2011 ANNUAL REPORT

CREATING

2012 International Year of Cooperatives

Desjardins Pension Plan

Cooperating in building the future

VISIT THE DESJARDINS GROUP PENSION PLAN SITE: www.rcd.dgp.com

Desjardins Group Retirement Committee
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2011 HIGHLIGHTS

RETURN ON ASSETS

The pension fund has recorded a return of 2.8% for the year 2011, and for the past three years the Desjardins Group Pension Plan (DGPP) has exceeded its long-term objective of 6.3% with an average of 9.2% per year.

FINANCIAL SITUATION

The results of the most recent actuarial valuation as at December 31, 2011, demonstrated a capitalization ratio of 83.4% and a solvency ratio of 66%. Taking into account the relief measures, almost $217.1M of the special contributions required in 2012 to amortize the deficit will indeed be paid into the Plan, while the balance will be financed by means of a letter of credit.

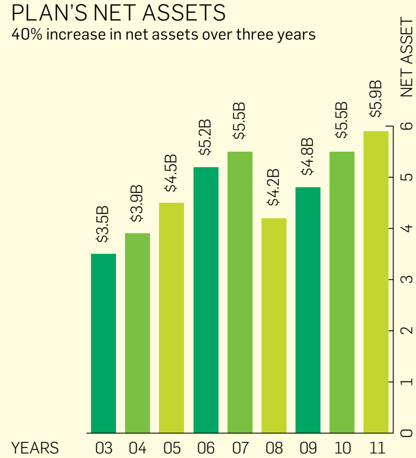
Cash flows were once again largely positive in 2011. A total of $440M in contributions was made and $253M in benefits were paid out, a variance of $187M. Based on projections, the Plan should continue to generate a positive variance for several more years.

NET ASSETS OF $5.9B AS AT DECEMBER 31, 2011

The Plan's net assets as at December 31, 2011, amount to **$5.9 billion dollars**. The DGPP **ranks 9th** among the largest private pension plans in Canada.

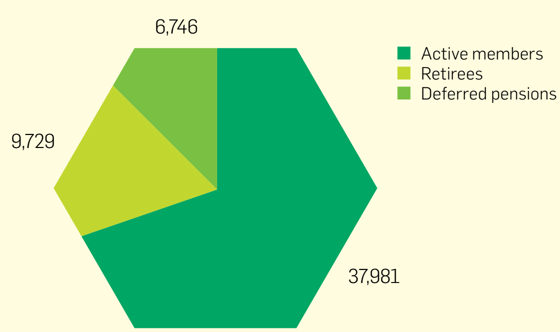
CHANGES IN THE PLAN'S NET ASSETS

40% increase in net assets over three years



MEMBERS AS AT DECEMBER 31, 2011

Total number of members: 54,456



Ratio of members per retiree = 3.9 compared to 4.3 in 2010

New retirees in 2011 = 1,173

New active members in 2011 = 3,509

MESSAGE FROM THE COMMITTEE CHAIR

2011, A YEAR OF CHALLENGES FOR PENSION PLANS

The Desjardins Group Pension Plan has recorded a 2.8% return on its total assets for 2011. It is important to note that the Plan has exceeded its annual return objective of 6.3%, set in the wake of the 2008 financial crisis, with an average return of 9.2% a year for the last three years, confirming the merit of the long-term management strategy.

Pension plans, and particularly defined benefit plans like the Desjardins Group Plan, have been facing enormous funding pressures since the financial crisis in late 2008, along with pressure from new demographic realities.

Starting in 2009, steps were taken to better identify the financial risks and manage them effectively. Despite those efforts, persistently low interest rates and financial market volatility, especially in the second half of the year, continued to adversely affect the Plan.

Following the work done in 2009 and in order to ensure employees' and retirees' future financial security, a DGPP working committee, assisted by various experts, was tasked with monitoring the Plan's financial situation closely and formulating recommendations to mitigate the impact of solvency and capitalization deficits on Desjardins Group as a whole.

In addition to a second hike in contributions in 2012, various scenarios were studied in an effort to identify the best way to deal with the past service deficit and frame the Plan's ongoing development in respect to future service. The resulting outlines and avenues of exploration were approved by the Federation's Board of Directors in February 2012, and consultations are now being held with Plan stakeholders.

In addition to the return on Plan assets, the increase in contributions starting in 2012, Desjardins Group's new strategic orientations and a suitable management strategy will make it possible to ensure the DGPP's long-term capitalization.

LONG-TERM MANAGEMENT STRATEGY STILL THE WAY TO GO

Maintaining a long-term management strategy is critical if a pension plan is to be managed optimally and effectively. It is important to avoid making short-term investment decisions based on sporadic market movements.

The Desjardins Group Pension Plan has generated a positive return in 25 of the last 30 years, including returns of more than 10% in half of those years. For 2011, the Plan shows a 2.8% return on assets.

In 2011, the drop in several stock markets explains the equity portfolio's performance of negative 7.5%. To curb the decline, managers have continued to add value overall. The fixed income portfolio showed an excellent return of 11.1% attributable to the decline in interest rates. The portfolio of inflation-linked securities ended the year in a position of strength, with a return of nearly 11.6%, including 12% for the real estate portfolio, which profited from several fruitful transactions in 2011.

SOUND GOVERNANCE – PUTTING OUR PROFESSIONALISM TO WORK FOR MEMBERS

Just like in 2010, every asset class was reviewed in 2011, and new investment plans were approved by the Investment Committee for each one. The Retirement Committee kept its sights fixed firmly on the long term, confirming its confidence in current investment policies, which have turned in a solid performance in the past.

