2017 Annual Report - Desjardins Group Pension Plan

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Desjardins

Information

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Photo: Caisse Desjardins de Lévis, where the Retirement Committee office is located
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Notes to the reader

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

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

The symbols M and B designate millions and billions respectively.

Message from the Chair

Desjardins Group Pension Plan ("DGPP" or "Plan") members enjoy an outstanding defined benefit plan made possible by a team of dedicated professionals. These specialists work hard day in, day out to ensure that members can receive their pension and get the most out of retirement.

Committed to delivering a Plan that performs

In 2017, the team of professionals continued to carefully and competently execute our strategic plan. The goal of this plan is to strengthen the matching between Plan assets and obligations, as well as identifying and assessing potential risks so we can prepare for the future.

This past year was marked by both uncertainty and a return to global growth. Against this ever-changing environment, the Plan posted a remarkable 12.7% return—2.5% above benchmarks—and total assets continued to increase, reaching $12.9B by year's end.

Over the past five years, the Plan has posted an average return of 10.9%— a cumulative added value of nearly $1B above benchmark indices. This incredible track record is, among other things, the result of the unsurpassed teamwork of our Plan professionals.

Our Plan financials have also come a long way. At the end of 2017, the Plan had a funding ratio of 113.8%, above the stabilization target required under the new legislation. This is a big win for our Plan, and we did it by diligently implementing the global action plan we put in place in 2012.

Committed to promoting a sustainable economy

The Desjardins Group Retirement Committee ("DGRC") is committed to considering environmental, social and governance criteria when making investment decisions. We are proud to announce that in January 2018, the Desjardins Group Pension Plan adopted the United Nations-supported Principles for Responsible Investment, or PRIs.

In 2017, committed to making change happen for Plan members and their communities, Plan teams continued to support the transition to a carbon-free economy and the fight against climate change by making a number of new investments in renewable energy. To date, the Plan has invested $830M in renewable energy, and renewables account for 50% of overall infrastructure investments. That is a remarkably high proportion, and it has become our Plan's claim to fame.

Committed to serving our members

Plan members can count on a dedicated team to provide prompt, proactive, people-focused service from their date of hire to retirement and beyond. In 2017, these teams laid the groundwork for a number of major service improvements that will be in place next year, including:

- a new administrative system that will help us handle requests faster,
- a modernized website, and
- a simpler, more user-friendly retirement simulator.

Committed to keeping up the good work

We tripled our Plan assets from $4.2B in 2008 to $12.9B in 2017. That is no small feat!

Employers and employees have played a big role in moving the Plan toward long-term stability. I would also like to recognize the contributions of a number of people who have helped make the Plan what it is today. Thank you to Carole Chevalier and Benoît Turcotte for all the work you have done on the Retirement and Investment committees, and to Jacques Baril, Stéphane Corbeil, Jérôme Mercier and Sébastien Vallée for your contribution on the Retirement Committee.

While the future looks brighter today, the Retirement Committee remains steadfastly committed to delivering sound, rigorous Plan management. In today's volatile economy, the Retirement Committee will continue to be vigilant and work in the best interest of Plan members over the coming years.

Together we stand committed to ensuring that our Plan remains healthy and sustainable and continues to make change happen for Plan members and future generations alike.

Serge Rousseau
Chair
Desjardins Group Retirement Committee

2017 at a glance

A plan that is financially healthy

114%

Funding ratio
A 10% year-over-year increase

Above the stabilization target required by Retraite Québec

12.7%

Return in 2017
2.5% added value

89%

Solvency ratio
An 8% year-over-year increase

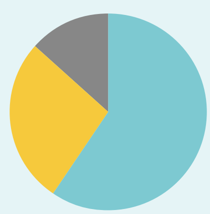
10.9%

5-year average return
$929M added value

A major pension plan

$12.9B

Net assets
Total assets tripled since 2008



64,001

Members
- 38,128 Active
- 17,429 Retirees
- 8,444 Deferred

$1.4B

Investment income and changes in the value of investments
$272M added value

$542M

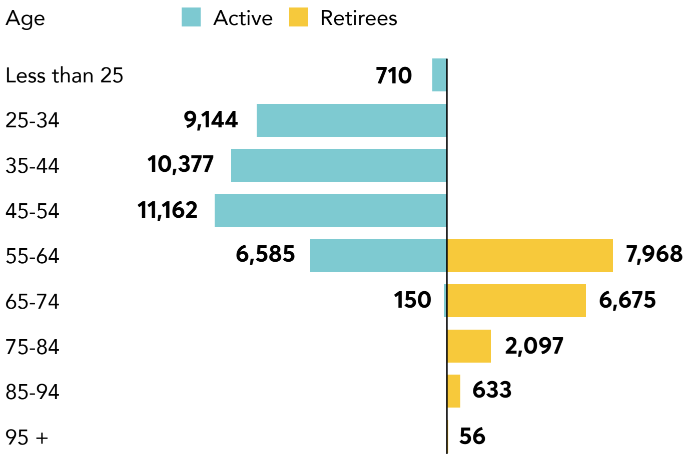
Contributions
$350M by employers
$192M by employees

