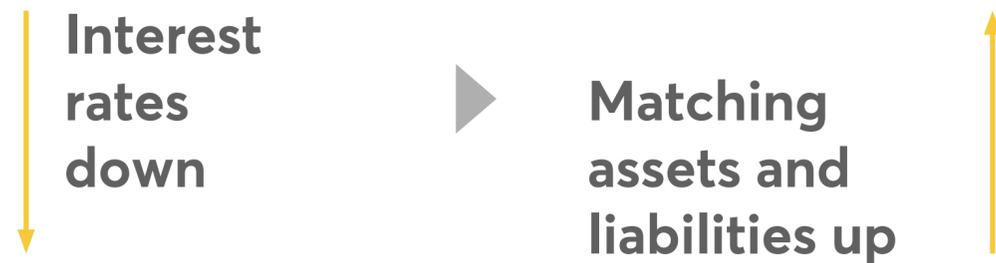
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# Matching portfolio

**The objective of the matching portfolio is to protect the Plan's financial health against changes in interest rates.**

In 2023, the DGPP remained in good financial health despite volatile interest rates. Lower interest rates increased the value of the Plan's matched assets and liabilities. As a result, the DGPP maintained its strong financial footing.



Although the strategy may result in greater volatility for returns, it protects and stabilizes the Plan's financial position. The strategy also ensures that contributions remain stable, guarantees that the Plan can pay out pensions at any time and helps the Plan comply with the level of risk the organization wants to take on.

Generally speaking, the matching portfolio is a pool of bonds and other fixed-income securities. These securities can be managed in the portfolio itself ("fixed-income portfolio") or through strategies used to overlay the asset portfolio ("bond overlay"). At the end of 2023, the bond overlay portfolio was worth \$5.8 billion.

Several hedge ratio optimization transactions were performed during the year in the context of rate volatility. These operations helped maintain the Plan's financial health.

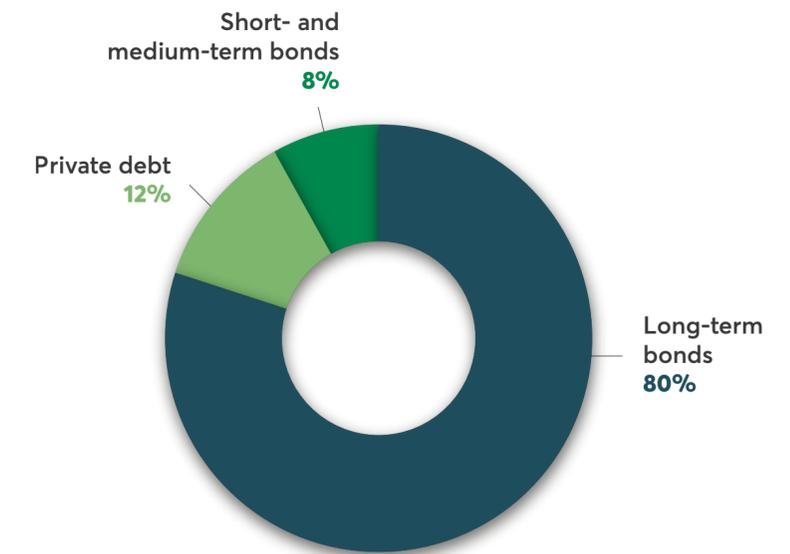
## FIXED INCOME

### Strategy

Achieve and maintain the target matching level between Plan assets and liabilities to minimize volatility in the financial position.

<b>\$5.8B</b> Net assets
<b>9.6%</b> Return
<b>-0.1%</b> Added value
<b>1.5%</b> 5-year return

### Strategic allocation



### Result

Long-term interest rates were very volatile in 2023. After a general rise in the first 9 months of the year, bond rates dropped in the fourth quarter to end the year slightly lower than they were at the start of the year. A strong economy, lower inflation and expectations of lower key interest rate contributed to the marked decline in rates. Provincial credit spreads declined slightly over the year, and corporate spreads went down even more.

The negative added value is partly due to underexposure to duration in long-term corporate credit. In 2023, long-term corporate bonds outperformed long-term provincial bonds.

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# RESPONSIBLE INVESTMENT



**93%**

of fair market value of the DGPP is managed by PRi signatories



**54**

meetings with external asset managers



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# A changing approach

In keeping with its values and mission, the DGPP is committed to incorporating responsible investment (RI) into its investment activities. As an asset holder with a long-term investment horizon, the Plan believes that incorporating environmental, social and governance (ESG) factors into its investment decisions promotes sustained financial returns while growing its positive impact on communities.

## INCREASINGLY FREQUENT CLIMATE RISKS

In 2023, Canada’s wildfire season was “the most destructive ever recorded.”<sup>1</sup> Over 18 million hectares went up in flames, compared with the Canadian annual average of 2.8 million hectares.<sup>2</sup> The disaster is evidence of just how susceptible our ecosystems are to climate change and the challenges ahead.



