



**MEMORANDUM
TO ALL MEMBERS
OF THE DESJARDINS GROUP PENSION PLAN (DGPP)
(RRQ registration number: 25717)**

Highlights of the 24th DGPP Annual Meeting held March 29, 2014

May 9, 2014

The Desjardins Group Pension Plan (DGPP) Annual Meeting was held on March 29, 2014, at the Québec City Convention Centre during the Desjardins Group Annual General Meetings. The DGPP meeting was also broadcast live on the Desjardins Group Plan website.

After welcoming members, the Chair of the Desjardins Group Retirement Committee (DGRC), Serges Chamberland, announced the appointment of two representatives: one for active members from Desjardins caisses and one for active members from corporate affiliates. Jérôme Mercier and Sébastien Vallée were appointed to these respective roles, each for a three-year term ending at the annual meeting in 2017.

The Chair began his speech by stating that 2013 was a good year for plan members and that while we need to remain cautious and vigilant, we can be proud of these results. The Plan generated a 10.7% return, confirming the pertinence of the Desjardins Group Retirement Committee's (DGRC) long-term strategy and safer investment guidelines. A number of factors helped improve results and our financial situation, including measures introduced in 2012 as part of the overall action plan, positive returns of high quality investment portfolios, rising long-term interest rates and strong stock market performance. Due to these elements, the Plan's solvency surged to 81.6% in 2013, an increase of nearly 20% from the previous year.

The focus remains on the long-term management approach and objectives securing the Plan's viability and financial stability. The Chair also mentioned the strategies undertaken to mitigate risks and volatility, accelerate matching with retiree liabilities, build a real estate and infrastructure portfolio with key assets, and manage the Plan in accordance with its objectives and financial position. The DGRC continued and redoubled its efforts to make the Pension Plan asset categories more conservative by emphasizing less risky and less volatile investments to ensure more stable earnings and provide good returns in the long term.

The Chair went on to talk about a partnership between the DGPP, Desjardins Financial Security and Desjardins General Insurance Group, which gave rise to two promising transactions and paves the way for new investments that will help increase returns and ensure more stable earnings. This partnership gave way to an \$80 million investment towards the construction of Canada's largest solar farm. Also, three solar farms—that are already in operation—were acquired, representing an investment of close to \$40 million. Following these activities, the infrastructure investment portfolio now holds almost \$1 billion.

A number of initiatives were implemented throughout the year to strengthen the risk framework and develop its governance. One of these initiatives included the creation of a risk management advisory committee, whose mandate is to examine and recommend an asset allocation strategy and issue opinions on certain investments projects based on independent risk analyses. Desjardins Group is also focused on preserving the Plan's financial health. Accordingly, the Desjardins Group Management Committee established a steering committee made up of members of senior management to monitor the Plan's evolution and guidelines.

The Chair listed measures that were implemented to fund the deficit sooner, such as maintaining special contributions until the deficits are eliminated and injecting \$320 million from participating employers in 2013 to replace letters of credit. With the contribution made in 2012, a total of \$600 million has been injected by participating employers.

2013 was marked by very good returns and considerable improvement in the Plan's financial position. The retirement fund's average return over the past five years of 9.6% exceeds objectives. The Chair noted that the improvement in the financial position of the Plan is largely due to the above-mentioned initiatives implemented in 2012 as part of the overall action plan, including a review of the benefits for service starting in 2013, the continuation of special contributions and capital injections, the adoption of new and safer guidelines, and investment in lower-risk and less volatile areas.

He reminded members that the DGRC manages the Plan's assets so as to minimize risks and fulfil its financial commitments to participants and retirees. However, a number of issues persist such as the state of the global economy, which remains fragile, and Desjardins's accelerating retirement rate. To tackle retirement fund growth and demographic issues, investment managers have been added to internal teams and efforts to bolster services to participants have been implemented. The 2014 update of the Canadian Institute of Actuaries' Mortality Table has already had an impact on the Plan's capitalization, and its downward effect on solvency will be felt starting next year. Finally, certain recommendations from the Report by the committee of experts on the future of the Quebec retirement system could potentially become legally binding. This would impact pension plans and their funding.

The Chair pointed out that all these factors provide a strong argument for cautious and responsible asset management. This approach helped strengthen the Plan's financial health and ensure its sustainability. The DGRC will continue to rely on rigorous and proactive asset management to minimize the risk and volatility of contributions. He is confident that the DGRC can deal effectively with the challenges ahead and restore the Plan's financial balance within a few years.

Before bringing the meeting to a close, the Chair thanked the members who left the committee over the past year: Carole Chevalier, Line Lemelin, Normand Grant and Guy Cormier. He also expressed his gratitude to the DGRC members, the Senior Vice-President of Finance and Chief Financial Officer of Desjardins Group, the team at the DGPP Division, DFS (the plan administrator), Desjardins Group and all the teams that work together daily to maintain a high quality pension plan **ADVANTAGES FOR EVERYONE**.

ANNUAL MEETING – WEBCAST PLAYBACK

Available on the Desjardins group plan site:

www.rcd-dgp.com

Under the blue tab (Pension Plan), click on **Desjardins Group Pension Plan**, go to **About the DGPP** and click on **Annual Meeting**

DESJARDINS GROUP PENSION PLAN 2013 ANNUAL REPORT

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