



WORKING FOR YOU

2016 ANNUAL REPORT
DESJARDINS GROUP
PENSION PLAN



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Notes to the reader

The symbols M and B respectively designate millions and billions.

This annual report was produced by The Desjardins Group Pension Plan Division.

MESSAGE FROM THE COMMITTEE CHAIR



STRONG PLAN FOR A HEALTHY FUTURE!

That statement nicely sums up where the Desjardins Group Pension Plan ("DGPP" or "Plan") ended 2016. It is a competitive plan with solid foundations, efficient managers and a long-term action plan. I am pleased to present you a balanced plan that posted excellent returns of 7.9% last year.

In 2016, Bill 29 came into effect, an amendment to the *Supplemental Pension Plan Act mainly with respect to the funding of defined benefit pension plans*. The Plan is now exempt from funding on a solvency basis, which assumes the Plan will end on a certain date and that all benefits must be paid. Going forward, Retraite Québec will only require funding on a going-concern basis, which measures the Plan's ability to meet its long-term commitments.

Under these circumstances, the DGPP's capitalization ratio as at December 31, 2016 was 104%. This result shows that the guidelines implemented five years ago as part of the global action plan were soundly chosen: we are on the right track to ensure the Plan's stability and sustainability.

Though results were excellent, they are slightly below the requirements of the new bill, which states that defined benefit pension plans must have a provision that will stabilize contributions, thereby guaranteeing a more solid financial situation overall. We must therefore continue our work to reach the 110.7% stabilization target required for our Plan by the government.

CAUTION AND PLANNING: THE CORNERSTONES OF OUR ACTIONS

Though the DGPP is in great shape, it still has a long ways to go. A number of political and economic factors may affect economic stability worldwide and the Plan's performance in turn. Caution and planning remain two cornerstones of our management philosophy and investment strategies. Until now, our expertise has helped us prepare for economic uncertainty, and we will be increasing our efforts. We are striving for more than just strong performance: above all, we need to generate enough returns to meet our obligations to members, with as little risk as possible.



As in 2016, we will continue to invest in key sectors like infrastructure, real estate and renewable energy, worldwide and close to home, across Canada. These strategic choices combine long-term returns and minimal risk, which will help strengthen the Plan's foundations, making it better adapted to its changing demographics: the number of new retirees is accelerating and members are living longer.

OUR COMMITMENT TO MEMBER SERVICES

As chair of the Retirement Committee, I would like to clearly express my commitment to serving all Plan members. They can count on everyone working at DGPP—who are putting their talent and discipline to work every day to help the Plan keep growing. I would also like to pay tribute to the outgoing chair, Jean-Robert Laporte, to Sylvie Larouche, Andrée Lafortune and Dominic Laurin, all of whom have sat on the Plan's Retirement Committee and Investment Committee. Thank you all for your dedication.

A shared vision, sound and disciplined management, and dedicated contributions from every DGPP employee: together, we are building a strong and stable plan that is able to pay benefits to its members.

A Plan that makes a lasting difference in people's lives.

A handwritten signature in black ink, reading "Serge Proulx".