## ASSET ALLOCATION AND RISK MANAGEMENT IN THE ERA OF CLIMATE CHANGE

One of the changes to the RI program in 2023 was incorporating ESG factors into our asset allocation and risk management activities. We worked with Desjardins Group experts to identify, categorize and document new climate-related risk indicators.

These risk indicators are:

- **Physical risks** associated with climate change, which are becoming more tangible through increasingly intense and frequent extreme weather events. As a result, the DGPP is carefully analyzing data and models to better understand how these risks may play out according to different climate scenarios. We’ll be keeping a close eye on real assets, which we can geolocate with specific tools to better assess risks.
- **Transition risks** represent the potential loss of value related to a transition to a low-carbon economy. It’s difficult to accurately forecast the scale and timing of the transition’s impacts. However, because of our two-pronged strategy—excluding coal companies (that do not have a decarbonization plan) and maintaining a carbon intensity at least 20% lower than our benchmarks—the DGPP is already reducing its exposure to this type of risk. In addition, the infrastructure portfolio’s high exposure to renewable energy puts the Plan in a good position, as this type of energy is increasingly in demand to clean up the carbon footprints of organizations and governments.

## MODERNIZING OUR APPROACH IN LINE WITH BEST PRACTICES

Following a benchmarking of best practices used by other Canadian asset holders, the DGPP is actively working to modernize its approach in terms of decarbonization, asset allocation and shareholder engagement. While each methodology has its pros and cons, we’re enthusiastic about taking on these complexities to better understand the risks and opportunities associated with our investment universes.

This approach is evolving to align with significantly heightening regulatory expectations for Canadian financial institutions. For example, the Office of the Superintendent of Financial Institutions says that each institution “should use climate scenario analysis to assess the impact of climate-related risks on its risk profile, business strategy, and business model.”<sup>3</sup> While these requirements are still in their infancy, they will have a growing impact on the entire Canadian ecosystem and may gradually change climate risk assessment on the market.

In short, our teams are continuing to thoroughly investigate these questions to make sure they meet the objectives of the DGPP’s RI policy.

<sup>1</sup> Canada’s record-breaking wildfires in 2023: A fiery wake-up call (<https://natural-resources.canada.ca/simply-science/canadas-record-breaking-wildfires-2023-fiery-wake-call/25303>)

<sup>2</sup> Canadian Wildland Fire Information System | National Wildland Fire Situation Report (<https://cwfis.cfs.nrcan.gc.ca/home>)

<sup>3</sup> Guideline B-15 – Climate Risk Management (<https://www.osfi-bsif.gc.ca/en/guidance/guidance-library/climate-risk-management>)

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# Strategic coalitions



Member since 2018

Principles for Responsible Investment (**PRI**) is an internationally recognized initiative backed by the UN aiming to promote sustainable and responsible investment practices.



Member since 2022

The Global Real Estate Sustainability Benchmark (**GRESB**) is an independent organization providing ESG performance data and peer benchmarks in the real estate and infrastructure asset sectors.



Member since 2023

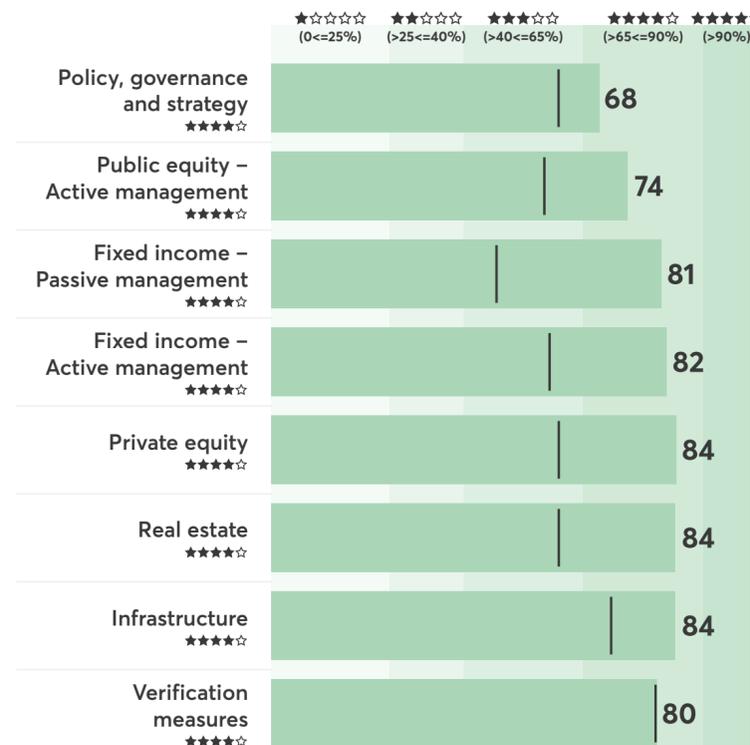
The **ESG Data Convergence Initiative** is an open partnership of private equity stakeholders committed to streamlining the private investment industry's historically fragmented approach to collecting and reporting ESG data.