MORE REGULAR COMMUNICATIONS WITH MEMBERS AND RETIREES

Last March, a number of information capsules were posted on the Plan website. The videos aim to improve understanding of the tools available to help members plan for their retirement. Educational communication activities were also carried out to reassure members about their Plan's financial health.

More members were able to attend the Plan's 2011 Annual General Meeting thanks to simultaneous webcasting over the Plan's website. Lastly, a communications plan was prepared to support work on ongoing changes to the Plan.

ACKNOWLEDGEMENTS

For their invaluable contributions to the Retirement Committee, I wish to thank Pierre Leblanc, employer representative, and Yvon Lesiège, observer and representative of retirees, beneficiaries and members entitled to a deferred pension, who took their leave in 2011. At the same time, I wish to welcome Line Lemelin, employer representative, and Normand Deschênes, observer and representative of retirees, beneficiaries and members entitled to a deferred pension. Lastly, I would like to thank all Retirement Committee members, the Senior Vice-President, Finance and Treasury and Chief Financial Officer of Desjardins Group, and the Desjardins Group Pension Plan Division team, for their contributions and constant support over 2011.

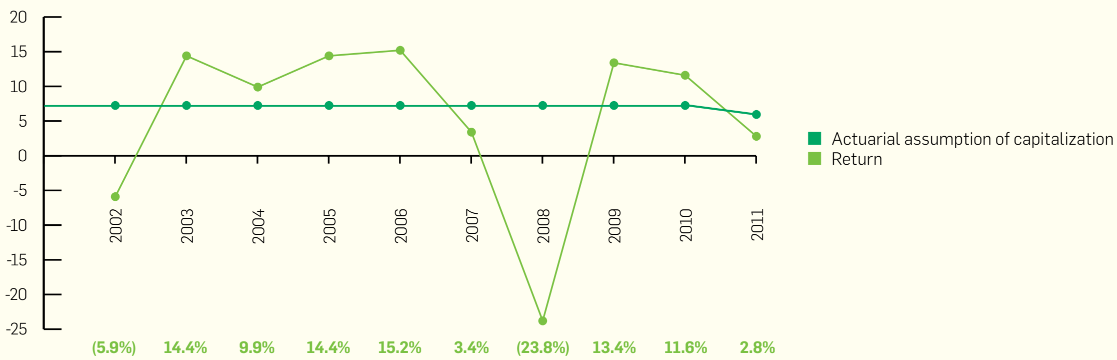
Denis Paré, Chair

PENSION PLAN PERFORMANCE REVIEW

The Plan recorded a performance of 2.8% in 2011. For the three-year period, since the 2008 crisis, the Plan recorded an average annual return of 9.2%, which exceeds the actuarial assumption of 6.3% used in calculating the Plan's long-term financial situation. The year 2011 was marked by the worsening of the sovereign debt crisis in the euro zone. The magnitude of this crisis was greater than all the other political, financial and economic events that occurred elsewhere in the world. This situation was reflected by a rush towards less risky and more secure assets such as Canadian and U.S. bonds. Consequently, these securities posted exceptional returns, rarely observed in the past. As a result, global stock markets, with the exception of the U.S. market, saw their values decline by more than 9%.

The liability-driven asset allocation strategy was updated during the course of the year. The main goal of the strategy is to guide asset management, taking into account the obligations towards all Plan members. In 2012, the improvements will focus on hedging the interest rate risk related to solvency and the Plan's accounting expense. However, the balance sought in the weighting of the Plan's three major risk factors – interest rates, the inflation rate and economic cycles – will remain at the heart of the strategy.

PLAN'S HISTORICAL RETURNS



ASSET ALLOCATION

ASSET CLASS	2011 RETURN	ALLOCATION AS AT 2011-12-31	2011 TARGET ALLOCATION	
STRATEGIC ALLOCATION [1]				
MONEY MARKET	**1.4%**	**2.3%**	**2.0%**	
UNIVERSE BONDS	9.7%	18.1%	20.5%	
LONG-TERM BONDS	19.6%	8.6%	7.5%	
EMERGING MARKETS DEBT	6.7%	2.0%	2.0%	
OTHER	6.5%	0.3%	0.0%	
TOTAL FIXED INCOME	**11.1%**	**29.0%**	**30.0%**	
CANADIAN EQUITY	(9.3%)	14.3%	15.0%	
U.S. EQUITY	(3.9%)	2.3%	2.8%	
EAFE EQUITY	(14.6%)	2.0%	2.8%	
GLOBAL EQUITY	(5.1%)	20.0%	19.6%	**97.5%**
EMERGING MARKETS EQUITY	(13.9%)	2.1%	2.8%	
PRIVATE EQUITY	16.5%	5.3%	5.0%	
TOTAL GROWTH SECURITIES	**(4.9%)**	**46.0%**	**48.0%**	
INFRASTRUCTURE	10.9%	9.1%	8.0%	
REAL ESTATE	12.1%	13.6%	12.0%	
TOTAL INFLATION-LINKED SECURITIES	**11.6%**	**22.7%**	**20.0%**	
TOTAL	**3.0%**	**100.0%**	**100.0%**	
TACTICAL ALLOCATION [1]				
GTAA [2]	**(4.5%)**	**2.2%**	**2.5%**	
GRAND TOTAL	**2.8%**	**100.0%**	**100.0%**	

[1] The strategic allocation represents 97.5% of the DGPP's total asset allocation, and the tactical allocation 2.5%.

[2] Global Tactical Asset Allocation

PENSION PLAN PERFORMANCE REVIEW

ECONOMIC CONTEXT

A wealth of upheavals took place last year. 2011 unfolded with crises in North Africa and in the Middle East. Oil prices soon began to climb in lock-step with geopolitical tensions, reaching almost US$115 a barrel for "West Texas Intermediate (WTI)" due to possible disruptions in major oil producing countries. The outcome—rising gas prices—affected economic growth around the world. On March 11, 2011, Japan suffered a major earthquake and a tsunami, damaging several nuclear plants. Not only did this plunge Japan into a recession, but production stoppages in export sectors also disrupted supply chains in several North American manufacturing plants, especially in the automobile sector.