Chair of the Retirement Committee

**A PLAN THAT MAKES A LASTING DIFFERENCE
IN PEOPLE'S LIVES.**

HIGHLIGHTS

FINANCIAL SITUATION

104%

FUNDING RATIO
BALANCED PLAN

10.7%

STABILIZATION MARGIN
REQUIRED BY RETRAITE QUÉBEC

81%

SOLVENCY
RATIO

7th

DGPP RANKING
AMONG CANADIAN PRIVATE
PENSION FUNDS

ASSETS

\$11.4B

TOTAL ASSETS
DOUBLED OVER 5 YEARS

7.9%

RETURN
IN 2016

2.6%

ADDED
VALUE

10.4%

AVERAGE FOR 5-YEAR
RETURN

CASH FLOWS

\$825M

INCREASE
IN ASSETS

\$1.378B



INFLOWS

\$841M	INVESTMENT INCOME
\$197M	EMPLOYEE CONTRIBUTIONS
\$335M	EMPLOYER CONTRIBUTIONS
\$5M	OTHERS

\$553M



OUTFLOWS

\$362M	RETIREMENT BENEFITS
\$108M	DEATH AND TERMINATION BENEFITS
\$83M	FEES

PLAN MEMBERS



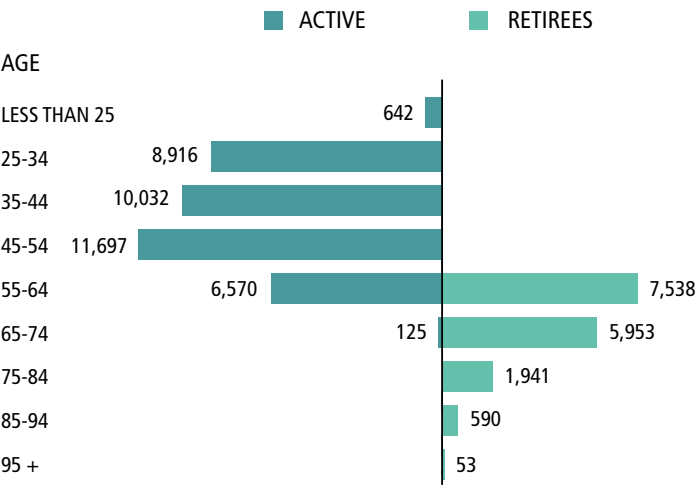
37,982
ACTIVE

16,075
RETIRES

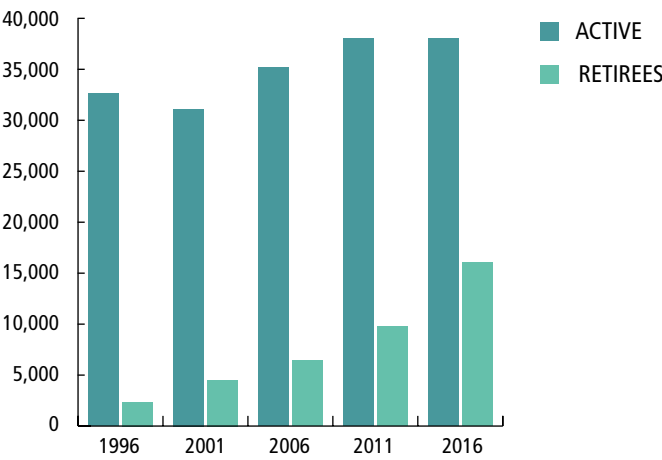
8,129
DEFERRED



DEMOGRAPHIC PROFILE



MEMBERS' EVOLUTION



1,577

NEW RETIRES
IN 2016



59

AVERAGE AGE
OF RETIREMENT

24

AVERAGE CREDITED
YEARS AT RETIREMENT

2.4

RATIO OF ACTIVE TO
RETIRED MEMBERS

5

NUMBER OF
CENTENARIANS RETIRES

677

NUMBER OF RETIRES RECEIVING AN
ANNUITY FOR MORE THAN 25 YEARS

FINANCIAL POSITION OF THE PLAN

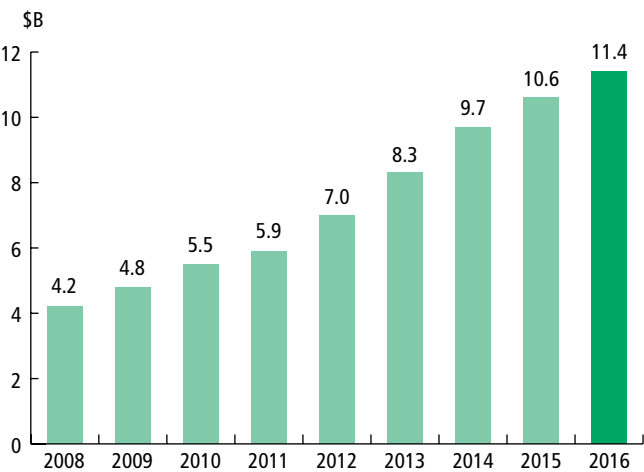
GLOBAL ACTION PLAN

In 2012, a global action plan was developed by the Desjardins Retirement Committee in conjunction with the employer to stabilize the DGPP’s financial position and ensure its sustainability. Once again in 2016, this action plan helped the DGPP weather the storm.

Some major innovative measures were taken to strengthen the long-term management strategy of the pension fund. The Retirement Committee, guided by the DGPP’s obligations to current and future retirees rather than focusing exclusively on the pursuit of returns, invested into strategies that were even safer and also better adapted to the demographic changes impacting the DGPP. This resulted in less risky and less volatile investments that will ensure a stable source of income while providing good long-term returns; large-scale investments in real estate and infrastructure, a major strategy in the global action plan; and a better match between the Plan’s assets and liabilities to ensure greater contribution stability and better cost control.

In order to make the right decisions and ensure the highest industry standards are met, a sound governance structure was also put in place, which includes the Investment Committee and the Risk Management Advisory Committee. This allows the DGPP to select major investments and measure the risk involved.

CHANGES IN THE PENSION FUND’S ASSETS



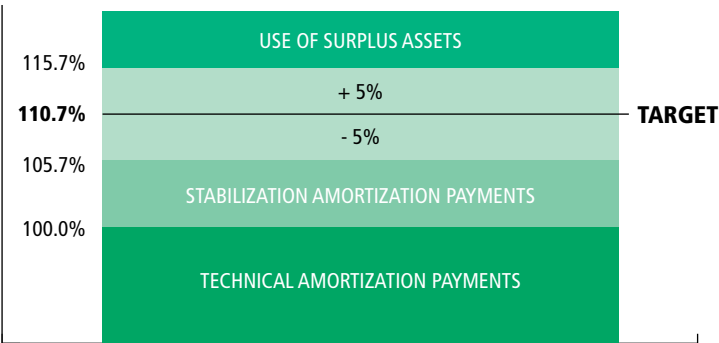
ADOPTION OF BILL 29

The Act to Amend the *Supplemental Pension Plans Act* mainly with respect to the funding of defined benefit pension plans came into force on January 1, 2016. This legislation is beneficial to Desjardins and the DGPP and proves that we are on the right track with the steps we have been taking since 2012. It emphasizes conservative long-term funding to ensure pension benefits are paid out to plan members as promised.

Bill 29 eliminates the need to fund the DGPP on a solvency basis. This is excellent news because funding a pension plan on the assumption that it will end and be liquidated on a certain date is a very challenging and burdensome process. Going forward, Retraite Québec will only require funding on a going-concern basis, which measures a plan’s ability to meet its long-term commitments. However, to increase the stability of the contributions and establish a more solid financial footing, the DGPP had to create and fund a stabilization provision. This provision is based on two variables: the percentage of assets allocated to variable-income securities and the ratio between the duration of plan assets and the duration of plan liabilities. The target stabilization provision for the DGPP is 10.7% as at December 31, 2016.

This target is important, because a deficit, calculated on the going-concern basis increased by the provision, less 5%, must be funded by the DGPP. This means that the DGPP has to plan for special contributions, even if the funding ratio is above 100%. Furthermore, the current service contribution must be increased by 10.7%, which corresponds to the DGPP’s stabilization target. And finally, use of surplus in ongoing plans is only possible if the stabilization provision has attained its objective increased by 5% (i.e. 15.7% for the DGPP), and the Plan’s solvency ratio is at least 105%.

FUNDING ON THE GOING-CONCERN BASIS



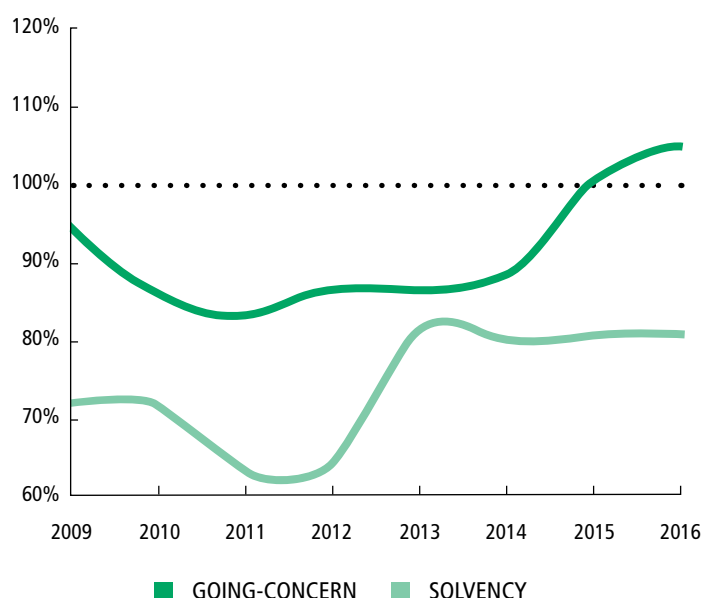
RESULTS AS AT DECEMBER 31, 2016

The DGPP's financial position improved once again this year, thanks to the strong action plan in place and its rigorous application. The major financial efforts made by employers and plan members, along with the excellent returns recorded by the DGPP, also contributed to this improvement.

The DGPP's most recent actuarial valuation, which was performed on December 31, 2016, showed that the funding ratio continued to rise, reaching 104.0%, compared to 101.1% one year earlier. The solvency ratio was up slightly, from 80.6% to 80.7% at the end of 2016. Given that financial market conditions remain uncertain and very volatile, we can consider the results for 2016 a success, thanks to a prudent and vigilant approach.

In terms of DGPP's funding for 2017, current service contributions in addition with the stabilization provision and the administrative fees will be \$359.1M, or close to 15% of total payroll eligible for the DGPP. An additional \$18.3M is required to amortize the new stabilization deficit required by Retraite Québec, for a minimum total injection of \$377.4M for the coming year. As a reminder, under the DGPP funding policy all costs are shared between employers (65%) and active plan members (35%). Based on the current contribution formula, employers and employees will contribute a total of almost \$544M to the DGPP in 2017. The difference between actual contributions made and the minimum contributions required by Retraite Québec will give the DGPP the opportunity to get closer to the stabilization target of 110.7%

EVOLUTION OF DGPP'S FINANCIAL POSITION



LOOKING TO THE FUTURE

In 2017, the Retirement Committee will keep looking for proactive solutions to improve the DGPP's financial health in order to continue to offer an excellent pension plan. It will monitor legislative changes and manage the DGPP in a balanced, responsible, vigilant and disciplined manner.