## ASSESSING ABOVE-MEDIAN PRI

The [DGPP public transparency report](#) presents a detailed account of the initiatives and processes used by the DGPP in recent years. For each category, PRI gave the DGPP a 4-star rating, which places it at the same level as its peers or above the median. These results show that the RI initiatives implemented in recent years are paying off. More than 650 international asset holders completed this questionnaire in 2023.

## DGPP Evaluation Report by PRI Summary results



◆ DGPP score (%) | | Median (%)

## A NEW STRATEGIC COALITION FOR PRIVATE MARKETS

In 2023, the DGPP became a member of the ESG Data Convergence Initiative, a strategic RI coalition that has gained traction in recent years, and that is now one of the top RI coalitions for private markets.

As a member, the DGPP is committed to promoting private market transparency and encourages its business partners to disclose, in a targeted and consistent manner, the main ESG indicators put forward by the coalition.

The Plan's participation in this initiative provides access to a private market ESG database to conduct new benchmarking. As a result, the DGPP gets a more informed ESG performance analysis of the private companies in its portfolio. Ultimately, this more in-depth identification of the risks and opportunities of its investments gives it a better perspective on its investment activities.

☐☐ **These results show that the RI initiatives implemented in recent years are paying off.** ☐☐

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# Impact strategy

## EXTENSIVE EXERCISE OF PROXY VOTING RIGHTS

Taking ESG factors into account in our financial governance is an important dimension of the Plan's fiduciary responsibility. Proxy voting is an essential tool for the DGPP to promote sound business practices. Where possible, the DGPP transfers all its voting rights in accordance with its Policy on the Exercise of Proxy Voting Rights.



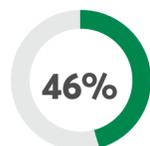
**2,114**  
general meetings where we exercised our voting rights



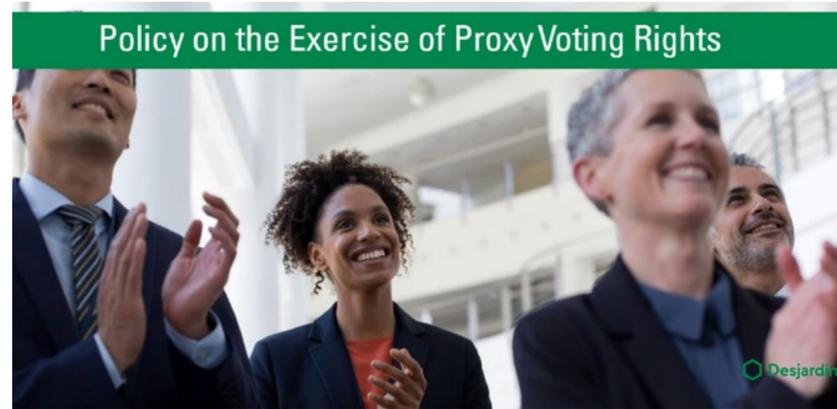
Share of **recorded votes** at meetings



Share of votes in favour of **proposals submitted by management**



Share of votes in favour of **proposals submitted by shareholders**



## CONSTRUCTIVE DIALOGUE WITH OUR PORTFOLIO MANAGERS

The DGPP investment process is based on close partnerships between the Plan's investment teams and a large number of world-class portfolio managers. The DGPP's RI program therefore focuses on selecting, supporting and evaluating managers as early as possible in the decision-making process.

With this in mind, the DGPP's RI team participated in 54 meetings with portfolio managers to promote the DGPP's expectations, evaluate their progress and share the latest knowledge of industry best practices. In 2023, we saw the continued progress of several partners after we established clear expectations for them, as stipulated in our RI policy.



## EXPECTATIONS OF EXTERNAL MANAGERS

Consistent with the objectives of the [Responsible Investment Policy](#), the DGPP expects its partners to demonstrate leadership and competency in RI. This involves:

- **Implementing appropriate RI governance**, with a strong focus on senior management and the board of directors
- **Incorporating material ESG risks and opportunities** into their investment processes in a robust manner consistent with **best practices applicable to their area of expertise**
- **Implementing issuer engagement processes** to optimize management of ESG risks and opportunities
- **Using leading-edge ESG data and research** in their fields of expertise
- **Promoting best practices and working toward sustainability** with peers, issuers and regulators, including enhancing ESG reporting efforts
- **Communicating RI approaches and results in a sustained, robust, and public way**
- **Seeking out investments that generate positive social and environmental benefits**

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# Investments supporting the transition