In the United States, political uncertainty and debates about raising the debt ceiling resulted in a debt downgrade by Standard and Poor's in August. At the same time, the release of disappointing economic indicators resulted in stock market volatility. Economic growth forecasts in industrial countries were significantly revised downward. In Europe, the sovereign debt crisis made waves throughout 2011, and the situation is still a concern. Despite all the efforts made throughout the year, investors are still sceptical about the ability of Europe's leaders to gain control of the situation. The outcome: higher financing costs for several euro zone member countries.

This series of events led to extreme market volatility in 2011. In fact, bond yields in North America reached their lowest levels in more than 50 years, for several types of terms. In addition, gold prices exceeded US$1,900 an ounce. The Federal Reserve doubled its efforts to revive the economy. While we are still waiting for the recovery to take hold, the Fed's efforts prevented the United States from slipping into another recession. The persistent difficulties in the job and real estate markets confirm this. Canada fared better, however, thanks to its strong financial system and an abundance of commodities the whole world wants to buy, even if some industries suffered supply problems that eroded real GDP growth in the second quarter. While the loonie's high value did hinder exports, it nevertheless gave business investment a boost.

FIXED-INCOME SECURITIES

The bond market experienced a year marked by rebounds. The U.S. debt problem, new quantitative easing measures put forth by the U.S. Federal Reserve and especially the inability of European authorities to find a viable solution to the loss of investor confidence vis-à-vis their debts rallied to help create a favourable environment for Canadian bonds.

The flattening of the yield curve continued throughout 2011, following the drop in long-term rates caused by investors rushing towards safe-haven securities. Canada's enviable situation, from a budgetary and economic point of view, merely amplified this phenomenon.

In this environment, corporate bonds have seen their credit spreads widen, which led to a modest performance in corporate bonds.

Bond portfolio

The year 2011 was fraught with upheaval for bond managers who saw interest rates drop to historically low levels. The different approaches taken allowed the portfolio to end the year ranked among the best managers in the industry. Excellent term management was the key factor behind this performance.

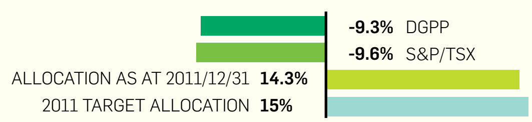
The decline in long-term rates has hampered the implementation of the strategy to extend the portfolio's term. Efforts will be made to speed up the process in 2012, regardless of market conditions.

GROWTH SECURITIES

After a promising start to the year, the stock markets have rapidly changed direction due to investors' loss of appetite for risk. Geopolitical events have been at the forefront, pushing aside the fundamental data. Riskier markets, like those in emerging countries and euro zone countries, have suffered significantly from this aversion to risk. Markets regained some traction during the last quarter; nevertheless, 2011 posted one of the worst returns in the last ten years, with the exception of 2008.

Canadian equity portfolio

The Canadian S&P/TSX index recorded a negative return of 9.6% in the past year. An increase in the risk premium as well as expectations for more moderate growth in corporate profits accounts for this underperformance. The Plan's portfolio posted returns of 30 basis points. The sector allocation and the selection of more defensive securities accounts for this performance.



PENSION PLAN PERFORMANCE REVIEW

Global equity portfolio

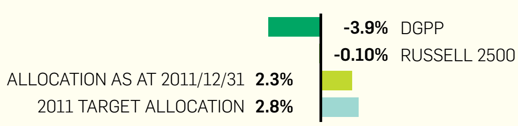
The MSCI World Index, which comprises all of the developed countries, achieved a negative return of 3.2%. The results fail to show all the dispersion of the returns achieved in 2011. Europe's debt load has had considerably less impact on the U.S. market where the leading index, the S&P 500, ended in positive territory at 4.6%. On the other hand, the MSCI EAFE Index, which was significantly more affected, posted a negative return of 10%. The decision to move away from risky assets also had an impact on the emerging countries' stocks, where the value of the index declined by 16.4%.

The main strategy of the global portfolio, which comprises both developed countries and emerging countries, posted a neutral return compared to its benchmark. The diversification between value-oriented and profit growth strategies had a neutral effect on global performance. However, the selection of countries and sectors strongly influenced the return made by managers.

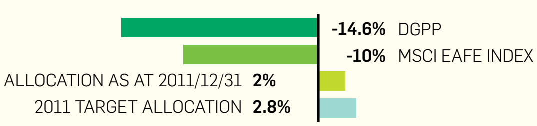
The U.S. and international small- and mid-cap strategies provided very different results. The European crisis strongly affected the international mandate where the index's value dropped by 12.3%. The manager assigned to the mandate performed very well with a gain of 140 basis points, which essentially stems from the selection of stocks. Conversely, the U.S. mandate pulled back nearly 3.8% relative to the benchmark, which posted a slight negative return of 0.1%.

As mentioned earlier, emerging market equities were heavily influenced by investor aversion to risky assets. Over the past ten years, the MSCI Emerging Market Index has only twice posted returns inferior to the MSCI Global Index, in 2008 and 2011. However, the strategy was successful, providing an extra 250 basis points. Most of that gain stems from the selection of stocks.