$488M

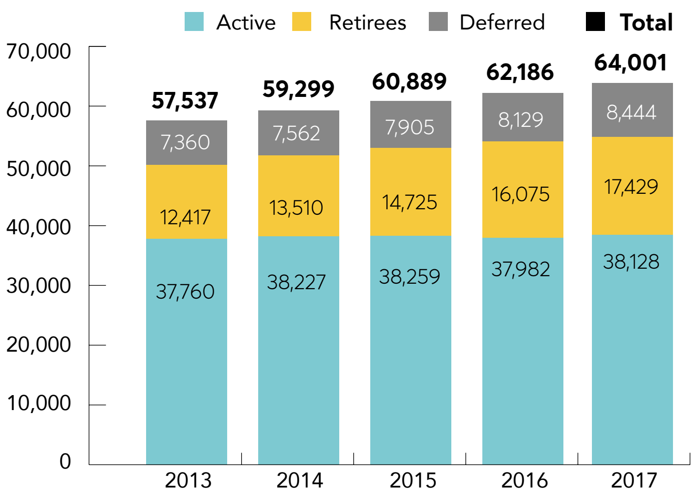
Benefit payments
Direct contribution to the Canadian economy

An evolving plan

Demographic profile



Demographic trend



88 years old

86 years old

Life expectancy
of participants
aged 45 years

Did you know?

Among the **17,429** retirees of the Plan, more than **40%** retired in the last **5** years.

A plan that is at your service

97%

Satisfaction rate
regarding services offered

32,000

Requests processed
by the Member Services Team

1,600

Participants
attended one of the 67 retirement planning sessions

A plan that has been working for you since 1979

First Desjardins Group Pension Plan annual meeting in 1979
Source: Société historique Alphonse-Desjardins collection

The Desjardins Group Pension Plan was created on January 1, 1979, as a result of the merger of several Desjardins Group pension plans. The new Plan started out with 10,000 members and net assets of $119M. The Plan now has more than 60,000 members, with net assets totalling close to $13B.

Since the Plan was first created, some of its features have changed to keep pace with the economic environment and demographics. A number of these changes represent tangible improvements for members, while other measures were needed to ensure the Plan's sustainability.

The way that the Plan is managed has changed considerably over time to take advantage of market opportunities and ensure the Plan is protected against risks facing pension plans. The Plan now stands out among Canada's top private pension plans thanks to the expertise of its resources and their ability to innovate. For example, the infrastructure investment asset class, created 10 years ago, is now 50% invested in renewable energy and provides stable current returns. Once again this year, other sophisticated and very promising management strategies, such as the implementation of a bond overlay strategy and specialty finance securities asset class, will help the Plan reach its objectives.

Today, Desjardins Group is proud to offer its employees a defined benefit pension plan because this type of plan offers more financial security at retirement and is aligned with the organization's cooperative values.

Did you know?

In 2017, the Desjardins Group Monitoring Office took a close look at the Plan's processes. The Retirement Committee was pleased with the report's positive findings and intends to implement the proposed recommendations.

A plan that provides defined benefits

Beneficial

Desjardins offers its employees a defined benefit pension plan, an increasingly rare benefit in the private sector. This type of plan provides members with lifetime retirement income.

The pension benefit is calculated based on a predetermined formula. The DGPP uses a percentage of salary multiplied by credited years of service.

Safe

Benefit payments are guaranteed. With a defined benefit pension plan, investment and longevity risks are assumed mainly by the employers. On the other hand, most of these risks are borne by the employees in the case of a defined contribution plan.

Turnkey

Highly qualified specialists make investment decisions. They work for the benefit of members by taking advantage of market opportunities, while carefully managing risks. Hence, members do not have to worry about the day-to-day management of their pension plan.

Distinctive

The employers are responsible for the greater part of Plan costs. The employer/employee cost-sharing ratio is 65:35.

The DGPP offers a wide range of annuity options designed to meet the short-term and long-term financial needs of future retirees and their families.

"It's really reassuring knowing I can count on a monthly pension benefit being deposited into my account for the rest of my life."

André Bérubé, retiree
Caisse Desjardins du Centre de Kamouraska

Did you know?

Out of all Canadian private sector employees **27%** have a workplace pension plan, and only **11%** have a defined benefit plan like the DGPP.[1]

[1] Statistics Canada, 2016.