## INVESTMENTS IN RENEWABLE ENERGY

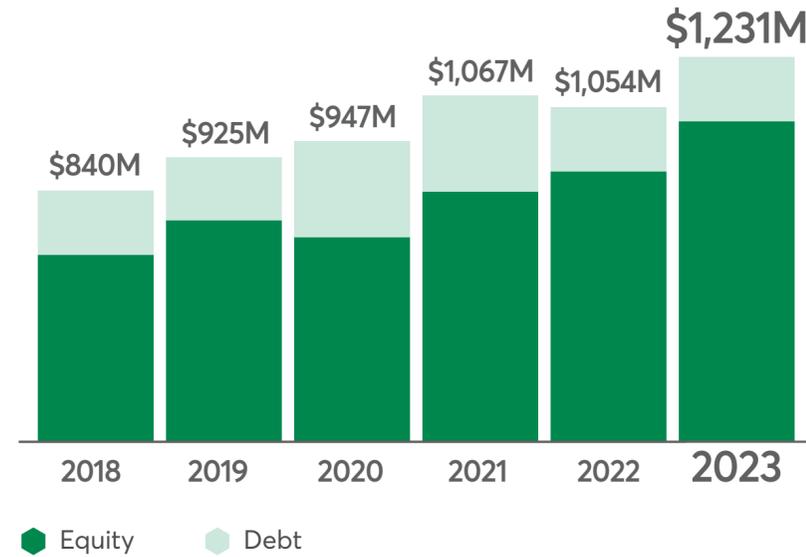
The DGPP's infrastructure portfolio has nearly \$2.5 billion in total assets. Of those assets, equity investments in the renewable energy sector now total \$1 billion. The DGPP's fixed-income securities portfolio also includes mezzanine debt associated with infrastructure assets in the renewable energy sector totalling more than \$200M.



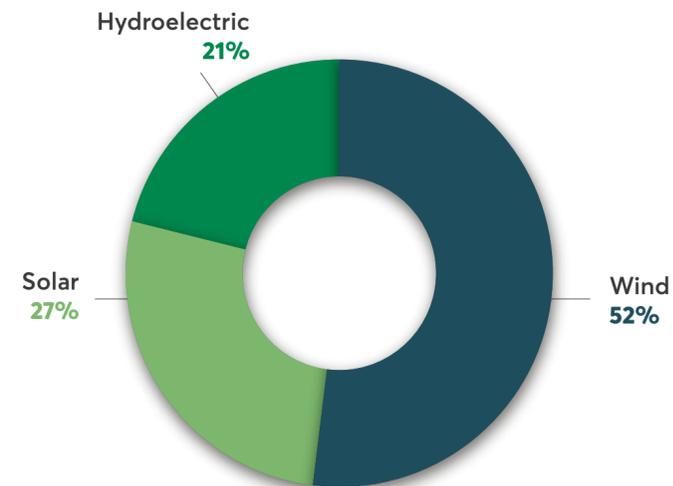
**\$1.2B**  
Investments in renewable energy infrastructure



### Change in the value of renewable energy assets



### Infrastructure asset allocation by type of renewable energy



### REDUCING OUR CARBON FOOTPRINT

As at December 31, 2023, the weighted average carbon intensity of our public equity and corporate bond portfolios was 27% lower than the benchmark indexes used to measure the performance of these portfolios.

We worked with other Desjardins entities to strengthen our climate-related objectives and get a better understanding of the next steps. While the Plan will offer a new approach in 2024, it's important to keep in mind that this will evolve based on the quality of the data we obtain for each asset class in the portfolio. We will continue to prioritize gaining a detailed understanding of our carbon footprint and its impacts on the Plan, and will make any necessary adjustments in the coming years.

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# GOVERNANCE



**11**

**Desjardins Group Retirement Committee members**

that collectively have all the required skills



**70**

**employees of the DGPP division**

with diversified expertise and talent working together to benefit Plan members

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# Structure of governance

## THE FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC (FCDQ)

Through its Board of Directors, the Federation assumes the responsibilities of Plan sponsor. The Federation's Board of Directors has decision-making power in certain areas, including:

- Changes to the DGPP Regulation
- The nature and terms of benefit payments to Plan members
- Contribution rates
- The Plan's funding policy

The FCDQ stands surety for the obligations associated with the participation of all Desjardins Group employers in the DGPP.

## INVESTMENT MANAGEMENT COMMITTEE (IMC)

The DGRC delegates responsibility for managing DGPP assets to the IMC.

Its mandate includes:

- Ensuring that the investment policy adopted by the DGRC is implemented, enforced and monitored
- Selecting investment vehicles
- Assigning management mandates to portfolio managers
- Ensuring that each investment meets expectations.

Work carried out in 2023 led to a review of the IMC's composition coming into force at the beginning of 2024. In order to enhance the skills and diversity within the committee, the number of members increased from five to eight, including one non-voting member. 38% of its members are women.

The IMC is made up of investment, actuarial, risk management, governance and responsible investment experts.

The committee meets at least every other week to ensure that it can act quickly when needed and closely monitor developments.



## THE DESJARDINS GROUP RETIREMENT COMMITTEE (DGRC)

By virtue of the powers vested in it by the *Supplemental Pension Plans Act* and by the *Desjardins Group Pension Plan Regulation*, the DGRC is responsible for:

- Administering the Plan soundly in the best interests of Plan members
- Paying Plan members and their survivors the benefits they're entitled to

The DGRC is the trustee of the pension fund. That means it must exercise the prudence, diligence and competence that a reasonable person would exercise in similar circumstances.