Specifically, the Retirement Committee will study two regulations related to Bill 29, which deal with funding policies and annuity purchases and which are expected to be tabled in 2017. The committee will also closely monitor the results of public consultations in 2017 about the Quebec Pension Plan (QPP), covering potential improvements to the QPP and stronger measures to ensure its sustainability. And finally, a mortality analysis for the DGPP and an analysis of future life expectancy trends will be conducted to fine-tune actuarial calculations.

**THE DGPP'S FINANCIAL POSITION IMPROVED
ONCE AGAIN THIS YEAR, THANKS TO THE
STRONG ACTION PLAN IN PLACE AND ITS
RIGOROUS APPLICATION.**

REVIEW OF THE PLAN'S FINANCIAL PERFORMANCE

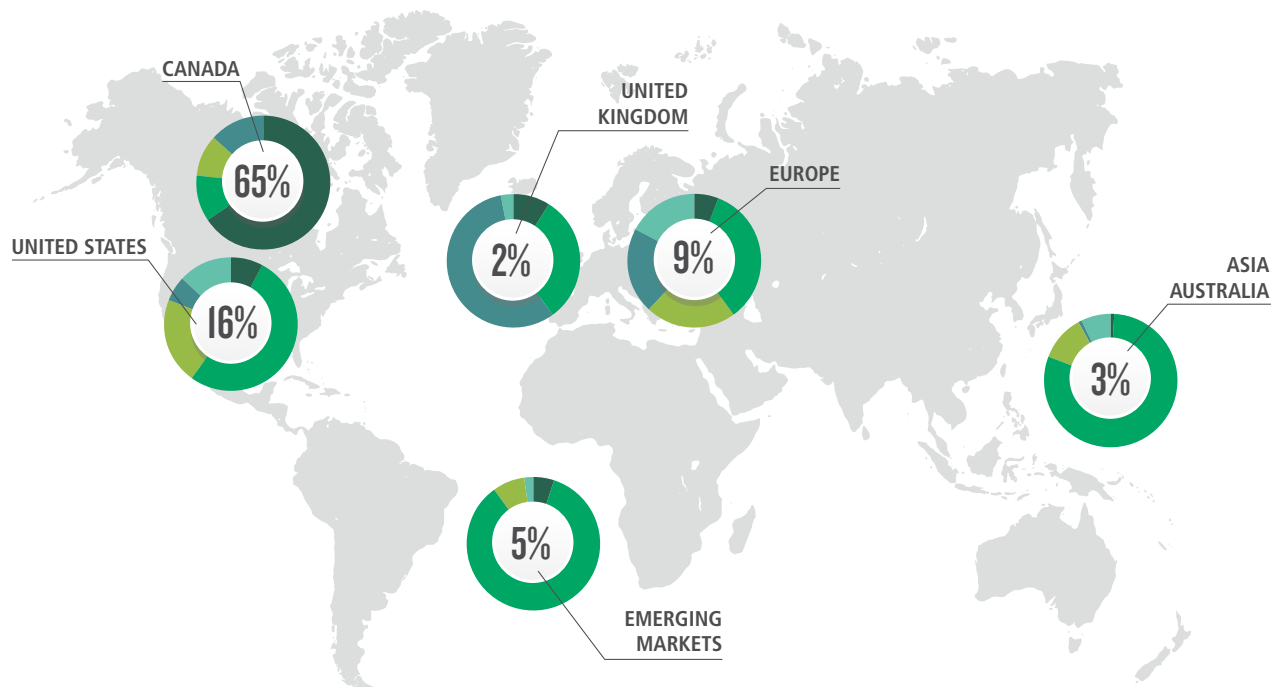
FINANCIAL PERFORMANCE

After a fairly turbulent start to the year for financial markets, the last six months were marked by unexpected political shifts, including Brexit and the election of Donald Trump. Curiously, instead of amplifying volatility, these events had the opposite effect. While Brexit left markets unphased, Mr. Trump's election spurred them into action and brought interest rates up. All the same, it seems that the dovish monetary policy over the past years, which has benefited investments in risky assets and bonds alike, may be soon coming to an end. The stimulus measures that were rolled out in several industrialized nations may be replaced by tax measures intended to boost inflation and raise interest rates. However, these new measures would have the same goal: to support and encourage global economic growth, even if many observers fear a surge in populism and protectionism following the U.S. election.

Whatever the years ahead have in store, the strategy and action plans that have been developed and implemented over the last few years were designed for and tested against various unfavourable economic scenarios. With a highly diversified portfolio and exposure to infrastructure, real estate and stock markets worldwide, the Plan is prepared for every possibility.

GEOGRAPHIC ALLOCATION

The Plan's investment portfolio is geographically diversified in order to reduce risks and seize opportunities around the globe.



FIXED INCOME

STOCK MARKETS

REAL ESTATE

INFRASTRUCTURE

PRIVATE EQUITY

ASSET ALLOCATION

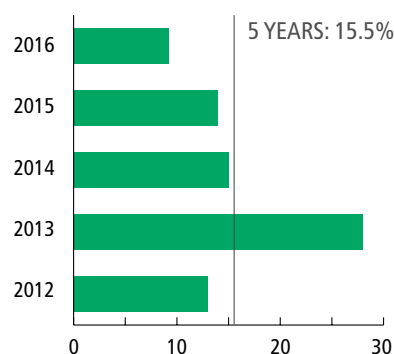
On January 1, 2016, Bill 29 came into force, changing funding rules for private sector supplementary pension plans in Québec. Our asset allocation strategy was modified as a result. Assets are now separated into two categories: a matching portfolio that minimizes the gap between Plan assets and liabilities; and a performance portfolio that generates sufficient returns to pay member pensions. A bond overlay strategy has also been implemented for the matching portfolio to reduce the sizeable difference between assets and liabilities. The strategies that were already in place for stocks, real estate, infrastructure and private equity have been regrouped to the performance portfolio. This structure enabled us to meet expectations in 2016 and will be in place for the years to come.

RETURNS BY ASSET CLASS

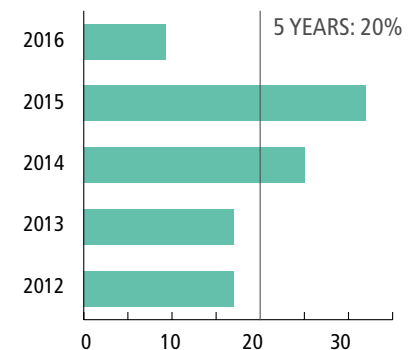
FIXED INCOME



STOCK MARKETS



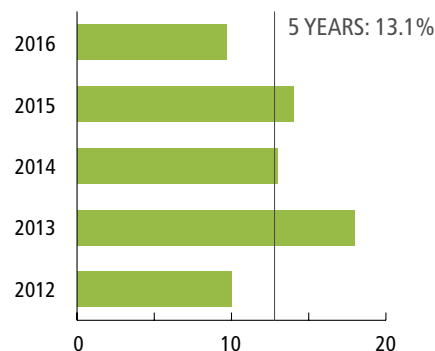
PRIVATE EQUITY



INFRASTRUCTURE



REAL ESTATE



IN 2016, THE PLAN POSTED RETURNS OF 7.9%, OR 2.6% IN ADDED VALUE. THE PLAN'S ASSETS REACHED A RECORD HIGH OF \$11.4B.