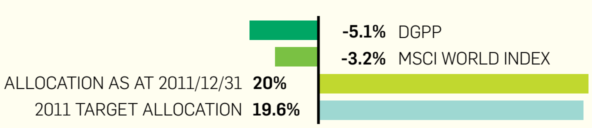
U.S. equity



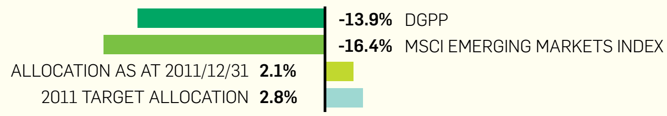
International equity



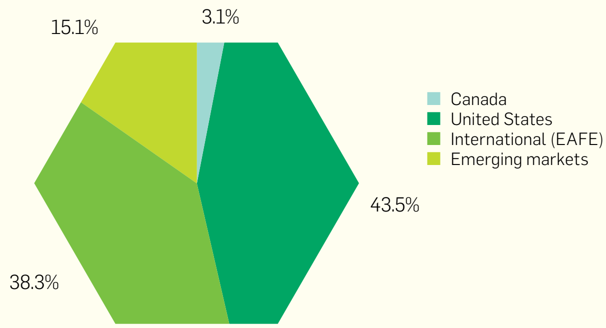
Global equity



Emerging markets equity



GEOGRAPHIC DISTRIBUTION OF GLOBAL EQUITY
AS AT DECEMBER 31, 2011

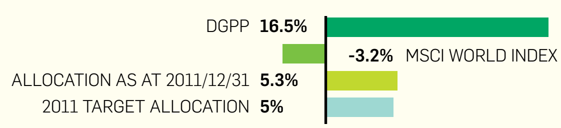


Private equity

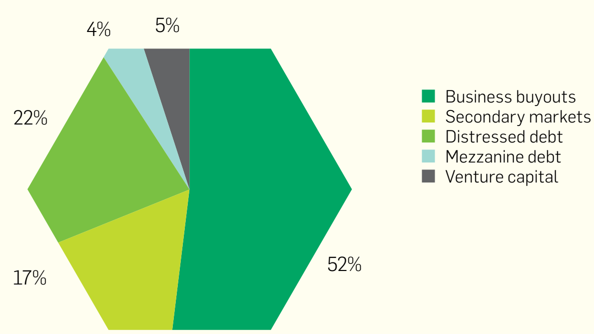
Investment activity picked up in 2011, allowing managers to deploy their investors' funds and sell investments that had reached maturity. Moreover, the private investment fund divestiture market was very active, providing attractive prices, especially during the first half of the year.

Thus, the favourable market conditions helped finalize the strategic disinvestment program developed in 2010, which aimed to improve the outlook for the portfolio's long-term return and to optimize the number of managers. Eight investments were sold during the year, while four others are the subject of sales agreements that should be concluded in 2012.

In 2011, the private equity portfolio posted a return of 16.5%, as compared with a negative return of 3.2% for the MSCI World Index, its benchmark index.



PRIVATE INVESTMENT DISTRIBUTION PER STRATEGY
AS AT DECEMBER 31, 2011



PENSION PLAN PERFORMANCE REVIEW

INFLATION-LINKED SECURITIES

The implementation, in recent years, of an infrastructure portfolio, combined with the already well-established real estate portfolio, has allowed inflation-linked securities to attain a 22.7% weighting of the pension fund's total assets (9.1% in infrastructure and 13.6% in real estate). These assets set themselves apart, given their correlation with inflation and a high level of current return, two attributes which allow the Plan to attain its long-term objectives.

The combined return of inflation-linked securities in 2011 is 11.6%, an absolute performance that compares favourably with the return obtained by the bond portfolio.

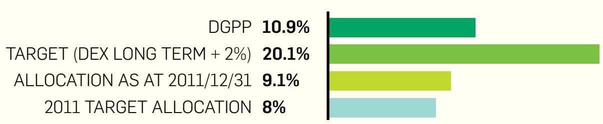
The effectiveness of this asset class is measured over the long term and, as such, the objectives were achieved: a return of 8.4% over 10 years, representing an outperformance of 210 basis points vs. the actuarial objective of 6.3%.

Infrastructure

For a second consecutive year, investment activity was successful. Three transactions totalling $150M were finalized in 2011. These include the acquisition of interests in hydroelectric plants in British Columbia and in a public potable water supplier in England.

Note that the target allocation for this asset class has been set at 8%, and its objective is to hedge capital from inflation and generate a stable, predictable current return. The strategy is to stay on course with the investment program by giving priority to opportunities in Canada. As at December 31, 2011, infrastructure represented a 9.1% weighting of the Plan's assets.

The portfolio is of excellent quality and well diversified. Once again, the portfolio posted an excellent return of 10.9% in 2011. However, the long-term objective of this portfolio is to generate a return that exceeds the actuarial objective of 6.3%. Since its inception in 2007, the portfolio has generated annualized returns of 9.1%, an added value of 280 basis points.

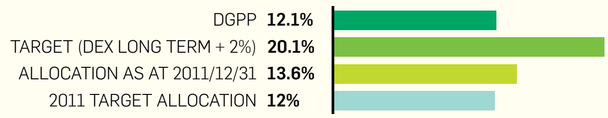


Real estate

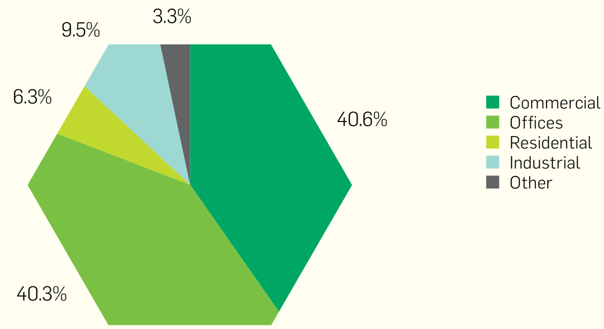
The real estate sector recorded another good year in 2011. This asset class was particularly attractive for investors seeking current yield investments as an alternative to bonds, given the historically low bond yields.