In 2023, the DGRC held 5 meetings with 98% attendance.

### Training for committee members

A wide range of training is given to all new DGRC members to help them fulfill their mandate. In addition, all members have access to a professional development program with individual and group components. This program allows them to take a variety of training courses on topics that have an impact on the DGPP and on skills identified in the enhanced group profile.

### Enhanced group profile

The DGRC is committed to sound Plan governance. The DGRC's [enhanced group profile](#) identifies the target skill sets for individuals who are designated to serve as committee members. This helps the committee, as a group, ensure that it has the skills needed to exercise its role and functions in an optimal way.

In 2023, after a skills assessment exercise was performed, 2 new members were appointed to the committee, confirming the fact that the DGRC as a whole has all the required skills and knowledge.

In addition to ensuring diversification of skills and expertise within the committee, the enhanced group profile promotes diversity in terms of gender, age, culture and seniority among members, fostering efficiency and innovation. In accordance with Desjardins Group's commitment, 3 of the 7 members of the DGRC appointed by the FCDQ are women; that's 43%.

▯▯ **The DGRC has all the skills and expertise we're looking for.** ▯▯

Number of Retirement Committee members with the targeted skill sets



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# Retirement Committee members

The Desjardins Group Retirement Committee has 11 members, 7 of whom are appointed by the Federation's Board of Directors and 4 of whom are elected by Plan members at the annual meeting.



**Member appointed by the FCDQ Board of Directors**

Denis Latulippe, Actuary, FCIA, MBA, MSc, ASC Chair  
School of Actuarial Science, Université Laval



**Member appointed by the FCDQ Board of Directors**

Jean-François Laporte, MBA, ASC, C.Dir. Vice-Chair and board member, Caisse Desjardins de la Pommeraie



**Member appointed by the Federation's Board of Directors**

Geneviève Côté, Lawyer, LLL, ASC, C.Dir. Secretary and board member, Caisse Desjardins de la Culture



**Member appointed by the Federation's Board of Directors**

Claudia Champagne, Professor, PhD MSc, BBA  
Board member, Caisse Desjardins des Deux-Rivières de Sherbrooke



**Member appointed by the FCDQ Board of Directors**

Bernard Morency, Actuary, FICA, ICD.D  
Adjunct Professor, HEC Montréal, Retirement and Savings Institute



**Member appointed by the Federation's Board of Directors**

Patricia-Ann Sarrazin-Sullivan, Architect, C.Adm  
Board member, Caisse Desjardins du Plateau-Mont-Royal



**External member appointed by the FCDQ's Board of Directors**

Marc St-Pierre  
MSc, CFA  
President, MSP & Associates



**Member appointed by active plan members**

Dominic Laurin, MBA  
Market-Linked Products Manager, Structured Product Development and Management, Wealth Management and Life and Health Insurance Executive Division, Desjardins Investments Inc.



**Member appointed by retirees, beneficiaries and members entitled to a deferred pension**

Jacques Dignard, CIRC  
Desjardins retiree



**Non-voting member appointed by active members**

Brigitte Chabarekh, CPA, BBA  
Director, Accounting and Financial Operations, Operations Executive Division, Fédération des caisses Desjardins du Québec



**Non-voting member appointed by retirees, beneficiaries and members with deferred pensions**

Robert Desbiens, MSc  
Desjardins retiree

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# Involvement of Desjardins teams

## DGPP DIVISION

The DGPP Division helps the DGRC fulfill its many responsibilities. Our multidisciplinary team oversees the financial management and administration of the Plan so it can honour its promises to Plan members.

Team members work together to manage risk, establish asset allocation strategies, manage investments, support governance, and oversee financial management and reporting. The DGPP Division also includes a legal team that supports all investment and governance activities by providing in-depth analyses and quality opinions. An internal team also develops DGPP communications and provides support and tools with clear and comprehensive information for Plan members.

The DGPP Division now has over 70 employees working together for Plan members.

This big team was built on the expertise of seasoned professionals, with new talent coming on board to develop their skills and get the support they need take over when the time comes.

There's also an internship program in place to train and recruit qualified students.



### Strategic achievements

Our goal is to deliver a pension plan that is exceptional, high-performing and resilient so that Plan members can enjoy the pension they've been promised.

We know that we need to innovate and modernize our activities to achieve this. As a result, we're working to optimize all of our processes.

In 2023, our strategic activities covered 5 themes:

- Operational excellence
- Strategy and investment
- Risk management
- Communications
- Talent management

All teams contributed to strategic deliverables that included improving our analytical capacity, innovating in our investment practices, managing risk in a constantly changing environment, increasing stakeholders' understanding and perception of the DGPP and mobilizing our talent.



### Equity, diversity and inclusion (EDI)

At the DGPP, we believe that the 3 components of EDI enrich our team and are key to achieving excellence. An external firm recently carried out a diagnostic of our EDI practices. The preliminary results are very positive and will feed into the EDI 2024 action plan.