	RETURNS	TARGET	ADDED VALUE
FIXED INCOME	3.1%	2.2%	0.9%
STOCK MARKETS	9.2%	8.0%	1.2%
REAL ESTATE	9.7%	6.6%	3.1%
INFRASTRUCTURE	18.4%	6.5%	11.9%
PRIVATE EQUITY	9.2%	3.8%	5.4%
DGPP	7.9%	5.3%	2.6%

INVESTMENTS

MATCHING PORTFOLIO

FIXED INCOME

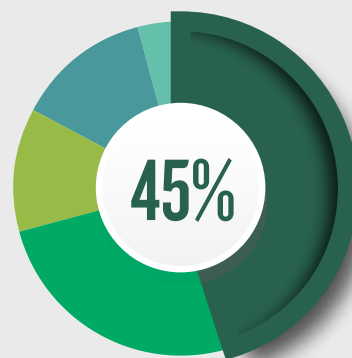
The fixed income portfolio is geared towards a Liability-Driven Investing strategy (LDI). In that sense, securities in the portfolio contribute to the asset and liability matching goal. In recent years, several changes have been made to optimize this relationship, including a substantial increase in the portfolio's allocation and duration, which grew from 8 to 15 years. More recently, we have focused on increasing the proportion of credit securities, including provincial bonds and securities from well-established Canadian and international corporations. In line with the work begun in 2015, a new bond overlay strategy was introduced to optimize asset and liability matching. More than \$600M has already been implemented and the results are more than satisfactory.

Last year was an eventful one for the Canadian bond market, with yields fluctuating up and down by 1%. Ultimately, sovereign rates edged up, while credit spreads narrowed. Under these circumstances, the fixed income portfolio generated returns of 3.1%, which is 0.9% above its performance target. This excellent performance can be attributed the portfolio's exposure to Canadian and international credit securities, as well as its positioning in long-term bonds.

The strategies implemented over the last two years, focusing on Canadian private debt and international credit, have already had a noticeable effect on the portfolio. The LDI strategy being a continuous process, this credit allocation strategy will increase in the next few years, and the bond overlay strategy rolled out in early 2016 will be enhanced.

FIXED INCOME SECURITIES CONTRIBUTE TO THE ASSET AND LIABILITY MATCHING GOAL. SEVERAL CHANGES WERE MADE TO OPTIMIZE THIS RELATIONSHIP.

ALLOCATION

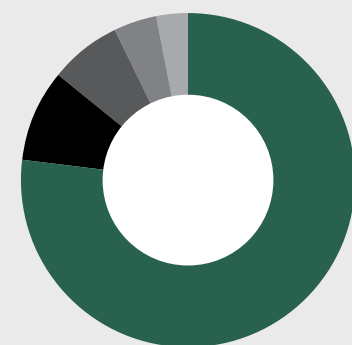


\$5.09B

2016 RETURN

3.1%

STRATEGIC ALLOCATION



LONG-TERM BONDS 77%	MONEY MARKET 4%
UNIVERSE BONDS 9%	PRIVATE DEBTS 3%
EXTRA LONG-TERM BONDS 7%	

PERFORMANCE PORTFOLIO

STOCK MARKETS

The structure of the stock markets portfolio was built to diversify exposure to the largest risk factors in the markets. This approach allowed less volatile returns as well as optimized performance. The positive results achieved in the recent years reflect the appropriateness of this approach.

Stock markets worldwide had a tumultuous year, but overall a positive one. In local currencies, international stocks advanced more than 7%. U.S. stocks led the pack with gains of over 11%. Canadian stocks rose 21%, boosted by the S&P TSX index's stellar performance. The appreciation of the Canadian dollar against the U.S. dollar, euro and pound sterling had a negative effect on investments outside of Canada.

The DGPP Canadian equity portfolio generated returns of 18.5% in 2016. The market environment that had favoured securities from more cyclical sectors, such as materials and energy, did not reward active management of the portfolio which is targeting a more defensive management profile. Despite last year's results, performance over the full cycle remains above expectations, reflecting the quality of our investment managers.

The DGPP global equity portfolio beat expectations in 2016, finishing with returns of 6.4% including an added value of 2.6% versus the MSCI World® Index. Low-volatility and value-style mandates yielded particularly good results. Exposure to emerging markets and to small and medium cap equities in the U.S. was a major contributor to the overall performance for the portfolio.

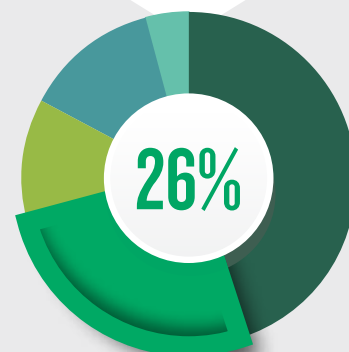
PRIVATE EQUITY

Once again, the private equity portfolio contributed positively to DGPP portfolio's performance with an annual return of 9.2%, or 5.4% above the benchmark index. Returns for the last five years were 20%, which is 3.4% above the same index.

In 2016, four new investments totalling \$122M were made, three with our current managers and one with a new manager specializing in mezzanine loans. The DGPP private investment portfolio is mature, diversified and in the hands of internationally recognized, talented managers.

The slower deployment of money invested with managers reflects increased manager caution in a high-valuation environment. As the portfolio has reached its long-term allocation target, management in the coming years will ensure that the level is maintained and that investments continue to reflect healthy diversification of the portfolio.

ALLOCATION

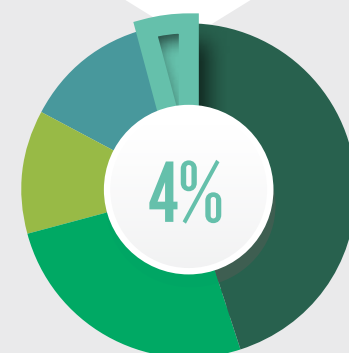


\$3.03B

2016 RETURN

9.2%

ALLOCATION



\$0.47B

2016 RETURN

9.2%

INVESTMENTS

INFRASTRUCTURE

The DGPP infrastructure portfolio had an excellent year in 2016. At 18.4%, the overall return for the year is well above expectations, largely due to solid operational performance generated by certain assets. These strong results were boosted by timely refinancing opportunities, the transition of some assets from construction to operational phases and the widespread compression of valuation rates due to sustained interest by institutional investors.

Since the portfolio has reached its long-term target allocation, it is very successfully playing its part within the Plan’s overall portfolio with diversified assets generating stable and regular returns.

Though many opportunities were reviewed throughout the year, the investment team showed discipline and creativity when negotiating and making transactions in the face of sustained market competition. Their combined experience and the program’s significant size both allowed the DGPP to make increasingly sophisticated transactions with key actors in the infrastructure sector.