A plan that is financially healthy

Financial position as at December 31, 2017

The DGPP'S financial position improved once again this year. The most recent actuarial valuation, which was performed on December 31, 2017, showed that the funding ratio, which assesses the Plan's ability to meet its long-term financial commitments, continued to rise, going from 104.0% to 113.8% by the end of 2017. It now exceeds the stabilization target of 110.6% required by Retraite Québec.

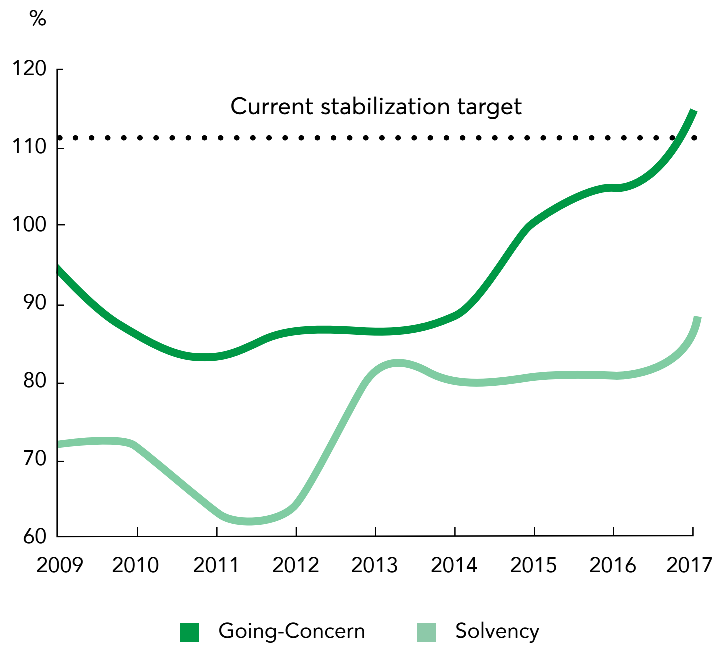
The financial situation based on solvency also moved in the right direction. The solvency ratio, which measures the Plan's ability to meet its financial commitments assuming it ends and is liquidated on a certain date, increased from 80.7% at the end of 2016 to 88.5% as at December 31, 2017. As a reminder, the need to fund the DGPP on a solvency basis is not required anymore, since funding on a going-concern basis now includes a stabilization provision.

The increase in both funding and solvency ratio is a significant achievement for the Plan. It is the result of the strong action plan implemented six years ago and its rigorous application since then. This plan aims for a better match between the Plan's assets and financial obligations toward participants. The financial efforts made by both employers and Plan members, along with the excellent returns recorded by the DGPP, also contributed to this improvement.

Did you know?

Over the last **5** years, the going-concern ratio increased by over **27 %**.

Evolution of DGPP's financial position



In terms of DGPP's funding for 2018, current service contributions in addition to the stabilization provision and the administrative fees will be $357.5M, which corresponds to 15.4% of total payroll eligible for the DGPP. As a reminder, under the DGPP funding policy, all costs are shared between employers (65%) and employees (35%).

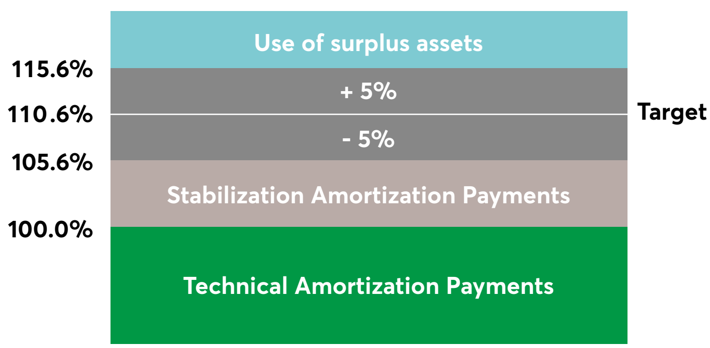
Based on the current contribution formula, employers and employees will contribute a total of almost $554.9M to the DGPP in 2018. The difference between actual contributions made and the minimum contributions required by Retraite Québec will give the DGPP the opportunity to consolidate the Plans' financial position on a going-concern basis and to strengthen its financial position on a solvency basis.

Exceeding the target stabilization provision required by Retraite Québec

The Act to amend the Supplemental Pension Plans Act mainly with respect to the funding of defined benefit pension plans ("Bill 29") came into force on January 1, 2016. It emphasizes on conservative long-term funding to ensure pension benefits are paid out to Plan members as promised. Bill 29 eliminates the need to fund pension plans on a solvency basis. Going forward, Retraite Québec now only requires funding on a going-concern basis. However, to ensure contributions are stable over time and establish a more solid financial footing, pension plans must create and fund a stabilization provision. The target stabilization provision for the DGPP is 10.6% as at December 31, 2017.