In 2023, all Desjardins employees took EDI training to learn and adopt best practices. The goal of this program was to make the organization more inclusive and showcase our pride in diversity.

We also took action to improve gender parity, in line with Desjardins's priorities. For example, we implemented an action plan to support women in leadership in the investment sector. We held a number of activities to increase the influence and development of women in the field. This led to the appointment of the first woman to the DGPP management team and increased the number of applications we received from women for investment and finance internship programs.

In the DGPP Division, women make up just over half of all employees and hold one-third of management positions. Parity is considered when selecting members for all the division's internal decision-making committees. In 2023, we made some big changes regarding that issue.

## Other collaborators

When it comes to investment management and compliance, the Plan works with external partners to ensure its administrative and operational efficiency.

### Desjardins Financial Security

Administrative manager of the Plan and investment partner

### Desjardins Trust

Asset custodian

### Total Compensation and Workplace Relations Division

Plan sponsor representative

### Desjardins Global Asset Management

Investment managers

### Desjardins General Insurance Group Inc.

Investment partner

### Fédération des caisses Desjardins du Québec

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# FINANCIAL REPORT



**\$16.7B**  
Net assets  
available for benefits



**\$1.5B**  
Net investment  
income and  
change in the fair  
market value



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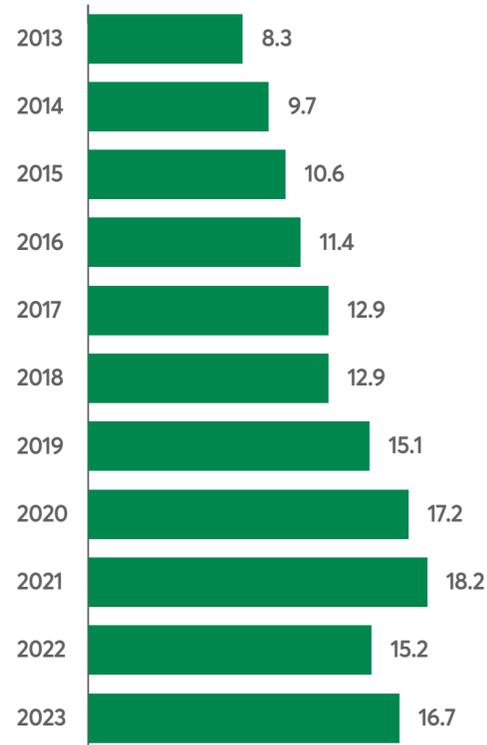
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# Financial report

The financial information presented here is extracted from the audited financial report of the DGPP as at December 31, 2023, on which PricewaterhouseCoopers LLP expressed an unqualified opinion on February 20, 2024.

**Plan assets over time (\$B)**



**Net assets doubled in the last decade, from \$8.3 billion to \$16.7 billion**

## DESJARDINS GROUP PENSION PLAN

### Statement of net assets available for benefits

As at December 31, 2023	In thousands of Canadian dollars	
	2023	2022
<b>Investment portfolio</b>		
Investment assets		
Bonds and bond funds	\$10,177,810	\$7,998,603
Equities and equity funds	3,669,510	3,747,123
Real estate investments	2,061,639	2,218,363
Infrastructure investments	2,464,965	2,201,417
Private equity	1,660,588	1,519,222
Specialty finance securities <sup>1</sup>	546,186	621,246
Other investments	26,490	26,790
Cash and money market securities	349,396	342,978
Securities borrowed or purchased under reverse purchase agreements	560,277	36,930
Derivative financial instruments	429,053	74,923
	21,945,914	18,787,595
Investment liabilities		
Commitments related to securities lent or sold under repurchase agreements	(5,132,426)	(3,369,681)
Derivative financial instruments	(19,822)	(142,649)
<b>Total investment portfolio</b>	<b>16,793,666</b>	<b>15,275,265</b>
Other assets		
Employer contributions receivable	10,953	31,060
Employee contributions receivable	5,898	16,725
Other assets	181,536	144,357
	198,387	192,142
Other liabilities		
	(299,336)	(247,850)
<b>Net assets available for benefits</b>	<b>\$16,692,717</b>	<b>\$15,219,557</b>

Approved by the Desjardins Group Retirement Committee

, member

, member

<sup>1</sup> For the purposes of financial disclosure, this investment category is also called Innovation and opportunities.