The portfolio expanded to include several high-quality assets, with six transactions completed for nearly \$296M. With the support of long-term partners like Global Infrastructure Partners, Innergex and KKR, the DGPP made respectively its first major investment in Australia, in the country’s largest port city, participated in the creation of a renewable wind energy platform in France and acquired an interest in British company Calvin Capital, a leading provider of smart meters. Also, the solid relationships built over the years has broadened, notably with the DGPP investing in the latest Brookfield Infrastructure fund and with the acquisition of the South Fraser Perimeter Road in British Columbia, partnering up with ACS, who has maintained a portion of its ownership in the asset.

Though its 2016 returns are impressive and the portfolio is better positioned to play its role within the pension fund, future returns will probably be more modest—though they will continue to meet expectations.

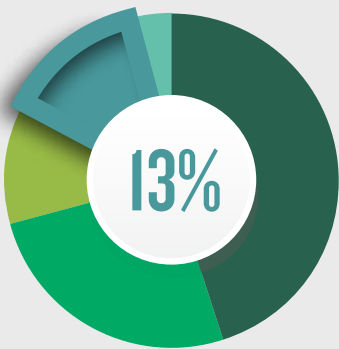
PORT OF MELBOURNE, AUSTRALIA



WIND FARM
WPD ÉOLES BEAUMONT SAS, FRANCE



ALLOCATION

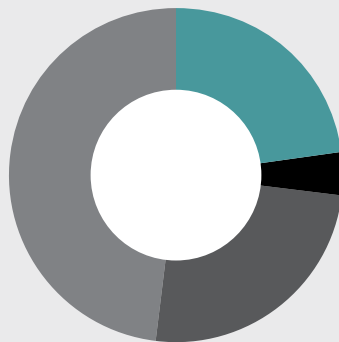


\$1.47B

2016 RETURN

18.4%

SECTOR ALLOCATION



ENERGY AND PUBLIC UTILITIES 23%
TRANSPORT 25%
OTHERS 4%
RENEWABLE ENERGY 48%

REAL ESTATE

The DGPP real estate portfolio posted returns of 9.7% in 2016, well above its benchmark, thanks in part to its stake in Ivanhoé Cambridge Group, which once again contributed positively to this over performance. The portfolio's return for the last five years was 13.1%. In general, foreign investments posted excellent results in 2016.

For the third year in a row, the Canadian real estate sector generated moderate returns, namely in the area of office buildings, with falling oil prices having affected Alberta in particular.

On the other hand, real estate portfolios located in British Columbia, Ontario and Québec continued to benefit from the weak Canadian dollar, low interest rates and sustained interest in this asset class from institutional investors wanting to increase the value of their real estate holdings.

South of the border, the U.S. real estate market performed very well due in part to favourable economic conditions.

Finally, three promising new investments totalling \$179M were made over the year, two with current managers and one with a new manager in the U.S. industrial sector.

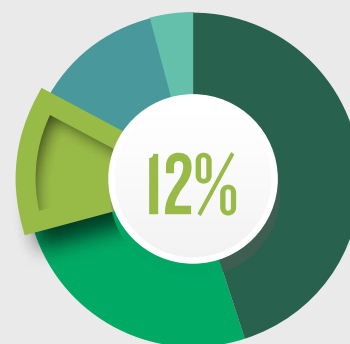
TOUR KPMG, MONTRÉAL, QC



8515-8532 JASPER AVENUE, EDMONTON, AB



ALLOCATION

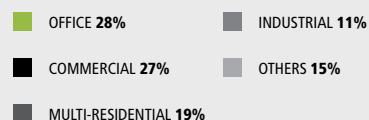


\$1.39B

2016 RETURN

9.7%

SECTOR ALLOCATION



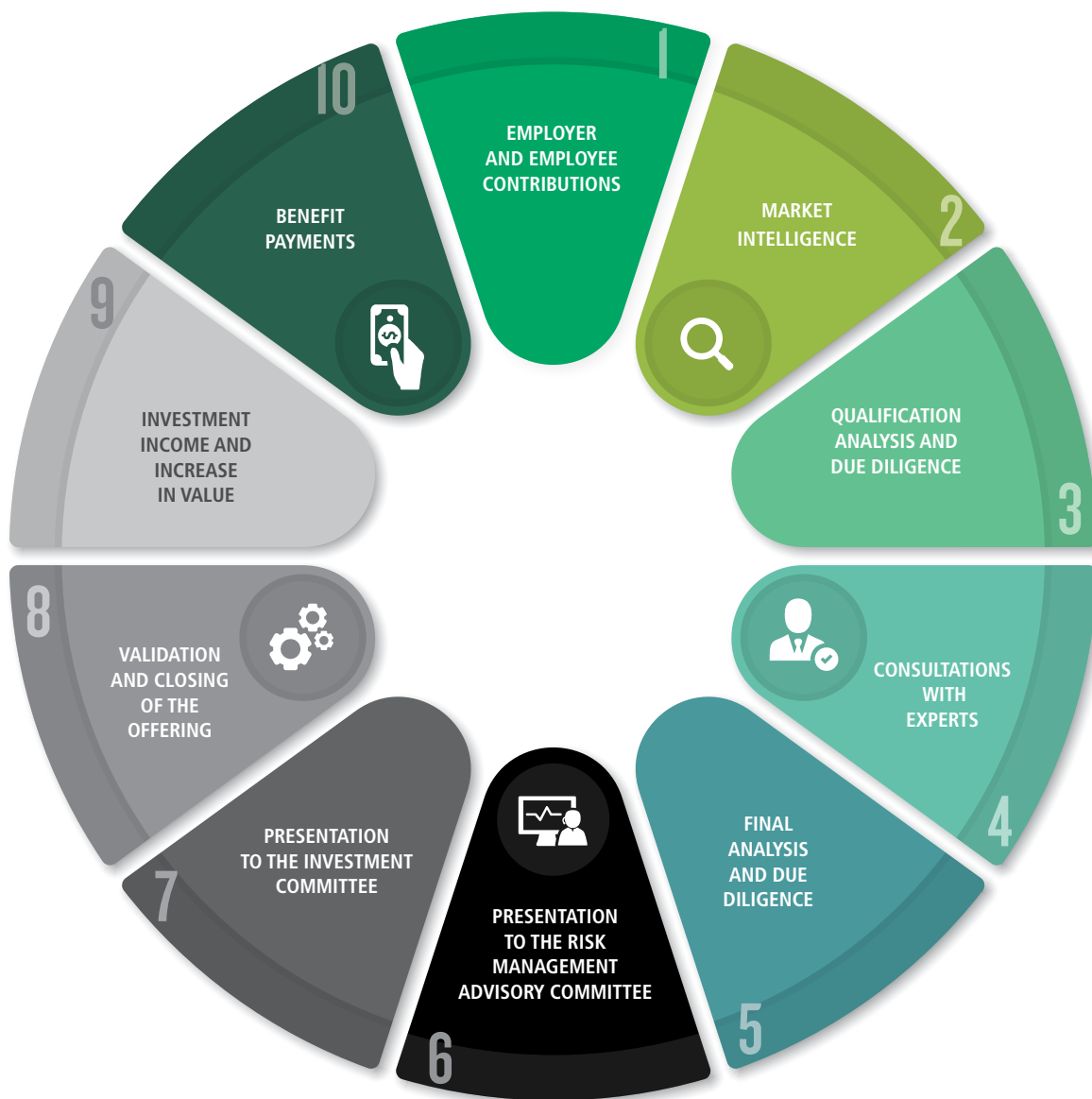
INVESTMENT CYCLE

To meet its long-term objectives regarding the payment of pension benefits, the Desjardins Group Retirement Committee has delegated the DGPP Division to invest contributions in a range of investment types for its matching and performance portfolios.