In general, the environment was also marked by high occupancy rates and increasing rents, which helped consolidate the already attractive current returns. Moreover, owners benefited from price increases on most of the properties, due to the strong demand in capital markets for real estate assets.

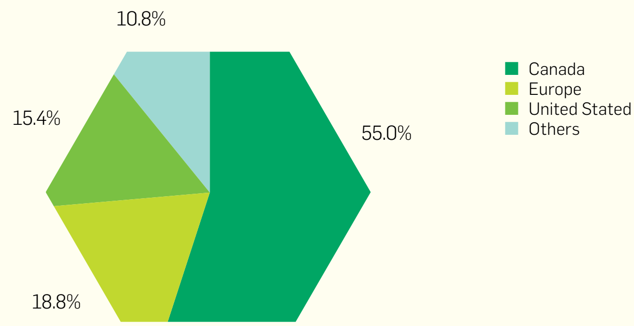
This year the real estate portfolio was the target of a partial reorganization, which brought it closer in line with the Plan's needs. Investments in real estate funds with holdings in hotels and seniors' residences were sold to make room for investments in the multi-residential sector and shopping centres, which are more stable. High-quality partnerships and assets should allow the portfolio to continue obtaining its objectives. Over the last 10 years, this asset class has obtained annual returns of 10.3%.



SECTOR DISTRIBUTION OF REAL ESTATE
AS AT DECEMBER 31, 2011



GEOGRAPHIC DISTRIBUTION OF REAL ESTATE
AS AT DECEMBER 31, 2011



CURRENCY HEDGING

The Plan's currency hedging policy is not speculative. It is a risk mitigation measure, designed to minimize an increase or decrease in the value of the Plan's foreign investments arising from Canadian dollar fluctuations. In addition to this protection, active management further minimizes the risk.

Owing to its procyclical nature, the Canadian currency was influenced by geopolitical events. The loonie increased against the euro, like many currencies, but fell against the U.S. dollar. Overall, currency hedging engendered a loss of 27 basis points for the Plan.

LIABILITY-DRIVEN INVESTMENT

Five years ago, the Retirement Committee adopted a policy on liability-driven investment. This approach takes into account the Plan's three major issues: increasing the coverage of the solvency liability duration, generating sufficient returns to ensure the Plan's long-term funding and facilitating the integration of pension expenses in compliance with the new international financial reporting standards (IFRS). The policy comprises two components. The first is to invest in fixed-income securities and inflation-linked securities to maximize the coverage of the solvency and accounting liability duration. The second is to allocate a part of the pension fund to growth securities in order to optimize the risk/return ratio. As of 2012, the additional contributions will be used to accelerate a balance between managing interest rates and generating sufficient returns to meet the Plan's obligations. At the same time, solutions to extend the portfolio's duration more quickly and to provide the Plan with greater protection in extreme cases are constantly being examined.

MAIN INITIATIVES AND RESULTS OF THE BUSINESS PLAN

2011 BUSINESS PLAN INITIATIVES FOR THE PENSION PLAN WERE CARRIED OUT TO THEIR FULL EXTENT

MAIN INITIATIVES

1. Implement the new 2011 asset allocation with 27 transactions carried out for a total of $2,282M.
2. Shared responsability in the task force on long-term funding for the Plan.
3. Develop a quarterly dashboard for managing the Plan's risks.
4. Prepare detailed investment plans for each asset class for the 2011–2015 horizon.
5. Review the management fee structure for all DGPP mandates to generate savings of $4M as of 2012.

PENSION PLAN INTEGRATED RISK PROFILE

The Plan's integrated risk management is an ongoing process. The DGPP was a pioneer in this area in Canada, creating its first risk profile in 2006, which is frequently reviewed in accordance with the strategy to review changes in the Plan's overall risk. The risk profile includes the possibility of implementing action plans integrated into the business plan to handle and thereby reduce the Plan's risks.

LIST OF THE MAIN RISKS IN ORDER OF IMPORTANCE

1. Interest rate fluctuations
2. Stock market fluctuations
3. Solvency deficiency
4. Capitalization deficiency
5. Pension expense
6. Compliance with, and changes to, legislation and professional standards
7. Retention of expertise and succession planning
8. Design of the Plan
9. Inflation

GOVERNANCE

ROLES AND RESPONSIBILITIES

BOARD OF DIRECTORS OF THE FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC

The Fédération des caisses Desjardins du Québec (Federation) represents all Desjardins employers with respect to the DGPP. The Federation's Board of Directors has decision-making power in certain areas, such as changes to the Plan Regulation, the nature and terms of benefit payments to members and retirees, contribution rates and the use of the surplus. As stipulated in the Plan Regulation, the Federation, through its Board of Directors, stands surety for the obligations (employee pensions) resulting from the participation of all Desjardins Group employers in the Plan.

DESJARDINS GROUP RETIREMENT COMMITTEE

By virtue of the powers vested in it by the *Supplemental Pension Plans Act* and the Plan Regulation, the Retirement Committee is the Plan's trustee, and as such is in charge of the sound administration of the Plan, its management in the best interest of members or beneficiaries and the payment of promised benefits to members and their survivors. Committee members representing employees, employers and retirees share the role of Plan trustees.

Employer representatives are appointed by the Federation's Board of Directors. Members' and retirees' representatives are elected democratically by the group they represent.

INVESTMENT COMMITTEE

Reporting to the Retirement Committee, which establishes the investment policy, the Investment Committee has the mandate to ensure the execution, respect and follow-up of the policy as well as oversee the activities of the fund managers to whom management mandates are entrusted.