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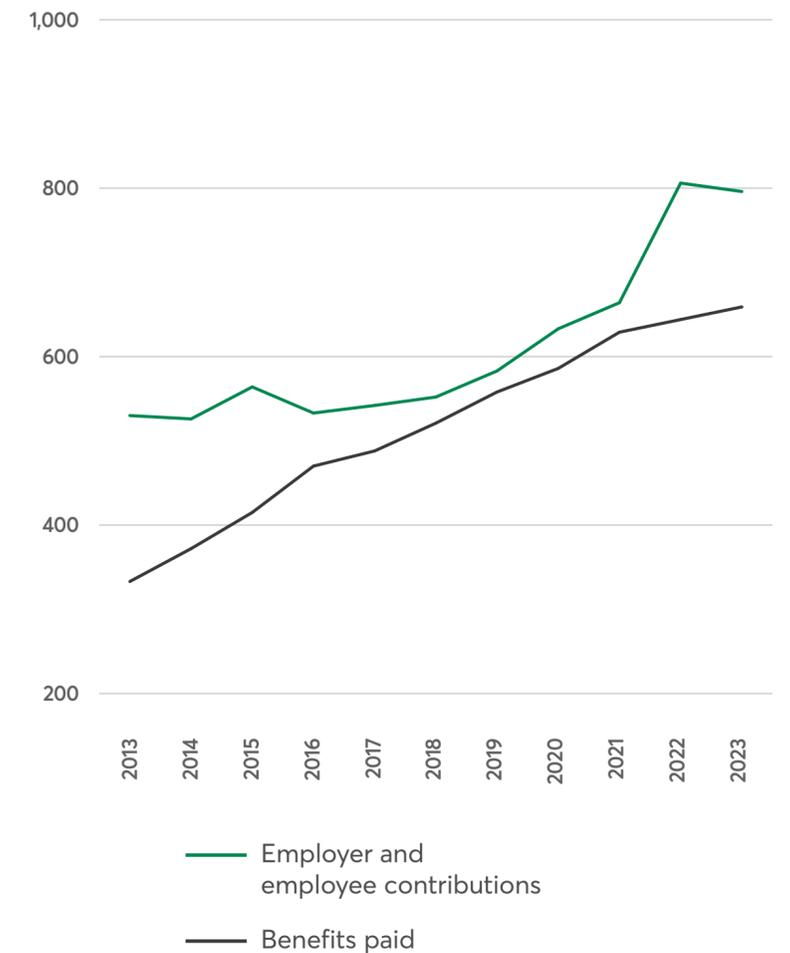
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**DESJARDINS GROUP PENSION PLAN**

**Statement of changes in net assets available for benefits**

		In thousands of Canadian dollars	
For the year ended December 31, 2023		2023	2022
<b>Increase in net assets</b>			
Net investment income			
Bonds and bond funds		\$91,012	\$150,974
Equities and equity funds		73,350	77,752
Real estate investments		25,510	40,417
Infrastructure investments		76,538	86,285
Private equity		12,129	10,316
Specialty finance securities <sup>1</sup>		35,580	19,634
Cash and money market securities		5,815	2,409
Other income		3,937	5,415
		323,871	393,202
Change in the fair value of investments and derivative financial instruments		1,145,782	(3,378,798)
		1,469,653	(2,985,596)
Contributions			
Employer contributions		517,334	523,773
Administrative expenses		(23,173)	(22,569)
		494,161	501,204
Employee contributions		278,564	282,031
Contributions net of administrative expenses		772,725	783,235
		<b>2,242,378</b>	<b>(2,202,361)</b>
<b>Decrease in net assets</b>			
Benefits paid			
Pension benefits		578,123	550,220
Reimbursements		72,388	85,481
Death benefits		8,884	7,946
		659,395	643,647
Investment management, custodial fees, transaction and other costs		91,215	87,316
Performance fees		18,608	56,391
		<b>769,218</b>	<b>787,354</b>
<b>Variation in net assets</b>		<b>1,473,160</b>	<b>(2,989,715)</b>
<b>Net assets available for benefits at the beginning of the year</b>		<b>15,219,557</b>	<b>18,209,272</b>
<b>Net assets available for benefits at year end</b>		<b>\$16,692,717</b>	<b>\$15,219,557</b>

**Changes in contributions and benefits paid (\$M)**



Additional payments were added to employer contributions between 2013 and 2015, totalling \$1,311 million including interest to December 31, 2023.

<sup>1</sup> For the purposes of financial disclosure, this investment category is also called Innovation and opportunities.

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# MEMBER SERVICES



**36,300**  
requests for  
information  
answered



**97%**  
satisfaction rate  
with the overall service  
experience



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# Member Services

## ONE-ON-ONE SUPPORT

**Do you have any questions? Would you like help understanding the Plan and making informed decisions? Contact us!**

We're here to provide you with personalized service so that you can feel completely satisfied.

In 2023, we recorded more than 36,300 interactions between our team and Plan members like you, and our service satisfaction rate rose to 97%.

### DGPP Member Services

Call **1-866-434-3166**

Use the secure online messaging service on the DGPP website at [rcd-dgp.com](https://rcd-dgp.com)



## MAIN TOOLS AND SERVICES

Check out the tools and trainings developed to meet your needs.