To select any investment, the DGPP Division has put in place a rigorous multi-step process. This process ensures proper and diversified investments in line with the targets set out in the annual investment plan.

IN 2016, 140 OPPORTUNITIES WERE ANALYZED, RESULTING IN \$1.7B IN INVESTMENTS.

10-STEP PROCESS



SUSTAINABLE DEVELOPMENT

The DGPP contributes to sustainable development by making conscientious choices about its investments and business partners, the majority of whom have signed the United Nations’ Principles for Responsible Investment (PRI). These companies care about the environment, human rights and good governance—all concerns that the DGPP shares.

In 2016, the DGPP continued its strategy of acquiring quality private assets in the renewable energy sector, which put the DGPP in a good position to earn good-risk adjusted returns to fulfill its commitments towards members. For example, the DGPP invested in a wind farm in Mont-Rothery, near Murdochville, which consolidated its position as a leader in this field and a preferred partner for this type of investment. Through its partnerships, the DGPP holds shares in three-quarters of all private investments in this sector across Canada.

By investing in renewable energy in Québec, Canada and around the world, DGPP contributes to a decarbonized and sustainable economy.


BY INVESTING IN RENEWABLE ENERGY IN QUÉBEC, CANADA AND AROUND THE WORLD, DGPP CONTRIBUTES TO A DECARBONIZED AND SUSTAINABLE ECONOMY.



WIND FARM IN MONT-ROTHERY, QC

RENEWABLE ENERGY

MAJOR INVESTMENTS IN SUSTAINABLE DEVELOPMENT



TYPE	ASSET	VALUE AS AT DECEMBER 31, 2016
WIND FARMS	RIVIÈRE-DU-MOULIN	\$74M
	MONT-ROTHERY	\$13M
SOLAR PARKS	HALDIMAND	\$72M
	KINGSTON	\$55M
HYDROPOWER PLANTS	SAINTE-MARGUERITE	\$52M
	HARRISON	\$42M



2,350 MW

PRODUCTION CAPACITY OF THE
PROJECTS IN WHICH THE DGPP
HAS INVESTED



750,000

NUMBER OF HOUSEHOLDS
PROVIDED WITH ELECTRICITY

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, 2016, on which PricewaterhouseCoopers s.r.l./s.e.n.c.r.l. expressed an unqualified opinion dated February 22, 2017.

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

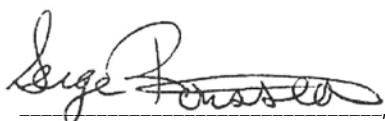
DESJARDINS GROUP PENSION PLAN

NET ASSETS AVAILABLE FOR BENEFITS

As at December 31, 2016

(In thousands of \$)	2016	2015
INVESTMENT PORTFOLIO		
Investment assets		
Bonds and pooled bond funds	\$5,435,171	\$4,465,625
Shares and pooled share funds	2,968,893	2,938,310
Real estate	1,395,508	1,277,998
Infrastructure	1,467,680	1,253,755
Private equity	465,921	421,673
Other investments	35,491	27,354
Cash and money market instruments	409,040	342,677
Securities borrowed or purchased under resale agreements	399,350	201,698
Derivative financial instruments	5,165	3,344
	12,582,219	10,932,434
Investment liabilities		
Commitments related to securities Loaned or sold under repurchase agreements	(1,098,241)	(308,159)
Derivative financial instruments	(34,805)	(15,780)
TOTAL INVESTMENT PORTFOLIO	11,449,173	10,608,495
Employer contributions receivable	13,115	28,880
Employee contributions receivable	7,090	6,071
Other assets	41,595	37,991
	61,800	72,942
Other liabilities	(64,024)	(59,075)
NET ASSETS AVAILABLE FOR BENEFITS	\$11,446,949	\$10,622,362

Approved by the Retirement Committee,

 member

 member

DESJARDINS GROUP PENSION PLAN

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31, 2016

(In thousands of \$)	2016	2015
INCREASE IN NET ASSETS		
Net investment income		
Bonds and pooled bond funds	\$168,812	\$125,926
Shares and pooled share funds	61,485	61,338
Real estate	25,708	9,564
Infrastructure	86,567	49,878
Private equity	5,808	3,960
Mortgages	465	583
Cash and money market instruments	1,523	2,042
Other income	1,077	263
	351,445	253,554
Changes in the fair value of investments and derivative financial instruments	489,948	538,687
	841,393	792,241
Contributions		
Employer	335,197	459,813
Administrative expenses	(12,139)	(10,085)
	323,058	449,728
Employee	197,421	199,322
Contributions net of administrative expenses	520,479	649,050
Interest on contributions receivable	-	320
Transfer agreements	5,121	4,165
	525,600	653,535
	1,366,993	1,445,776
DECREASE IN NET ASSETS		
Pension benefits		
Annuities	362,041	326,703
Reimbursements	95,671	76,151
Death benefits	12,732	12,319
	470,444	415,173
Investment management, custodian fees, transaction and other costs	50,797	46,230
Performance award fees	21,165	17,908
	542,406	479,311
NET INCREASE IN NET ASSETS	824,587	966,465
NET ASSETS AVAILABLE FOR BENEFITS AT THE BEGINNING OF THE YEAR	10,622,362	9,655,897
NET ASSETS AVAILABLE FOR BENEFITS AT THE END OF THE YEAR	\$11,446,949	\$10,622,362

GOVERNANCE

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, including changes to the DGPP Regulation, the nature and terms of benefit payments to Plan members, contribution rates and use of any surplus. Through its Board of Directors, the Federation stands surety for the obligations arising from the participation of Desjardins Group employers in the DGPP.

DESJARDINS GROUP RETIREMENT COMMITTEE

By virtue of the powers vested in it by the *Supplemental Pension Plans Act* and by the DGPP Regulation, the Retirement Committee is the Plan's trustee and, as such, is responsible for administering the Plan soundly and in the best interest of Plan members, and for paying the promised benefits to Plan members and their survivors. Committee members representing employees, employers and retirees share the role of DGPP trustees.

INVESTMENT COMMITTEE

The Investment Committee manages the assets of the Plan, a responsibility delegated by the Retirement Committee. Under the responsibility of this Committee, which establishes the investment policy, the Investment Committee is responsible for ensuring that the policy is applied, respected and followed and for overseeing the activities of the portfolio managers to whom management mandates are entrusted.

MEMBER TRAINING

Members attended a number of presentations and training sessions during the year. Training was also offered to all new members who took office in 2016.

RISK MANAGEMENT ADVISORY COMMITTEE

Reporting to the Retirement Committee, the Risk Management Advisory Committee (RMAC) is responsible for assessing the main risks associated with managing DGPP activities. It does this by issuing opinions on the integrated risk profile submitted to the Retirement Committee, on the asset allocation strategy and on investment projects submitted to the Investment Committee.