AUDIT, PROFESSIONAL PRACTICES AND COMPLIANCE COMMITTEE (APPCC)

Reporting to the Retirement Committee, the mandate of the APPCC basically consists of the analysis and presentation of the financial statements and the quality of the accounting principles used, the management of risks related to financial information, internal control systems, the processes related to internal and external audits, the processes applied to these audits, the management of regulatory compliance, the rules of ethics and professional practice, the complaint handling policy, and governance.

INTERNAL BY-LAW

In 2007, the Retirement Committee adopted an internal by-law to comply with the new requirements of Quebec's *Supplemental Pension Plans Act*. The internal by-law sets out the operating methods and responsibilities of the Retirement Committee. It is reviewed by the Retirement Committee each year and addresses the following items:

- Respective duties and obligations of Retirement Committee members
- Rules of ethics governing Retirement Committee members
- Rules to follow when appointing a Chair, Vice-President, and Secretary
- Meeting procedure and frequency
- Measures to be taken for Retirement Committee member training
- Measures taken to manage risks
- Internal controls
- Books and records to be kept
- Rules to be applied when selecting, remunerating, supervising and evaluating delegates, representatives and service providers
- Standards that apply to the services rendered by the Retirement Committee, including those relating to communication with members

REPORTING

TRAINING OF MEMBERS

- The new member who joined the Retirement Committee during the year was welcomed with two specific training sessions held on June 27, 2011, and August 24, 2011. In addition, all Retirement Committee members took part in a training conference held on October 13, 2011, to fine-tune their knowledge and increase their leadership to ensure the DGPP's sound management.

REPORTING ON COMPLAINTS

- Under the Plan's complaint handling policy, the APPCC received one complaint in 2011. It was dealt with during the year.

NUMBER OF MEETINGS HELD IN 2011 BY THE RETIREMENT COMMITTEE AND ITS SUB-COMMITTEES

• Retirement Committee:	**4 meetings**
• Investment Committee:	**9 meetings**
• Audit, Professional Practices and Compliance Committee	**3 meetings**
Total:	**16 meetings**

Attendance rate among members of the three committees is 94%.

MEMBERS OF THE RETIREMENT COMMITTEE

REPRESENTATIVES FOR THE EMPLOYERS

DENIS PARÉ [1,3]
COMMITTEE CHAIR
President, Council of Representatives
Cantons-de-l'Est, and Vice-President of the Board
Caisse Desjardins de l'Est de Sherbrooke

NORMAN GRANT [2,3]
COMMITTEE SECRETARY
CHAIR, AUDIT PROFESSIONAL PRACTICES AND COMPLIANCE COMMITTEE
President, Council of Representatives
Bas-Saint-Laurent and
Gaspésie–Îles-de-la-Madeleine

JACQUES BARIL [1,3]
COMMITTEE VICE-CHAIR
CHAIR, INVESTMENT COMMITTEE
President, Council of Representatives
Est de Montréal

SERGES CHAMBERLAND [1,3]
President, Council of Representatives
Saguenay–Lac-St-Jean, Charlevoix and Côte-Nord

BENOÎT TURCOTTE [1,3]
President, Council of Representatives
Outaouais, Abitibi-Témiscamingue
and Nord du Québec

LINE LEMELIN [1,3]
President, Council of Representatives
Lanaudière

REPRESENTATIVES FOR ACTIVE MEMBERS

CAISSES REPRESENTATIVE
VINCENT COULOMBE [2]
Manager, Investment Financing
Caisse populaire Desjardins de Charlesbourg

CAISSES REPRESENTATIVE
SYLVAIN ROULEAU [2]
Senior Director
Individual Markets
Caisse populaire Desjardins du Piémont Laurentien

REPRESENTATIVE FOR THE FEDERATION
GUY CORMIER [4]
Vice-President, Finance, Cooperative Network
Fédération des caisses Desjardins du Québec

REPRESENTATIVE FOR THE AFFILIATED CORPORATIONS
MARIO LÉVESQUE
Senior Actuarial Advisor
Product Development and Pricing,
AssurFinance for Individuals
Desjardins Financial Security

REPRESENTATIVE OF RETIREES, BENEFICIARIES AND MEMBERS ENTITLED TO A DEFERRED PENSION

MICHEL-PIERRE BERGERON
Desjardins retiree

EXTERNAL MEMBER

REYNALD-N. HARPIN [1]
Investment Consultant
Corporate Director

OBSERVERS

REPRESENTATIVE OF RETIREES, BENEFICIARIES AND MEMBERS ENTITLED TO A DEFERRED PENSION
NORMAND DESCHÊNES
Desjardins retiree

REPRESENTATIVE OF ACTIVE MEMBERS
SIMON GARNEAU
Portfolio Manager
Desjardins Global Asset Management

1 Member of the Investment Committee
2 Member of the Audit, Professional Practices and Compliance Committee
3 Member of the Board of Directors of the Federation
4 Observer on the Investment Committee

FINANCIAL REPORT

The enclosed financial information is extracted from the audited financial report of the Desjardins Group Pension Plan for the year ended December 31, 2011, on which PricewaterhouseCoopers expressed an unqualified opinion dated February 20, 2012.

In order to better understand the financial position of the Pension Plan and the change in net assets available for benefits, the financial information should be read in conjunction with the audited financial report.