The DGPP website, <a href="https://rcd-dgp.com/en">rcd-dgp.com/en</a> , has all the relevant information about your pension plan.	<b>400,000</b> views
<a href="#">Personal secure file</a> includes your <a href="#">annual statement</a> , and <a href="#">pension and buyback simulators</a> that let you estimate the amount of your pension benefit according to different dates and buyback options, as applicable	<b>21,700</b> pension simulator views
<a href="#">Short pre-recorded videos</a> where an advisor explains what's in the annual statement	<b>1,300</b> views
<a href="#">Informational animated capsules</a> on how the Plan works	<b>26,400</b> views
" <a href="#">Preparing for retirement</a> " training featuring five courses, including one on the DGPP, offered to employees ages 50 and up	<b>68</b> courses on the DGPP <b>1,020</b> participants
<a href="#">Webinars</a> to help you understand your annual statement and how to use the pension simulator	<b>625</b> participants <b>7,100</b> playbacks
<a href="#">Quarterly newsletters</a> to give you regular updates about Plan highlights over the year	<b>3</b> newsletters per year <b>8,200</b> views

## NEW IN 2023

We're here for you and continue to update our training and tools to offer you a better, simpler experience.

<a href="#">Presentation: The Desjardins Group Pension Plan (DGPP): A valuable part of your compensation</a>	<b>7,500</b> participants <b>42</b> presentations <b>95%</b> satisfaction
<ul style="list-style-type: none"> <li>Available upon request by managers</li> <li>For groups of 20 to 1,000 participants</li> <li>Interactive format</li> </ul>	
<a href="#">Animated video: The DGPP, an advantageous plan</a> (8 min)	<b>6,700</b> views
<ul style="list-style-type: none"> <li>Included in the toolkit for new Desjardins employees</li> <li>Available on the DGPP website and on the organization's internal portal</li> </ul>	
Automated enrollment for new Plan members	<b>2,400</b> automatic welcome messages
<ul style="list-style-type: none"> <li>Updated, paperless process</li> </ul>	
Implemented online beneficiary designations	<b>8,000</b> online designations
<ul style="list-style-type: none"> <li>Updated, paperless process</li> <li>New user-friendly feature in the secure folder for active and deferred Plan members</li> </ul>	

☐☐ **It was my first time and I got excellent service. Keep up the good work!**  
**It was really reassuring to talk to someone who could answer my questions.**☐☐

Messages

The DGPP in numbers

New features and recognition

Financial position

Strategies

Asset management

Responsible investment

Governance

Financial report

**Member services**

Member Services

▶ Plan advantages

# Plan advantages

The DGPP offers precious peace of mind and financial advantages.

Participating in a defined benefit pension plan like the DGPP means you'll receive a retirement pension with a guaranteed and predetermined amount. Benefits are paid monthly for the entire duration of your retirement.

## THE PLAN IN 5 STEPS

<p><b>1. Guaranteed payment</b></p> 	<p>As a defined benefit pension plan, the DGPP is committed to paying you a <b>predetermined retirement pension</b> for the rest of your life. The pension amount is calculated based on the average salary of your best-paid years and the number of years you were a plan member, and can be easily estimated using the <b>pension simulator</b>.</p> <p>No matter what happens with the economy, you can be sure of receiving your fixed amount every month for as long as you live. Now that's <b>peace of mind!</b></p>
<p><b>2. Contributions</b></p> 	<p>With every paycheque, you contribute a portion of your gross salary to the pension fund, while benefitting from <b>lower taxes</b>. And your employer contributes \$1.85 for every dollar you put in. In other words, employee contributions account for 35% of DGPP funding, while <b>employer contributions account for 65%</b>, which is a big advantage for employees.</p>
<p><b>3. Management of the Plan's assets</b></p> 	<p>The Plan's financial <b>experts strategically invest</b> all the contributions paid into the retirement fund. They ensure that these assets grow by taking advantage of the best investment opportunities and managing risk wisely.</p> <p>With a defined benefit pension plan like the DGPP, our experts take care of these things so you can focus on what matters most to you.</p>
<p><b>4. Maintenance of the Plan's financial health</b></p> 	<p><b>Sound management</b> of the DGPP is essential to guarantee that all plan members are paid the benefits they're entitled to. To this end, Plan administrators combine expertise and innovation to ensure the Plan's long-term success and honour commitments to all Plan members. Their priority is to provide you with a secure, sustainable retirement plan.</p>
<p><b>5. Pension payment</b></p> 	<p>Once you've reached your age of eligibility, you can retire and start receiving your <b>guaranteed benefits</b>. These different options give you flexibility and the freedom to make choices based on your financial needs.</p> <p>The DGPP is a <b>great way to save money for your retirement</b> even if you leave Desjardins before age 55. At that point, you can either keep your pension in the plan or transfer an amount equivalent to its value, which totals <b>at least 175% of your contributions with interest</b>.<sup>1</sup> And that's more generous than most defined contribution plans on the market!</p>

## 2023 PLAN MEMBER PROFILE

**4,700**  
new active Plan members

**1,100**  
new retirees

**61 years old**  
Average retirement age

**2.1**  
active Plan members  
for each retiree

**88 and 89**  
**years old**  
Current life expectancy of  
men and women at age 60  
participating in the Plan

<sup>1</sup> Applicable to service from 2009 and onward, subject to locking-in rules and the solvency rate for transfers out in case of reimbursement.