LIST OF RMAC MEMBERS

STÉPHANE BERGERON, Director, Corporate Banking, Credit Granting, Counterparty and Issuer Risk Administrative Department, Credit Granting and Special Loans Division, Desjardins Group

RENAUD COULOMBE, Vice-President, Legal Affairs Division, Desjardins Group

FRANÇOIS HUDON, Director, Liability Management, DGPP Division

NICOLAS RICHARD, Vice-President, Investments Division and Chief Operating Officer, Desjardins Global Asset Management

MARIO ROBITAILLE, Vice-President, Insurance Risk Division, Desjardins Group

MARC ST-PIERRE, President, MSP & Associés

MEETINGS IN 2016

	NUMBER OF MEMBERS	NUMBER OF MEETINGS	PARTICIPATION RATE
RETIREMENT COMMITTEE	14	5	96%
INVESTMENT COMMITTEE	9	10	89%
RISK MANAGEMENT ADVISORY COMMITTEE	6	7	88%

The overall participation rate for the three committees was 90%



REUNION OF THE DESJARDINS GROUP RETIREMENT COMMITTEE

MEMBERS OF THE RETIREMENT COMMITTEE

EMPLOYER REPRESENTATIVES



SERGE ROUSSEAU^{1, C, E}
COMMITTEE CHAIR



CAROLE CHEVALIER^{2, A, C, E}
COMMITTEE VICE-CHAIR



JACQUES BARIL^{3, C, E}
COMMITTEE SECRETARY



CLAUDE CHAPDELAINE^{4, C, E}



STÉPHANE CORBEIL^{5, E}



BENOÎT TURCOTTE^{6, B, C, E}

REPRESENTING PLAN MEMBERS



DAVID GINGRAS⁷
DESJARDINS CAISSES



JÉRÔME MERCIER⁸
DESJARDINS CAISSES



SÉBASTIEN VALLÉE⁹
AFFILIATED CORPORATIONS



ROBERT BASTIEN^{10, C}
FEDERATION



MICHEL-PIERRE BERGERON¹¹
RETIREES, BENEFICIARIES
AND PLAN MEMBERS ENTITLED
TO A DEFERRED PENSION

EXTERNAL MEMBER



MARC ST-PIERRE^{12, C, D}

OBSERVERS



MARIO LÉVESQUE¹³
REPRESENTING
ACTIVE PLAN
MEMBERS



ROBERT DESBIENS¹⁴
REPRESENTING RETIREEES,
BENEFICIARIES AND
PLAN MEMBERS ENTITLED
TO A DEFERRED PENSION

- 1** President of the Kamouraska Chaudière-Appalaches Regional Council
- 2** President of the Mauricie Regional Council
- 3** President of East-Montreal Regional Council
- 4** President of West-Montreal Regional Council
- 5** President of Laval-Laurentides Regional Council
- 6** Vice-President Outaouais, Abitibi-Témiscamingue and Nord-du-Québec Regional Council
- 7** Financial Planner and Group Savings Representative for Desjardins Financial Services Firm Inc., Caisse populaire Saint-Augustin-de-Desmaures
- 8** Account Manager, Commercial and Industrial Markets (EM) Lévis-Lotbinière-Bellechasse Desjardins Business Center
- 9** Director, Investment Solutions Development and Management Administrative Department, Wealth Management and Life and Health Insurance Executive Division, Desjardins Group
- 10** Vice-President, Business Services Division, Desjardins Group
- 11** Desjardins retiree
- 12** President MSP & Associés
- 13** Development Advisor Financial Performance Department, Individual Insurance, Wealth Management and Life and Health Insurance, Desjardins Financial Security
- 14** Desjardins retiree

-
- A** Investment Committee Chair
B Investment Committee Secretary
C Member of the Investment Committee
D Member of the Risk Management Advisory Committee
E Member of the board of directions of the Fédération des caisses Desjardins du Québec

MEMBER SERVICES AND ADMINISTRATION

MEMBER SERVICES TEAM

The Member Services team offers training, coaching and references on everything related to the Desjardins Group Pension Plan.

MEMBER SERVICES TEAM



10

EMPLOYEES

31,600

REQUESTS PROCESSED IN 2016

RETIREMENT PLANNING SESSION



The program is intended for members age 50 and over who plan to retire in the next five years. In 2016, 1,600 members attended training sessions.

60 SESSIONS

DGPP PRESENTATIONS



These presentations are made on-site upon request. Presentations were given to different Desjardins Group employers to improve members' understanding of the Plan.

20 PRESENTATIONS

SATISFACTION SURVEY



Satisfaction surveys are sent to Plan members as part of the ongoing process to improve the retirement preparation program and the services offered by Member Services.

99% SATISFACTION

ANNUAL MEETING OF THE DGPP



During the annual meeting, the Retirement Committee informs members about its administration, discusses the Plan's financial situation and announces the Retirement Committee election results. The webcast of the most recent meeting is available for streaming.

YOUR TOOLS

WEBSITE



The website contains all the information on the Plan. Members can use My Secure Access to consult their annual statements and submit requests, including official retirement requests.

RCD-DGP.COM

SIMULATOR



Members can use the simulator to forecast the retirement income they would receive based on different retirement dates. It is available on the DGPP website.

7,800 VISITS

ANIMATED INFORMATION CAPSULES



The capsules contain valuable information about the Plan. They cover the different types of pensions available and the DGPP provisions. They are available on the DGPP website.

10 CAPSULES

INNOVATIONS



We continue to improve, innovate and increase efficiency, and 2017 will be an opportunity for the DGPP to streamline and upgrade its tools. A new administrative system will allow DGPP teams to be even more efficient and the website will be overhauled to make it more user-friendly.

ADMINISTRATIVE MANAGER

The Retirement Committee entrusts the Plan’s administration to Desjardins Financial Security. The team is made up of administrators and actuaries who are responsible for the preparation of the Plan’s actuarial valuation and produce the Plan members’ annual statements.

WORKLOAD BASED ON THE TYPE OF REQUEST



33%
RETIREMENT

28%
TERMINATION

39%
OTHERS

19,000

REQUESTS
PROCESSED

3 DAYS

AVERAGE TURNAROUND
TIME TO PROCESS REQUESTS

60% OF THE WORKLOAD INVOLVES PROCESSING RETIREMENTS OR PLAN MEMBERSHIP REQUESTS AND TERMINATIONS. THE REMAINING WORKLOAD ARE RELATED MAINLY TO BUYBACKS AND DEATHS.

PLAN SUMMARY

DEFINED BENEFIT PLAN

Desjardins Group has chosen to offer its employees a defined benefit pension plan. This type of plan provides greater security at retirement, because the commitment made to the employee takes the form of annuity payments calculated according to a pre-set formula that takes into account the number of years of membership in the plan and the recognized salary during the final years of work.