DESJARDINS GROUP PENSION PLAN

NET ASSETS AVAILABLE FOR BENEFITS

As at December 31, 2011
(in thousands of dollars)

	2011	2010
INVESTMENT PORTFOLIO		
Investment assets		
Bonds and pooled bonds funds	$1,726,484	$1,673,809
Shares and pooled shares funds	2,325,041	2,290,335
Other pooled funds	136,546	135,480
Real estate	791,596	651,915
Infrastructure	524,862	377,994
Private investments	309,870	301,608
Mortgages	12,203	13,005
Cash and money market instruments	239,531	387,849
Securities borrowed or purchased under resale agreements	178,734	206,517
Derivative financial instruments	13,469	12,522
	6,258,336	6,051,034
Investment liabilities		
Commitments related to securities loaned or sold under repurchase agreements	(364,178)	(540,521)
Derivative financial instruments	(658)	(4,184)
TOTAL INVESTMENT PORTFOLIO	5,893,500	5,506,329
Assets from mergers of retirement plans receivable	58,000	-
Employers' contributions receivable	9,826	9,771
Employees' contributions receivable	5,309	5,277
Other assets	14,307	59,225
	87,442	74,273
Other liabilities	(37,870)	(63,690)
NET ASSETS AVAILABLE FOR BENEFITS	$5,943,072	$5,516,912

Approved by the Retirement Committee,

______________________________, Administrator ______________________________, Administrator

FINANCIAL REPORT

DESJARDINS GROUP PENSION PLAN

CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31, 2011
(in thousands of dollars)

	2011	2010
INCREASE IN ASSETS		
Investment income		
Bonds and pooled bonds funds	$ 51,294	$ 50,863
Shares and pooled shares funds	49,942	39,292
Real estate	3,106	3,077
Infrastructure	17,844	7,583
Private investments	5,149	1,737
Mortgages	791	677
Cash and money market instruments	1,886	1,186
Other income	924	745
	130,936	105,160
Changes in fair market value of investments and derivative financial instruments	27,634	463,292
	158,570	568,452
Contributions		
Employers	281,945	259,859
Administrative expenses	(7,564)	(8,099)
	274,381	251,760
Employees	157,655	144,068
Contributions net of administrative expenses	432,036	395,828
Mergers of retirement plans	128,373	-
Transfer agreements	3,498	1,421
	563,907	397,249
	722,477	965,701
DECREASE IN ASSETS		
Pension benefits		
Annuities	196,704	168,200
Reimbursements	43,885	41,148
Death benefits	12,691	6,477
Transfers to other plans	91	78
	253,371	215,903
Investment management, custodian fees, transaction and other costs	34,963	35,114
Performance award fees	7,983	10,931
	296,317	261,948
INCREASE IN NET ASSETS	426,160	703,753
NET ASSETS AVAILABLE FOR BENEFITS AT THE BEGINNING OF THE YEAR	5,516,912	4,813,159
NET ASSETS AVAILABLE FOR BENEFITS AT THE END OF THE YEAR	$ 5,943,072	$ 5,516,912

FINANCIAL SITUATION OF THE PLAN

The Plan's most recent actuarial valuation, done on December 31, 2011, shows a capitalization ratio of 83.4% and a solvency ratio of 66%. Of the amount required in 2012 to amortize the deficit, almost $217.1M in extra contributions will indeed be paid into the Plan while the balance will be financed by means of a letter of credit. The extra contributions have been set taking into account the relief measures allowed by the Régie des rentes du Québec.

Furthermore, the cost of current services for 2012 has been established at $283.7M (14% of payroll subject to the Plan). Keep in mind that, according to the policy for funding the Plan's obligations, all Plan costs are paid 65% by employers and 35% by active members.

The solvency ratio indicates a plan's capacity to meet its obligations in the event of liquidation. The capitalization ratio enables the long-term financial strength of the Plan to be evaluated. This ratio is mainly used to establish the Plan's contribution strategy, which is established based on the assumption that the Plan will exist in perpetuity.

The 2008 financial crisis dealt a significant blow to the financial situation of all pension funds in Canada, including the Desjardins Group Pension Plan. While the returns achieved in 2009 and 2010 were very good, market depreciation in 2011 combined with persistent weak interest rates resulted in a marked and sudden increase in the value of liabilities, especially those that are calculated based on solvency.

This situation meant that the solutions put forth in the past few years to reinforce and consolidate the Plan's financial strength had to be updated. As a result, additional amortization contributions will be made as of January 1, 2012. This new measure, together with other initiatives instituted over the last three years and those to follow in 2013, will improve the DGPP's financial stability, reduce the risks and enable the Plan to achieve a balanced position in terms of capitalization in just a few years.

The next actuarial evaluation must be filed with the Régie des rentes du Québec with an effective date of December 31, 2012.

ORGANIZATION CHART OF THE DGPP DIVISION AS AT DECEMBER 31

RAYMOND LAURIN
SVP, Finance and Treasury and Chief Financial Officer
Desjardins Group

SYLVAIN GAREAU
Vice-President,
Desjardins Group Pension Plan

VICE-PRESIDENT
SYLVAIN GAREAU

ADMINISTRATIVE ASSISTANT
SYLVIE LABRIE

SENIOR ADVISOR LEGAL AFFAIRS AND GOVERNANCE
PATRICK CHILLIS

SENIOR ADVISOR AND ASSET ALLOCATION STRATEGIST
FRANÇOIS GIROUARD

INVESTMENT MANAGER, TRADITIONAL INVESTMENTS
JEAN-PHILIPPE CAZELAIS

INVESTMENT MANAGER, ALTERNATIVE INVESTMENTS
FRÉDÉRIC ANGERS

INVESTMENT MANAGER, ALTERNATIVE INVESTMENTS
MAXIME DURIVAGE

INVESTMENT MANAGER
GUILLAUME MORENCY

DIRECTOR LIABILITY MANAGEMENT
FRANÇOIS HUDON

SENIOR ADVISOR DGPP MEMBER SERVICES
MARIE-JOSÉE VEILLEUX

ADVISORS DGPP MEMBER SERVICES
NATHALIE COUTURE
CAROLE LACHAPELLE
SUZANNE ROY
JOLYANE S. PELLETIER
MANON SANSCHAGRIN

SUPPORT AGENTS DGPP MEMBER SERVICES
ANNIE FOUCHER
NANCY PURCELL
(MICHÈLE NORMANDEAU – *RETIRED*)

FINANCIAL CONTROLLER
MARIELLE BUSSIÈRES

INVESTMENT TECHNICIAN
BARBARA FERSCHKE

ADMINISTRATIVE ASSISTANTS
LINDA LEBLOND
NANCY NOLIN

SUPPORT AGENT
MARIE-ÈVE LACASSE
(MARIE-JOSÉE FRADETTE – *MATERNITY LEAVE*)

The DGPP Division reports to the Senior Vice-President, Finance and Treasury and Chief Financial Officer, Desjardins Group, Raymond Laurin.

