CHANGES IN THE PENSION PLAN AND ITS FUNDING

This news item is for members of the Desjardins Group Pension Plan

On February 22, the members of the Board of Directors of Desjardins Group defined the general orientations of the Pension Plan's funding, and changes to its future service, based on their review of the DGPP's financial position and the report of the steering committee overseeing the DGPP brainstorming exercise.

Adopted general orientations

The adopted general orientations affect measures reducing the accumulated deficit and measures reducing the funding risk for future service benefits.

- ***Past service deficit management***

These orientations are designed to significantly improve past deficit management by December 31, 2017, through the following necessary measures:

- Maintain current employer and employee contributions.
- Uphold previous measures ensuring effective management of the risk associated with interest rate movements and foreseeable plan maturity (when the number of retired members becomes higher than the number of active members).
- Accelerate current deficit funding through an additional capital injection by the employer. This injection would be annually based up to a cumulative amount of $1 billion.

- ***Changes in future service benefits***

These general orientations aim to reduce the benefit funding risk for future service to avoid new changes in employer and employee contributions. The new Plan will have to focus on better management of inflation and longevity risks. The Board of Directors has approved the following orientations:

- The employer will continue to offer and guarantee a defined benefit pension, even to new employees.
- The Plan's funding parameters will continue to be a 35% employee contribution and a 65% employer contribution, as provided for under the current contractual commitment. (For example, for every $100 employee contribution, the employer contributes $186.)
- Vested benefits for past service will be honoured. Changes will affect only future service as of January 1, 2013.
- The future service benefit will retain these provisions under the current Plan:
  - a pension based on the 2% salary formula and integrated with the Québec Pension Plan
  - maintaining the retirement age at 62 without actuarial reduction for early retirement and applying the same actuarial reduction rules before age 62
  - in the event of termination, a participating employee will continue to be entitled to a 175% guaranteed return on contributions made by the employee since January 1, 2009
  - maintaining the flexibility of the member's pension benefit options
- Establishing a stabilization margin from current service contributions, which allows the Plan to better hedge performance risks in the future.

Plan provisions under analysis

- To ensure the financial soundness of the Plan in the future, we will examine specific provisions under the current Plan, including the possibility of maintaining pension indexing after retirement.

Planned consultations

In the coming weeks, we will consult with various groups of Desjardins managers, employees and representatives to discuss the measures being looked into. We will compile their comments and suggestions on potential changes to the current Plan that would come into effect January 1, 2013.

We will present the more specific orientations resulting from these meetings to the Board of Directors in June 2012. Between mid-August and the end of October, we will ask all groups previously consulted to comment on these specific orientations.

In November 2012, we will recommend that the Board of Directors approve the proposed final amendments to the Plan. The new measures will go into effect January 1, 2013.

We will certainly keep you informed of the outcomes and the more specific orientations that will be adopted during the coming months' consultations. We invite you to speak to your manager should you have any questions or concerns on this subject.

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