COST SHARING

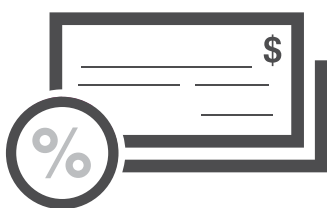
65% EMPLOYERS
35% EMPLOYEES



RETIREMENT INCOME DETERMINED BY



CREDITED YEARS



AVERAGE EARNINGS

RETIREMENT

AGE 55 EARLY RETIREMENT
OPTION

AGE 65 NORMAL
RETIREMENT AGE

AGE 71 END OF
MEMBERSHIP

TERMINATION

BEFORE 55

- Transfer into an authorized retirement vehicle
- Deferred annuity

AFTER 55

- Retirement
- Deferred annuity

DEATH

BEFORE RETIREMENT

- Benefit equal to the amount that would have been payable had the Plan member's employment terminated immediately prior to death

AFTER RETIREMENT

- Benefit payable in the form of pension selected by the Plan member

	UP TO 2008	FROM 2009 TO 2012	STARTING IN 2013
PENSION PAYABLE AT AGE 65	$ \begin{aligned} &(1.3\% \text{ OF SALARY 5 UP TO MPE 5} \\ &+ \\ &2\% \text{ OF SALARY 5 OVER MPE 5}) \\ &\times \\ &\text{CREDITED YEARS} \end{aligned} $	$ \begin{aligned} &(1.5\% \text{ OF SALARY 5 UP TO MPE 5} \\ &+ \\ &2\% \text{ OF SALARY 5 OVER MPE 5}) \\ &\times \\ &\text{CREDITED YEARS} \end{aligned} $	$ \begin{aligned} &(1.5\% \text{ OF SALARY 8 UP TO MPE 5} \\ &+ \\ &2\% \text{ OF SALARY 8 OVER MPE 5}) \\ &\times \\ &\text{CREDITED YEARS} \end{aligned} $
EARLY RETIREMENT	<p>THE MOST PROFITABLE BETWEEN</p> <p>3% PER YEAR REMAINING UNTIL AGE 65 OR</p> <p>OR</p> <p>85-POINT RULE AT AGE 57</p>	REDUCTION OF 4% PER YEAR REMAINING UNTIL AGE 62	
NORMAL FORM OF PENSION	<p>WITH SPOUSE</p> <p>LIFE ANNUITY, 60% JOINT AND SURVIVOR, GUARANTEED 10 YEARS</p> <p>WITHOUT SPOUSE</p> <p>LIFE ANNUITY, GUARANTEED 15 YEARS</p>		<p>WITH OR WITHOUT SPOUSE</p> <p>LIFE ANNUITY, GUARANTEED 10 YEARS</p>
PENSION INDEXATION	<p>CPI - MAXIMUM 3% PER YEAR</p> <p>STARTS IN THE MONTH OF JANUARY FOLLOWING RETIREMENT THROUGHOUT RETIREMENT</p>		<p>CPI - MAXIMUM 1% PER YEAR</p> <p>STARTS IN THE MONTH OF JANUARY AFTER AGE 65 FOR 10 YEARS</p>

SALARY 5	= Average salary of five best-paid years
MPE 5	= Average of the maximum pensionable earnings eligible for the Quebec Pension Plan or Canada Pension Plan for the year of retirement and the previous four years
SALARY 8	= Average salary of eight best-paid years
85-point rule	= Reduction of 3% per year before 85 points and 3% per year before age 57

PLAN MEMBER CONTRIBUTION RATE

6.90% **+** **10.30%**
 OF SALARY UP TO 65% OF MPE OF THE EXCESS

DUE TO THE IMPROVEMENT OF THE FUNDING STATUS OF THE PLAN, EMPLOYEE CONTRIBUTIONS HAS BEEN REDUCED BY 0.55% IN JULY 2016.

MPE = Maximum pensionable earnings: \$54,900 in 2016

In case of discrepancy between the section "Plan Summary" and the DGPP Regulation, the Regulation shall prevail.

DESJARDINS GROUP PENSION PLAN DIVISION

The DGPP Division reports to Réal Bellemare, Executive Vice-President of Finance, Treasury and Administration and Chief Financial Officer, Desjardins Group. Its mission is to ensure that the DGPP has sufficient funds to meet obligations to plan members and employers while minimizing risk. With the support from the administration and actuarial teams at Desjardins Financial Security, and the Legal Affairs Division, the DGPP Division provides simple, modern, high-performance and people-driven services to its members and is able to face the challenges that arise when managing \$11.4B in assets.



RÉAL BELLEMARE
EXECUTIVE VICE-PRESIDENT
FINANCE, TREASURY,
ADMINISTRATION AND
CHIEF FINANCIAL OFFICER,
DESJARDINS GROUP



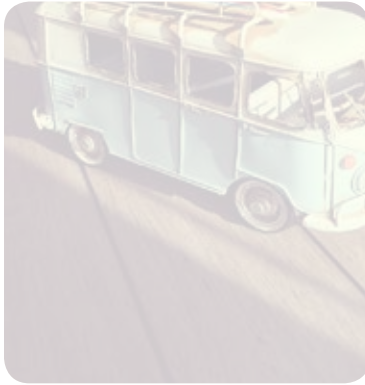
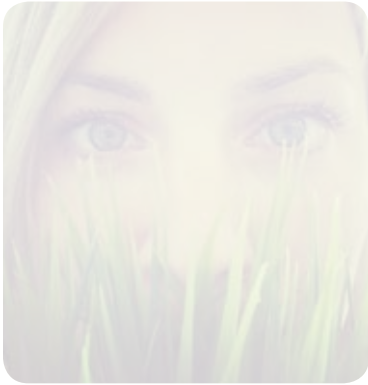
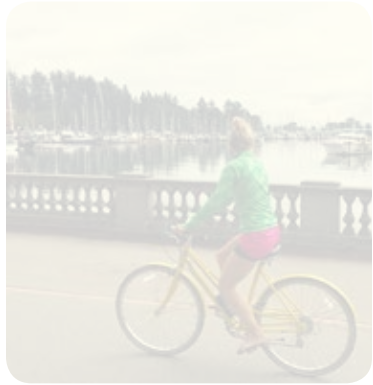
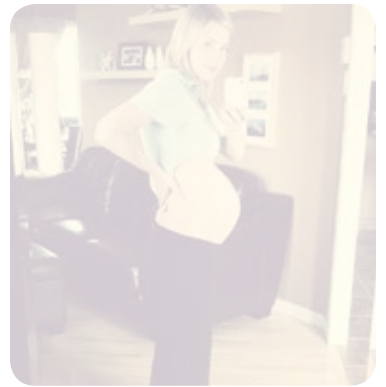
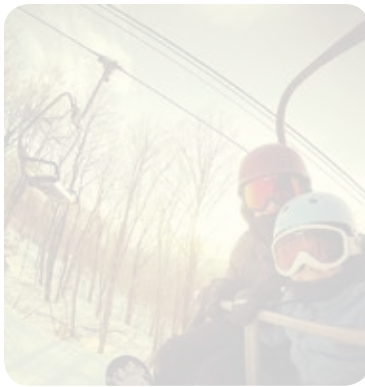
SYLVAIN GAREAU
VICE-PRESIDENT
DESJARDINS GROUP
PENSION PLAN



FRANÇOIS HUDON
DIRECTOR
LIABILITY MANAGEMENT
DESJARDINS GROUP
PENSION PLAN

DESJARDINS GROUP PENSION PLAN DIVISION





WORKING FOR YOU