PLAN SUMMARY

A detailed description of benefits is available on the Plan website at the following address: **www.rcd-dgp.com**.

MEMBERSHIP: Mandatory for employees aged 25 years and up; optional for those under 25.

CONTRIBUTIONS: Since January 3, 2010, 6.45% of contributory earnings up to 65% of the MPE(1) and 9.85% of the remainder. As of January 1, 2012, 7.45% of contributory earnings up to 65% of the MPE and 10.85% of the remainder.

INTEREST ON CONTRIBUTIONS: The net rate of return on the adjusted value of the Plan's assets for one calendar year; it applies from the following April 1 until March 31 of the subsequent year.

ANNUAL INTEREST RATE PAID ON CONTRIBUTIONS (%)

2002	2003	2004	2005	2006	2007	2008
9.17	3.49	3.03	2.98	4.81	11.26	10.08
2009	**2010**	**2011**		**10-year average**		
0.15	(1.82)	1.93		4.51		

NORMAL RETIREMENT AGE: 65 years

NORMAL RETIREMENT PENSION:

Payable at 65 and subject to the maximum pension clause:

Salary 5 = Average salary for the best five years

MPE 5 = Average of the maximum pensionable earnings eligible for the QPP(2) or CPP(3) for the year of retirement and the previous four years

For service prior to 2009, it is determined as follows:

(1.3% of salary 5 up to MPE 5 x years credited)
\+ (2% of salary 5 in excess of MPE 5 x years credited)

For service beginning in 2009, it is determined as follows:

(1.5% of salary 5 up to MPE 5 x years credited)
\+ (2% of salary 5 in excess of MPE 5 x years credited)

NORMAL FORM OF PENSION:

a) **Member with spouse:** Joint and survivor annuity equal to 60% of the amount of the retiree's pension. In addition, a guaranteed period of 10 years starting on the date on which pension payment begins, for an amount corresponding to 60% of the retiree's pension.

b) **Member without spouse:** Life annuity, guaranteed 15 years.

EARLY RETIREMENT:

a) **Eligibility:** Age 55 and termination of service with all Desjardins Group employers.

b) **Actuarial reduction at the time of retirement before age 65:** For service prior to 2009: 3% per year remaining to reach age 65 or, if more advantageous, the 85 point rule at age 57 (reduction of 0.25% per month to yield the 85 rule plus 0.25% a month to reach age 57).

For service beginning in 2009: 4% per year remaining to age 62.

ANNUAL INDEXATION OF RETIREES' BENEFITS:

As per the increase in the CPI(4) but not exceeding 3%.

DEATH BENEFITS:

a) **Death before retirement:** The value of the credits to which the member would have been entitled if he had stopped working immediately prior to his death.

b) **Death after retirement:** Depends on the form of pension chosen by the member.

EMPLOYMENT TERMINATION BENEFITS: A deferred pension is payable from age 65 and equal to sum of the credited annuity and the annuity provided by the member's excess contributions. For members under the age of 55, it is possible to transfer this amount into an authorized retirement instrument, subject to the locking-in rules stipulated in the applicable law. The transfer options are also subject to the requirements and limitations set out in the *Income Tax Act*.

50% rule: Upon employment termination, death or retirement, an additional amount is paid to the member, equal to the employee's excess contributions on 50% of the value of the member's vested annuity ("excess contributions").

175% rule: For service beginning in 2009, a minimum benefit will be paid in the event of the transfer of accrued entitlements. It will equal 175% of regular contributions made by a Plan member for that period, with accrued interest.

TRANSITIONAL MEASURE FOR THE 2009 REDESIGN:

The transitional measure applies to all members who will be entitled to an unreduced pension benefit before the end of 2013 for service prior to 2009, regardless of whether the member opts to retire then or after 2013. The member will, for his full service, receive an annuity that is at least equal to the benefit the Plan would have delivered without the redesign.

(1) MPE: Maximum Pensionable Earnings
(2) QPP: Québec Pension Plan
(3) CPP: Canada Pension Plan
(4) CPI: Consumer Price Index

CREATING EACH DAY THE DESJARDINS OF TOMORROW

In over a century and a half, the foundations of the cooperative business model have changed little. Today, cooperation is still about people coming together to meet a common need. As time passes, however, some things do change: the financial and economic environment, the type and complexity of our members' needs as well as the means and the technology available to provide our services.

Creating each day the Desjardins of tomorrow means sparing no effort to ensure we are always able to effectively meet the changing needs of our members. It means listening and encouraging dialogue. It means drawing on the expertise and dedication of our elected officers and employees.

Creating each day the Desjardins of tomorrow means proving that the cooperative model can yield results while still putting people first. It means providing people and communities with tangible support to help them grow, improve their situation and better withstand financial and economic crises. It means creating sustainable prosperity.

Creating each day the Desjardins of tomorrow means showing—both in our caisses and in the community—how the amazing power of cooperatives can help us build a better world!

Desjardins
Pension Plan