This target is crucial, because a deficit, calculated on a going-concern basis increased by the provision less 5%, must be funded by the DGPP. This means that the DGPP has to plan for stabilization amortization payments, even if the funding ratio is above 100%. Furthermore, the current service contribution must be increased by 10.6%, which coincides with the DGPP's stabilization target. Finally, use of surplus assets in ongoing plans is only possible when two conditions are met: the stabilization provision has surpassed its objective by 5% (i.e. 15.6% for the DGPP), and the Plan's solvency ratio is no less than 105%.

Funding on the going-concern basis



Proactive management

In 2017, the Desjardins Group Retirement Committee kept looking for proactive solutions to strengthen the DGPP's financial position, the main objective always being to continue to offer an excellent pension plan.

As an example, a detailed study of DGPP members' mortality and future life expectancy trends has been performed. This analysis allowed for the customization of standard Canadian mortality tables by considering Plan members reality and socio-economic variables. Hence, actuarial calculations regarding mortality are now more precise and more aligned with the specific context of the DGPP. Moreover, because of the high level of uncertainty about longevity improvements in the future, the DGRC will continue to adopt a prudent approach by relying on conservative assumptions with respect to the Plan's financing in the future.

In 2018, the DGRC will monitor legislative changes and manage the DGPP in a balanced, responsible, vigilant and disciplined manner. Among other things, it will ensure that a funding policy is issued by the end of the year, meeting the new requirements originating from Bill 29. The DGRC will remain very diligent about the evolution of the ratio of retirees to active participants to make sure it stays ahead of what the future holds. In fact, in the last years, the number of active participants has remained stable to approximately 38,000, but, ten years from now, the number of retirees should increase from 17,400 to 30,000, which will rapidly increase the pressure on the Plan.

A plan that has risk management covered

Risk management

Since the 2008 financial crisis and the significant decline in interest rates that followed, Canadian pension plan managers have opted for tighter risk control. To that end, the DGPP has established comprehensive risk management practices. Over the years, these practices have evolved and have become more sophisticated to keep pace with Plan growth and to address the complex investment solutions that have been adopted.

The DGPP Division's risk management team strives to find the best balance between risk tolerance and the ability of Desjardins and its employees to finance the Plan, to ensure it remains sustainable. The team's mission is to identify, assess and mitigate all risks, from interest rate fluctuations to increasing Plan members' longevity. The control measures, strategy adopted, actions taken, tracking indicators and corrective and mitigation measures associated with each risk are clearly defined and assessed on an ongoing basis. Stress tests are performed to get more insight into the dynamics of assets and liabilities and their impact on the Plan. The action plans established for every risk are included in the business plan, which puts risk management at the heart of all Plan initiatives.

Some risks identified

Decline in interest rates

A decline in interest rates could have a negative impact on the Plan's financial situation, especially on a solvency basis.

Plan members longevity

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

Return volatility

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

Liquidity

A certain amount of money is required for the Plan to fulfill its financial obligations at all times.

Effective measures

A diversified and resilient asset allocation strategy

Assets are allocated dynamically and based on risk coverage. The allocation seeks to maximize the Plan's resiliency with as many economic scenarios as possible and to ensure cost-effective funding.

A rigorous and forward-thinking investment plan

The investment plan is a comprehensive, rigorous tool establishing a strategic vision and the key objectives for each asset class. It is used to guide investment decision-making.

Optimized liability matching

Investing in certain asset classes, such as fixed income securities, real estate and infrastructure, helps protect the Plan against interest rate fluctuations. Moreover, a bond overlay strategy also optimizes matching while resulting in higher expected returns.

A customized mortality table

To better estimate how long Plan members will live, the Plan has customized the standard Canadian mortality tables by considering actual DGPP members' experience and some socio-economic analyses.

A plan that is committed to responsible investing

Signatory of:

PRI Principles for Responsible Investment

Responsible investment

To sustain stability and promote growth in the decades to come, the DGRC considers it is important to foster sustainable development. To that end, the DGRC promotes responsible investment which allows the Plan, along with the Desjardins Group, to play a proactive role in regards to challenges in environmental, social and governance matters, including the fight against climate change.

Signatory of the Principles for Responsible Investment

Further to an initiative that got underway in 2017, the Plan made official its commitment to responsible investment by becoming a signatory of the United Nations-supported Principles for Responsible Investment ("PRI"), an international group of asset holders, portfolio managers and service providers committed to integrating environmental, social and governance ("ESG") factors in their investment decisions.[1]

Shareholder engagement

ESG issues have been incorporated into the Plan's voting rights policy, with the addition of a section on corporate social responsibility. An external provider has also been hired to ensure the policy is strictly enforced.

Due diligence on partners

The Plan requires its partners to be transparent in ESG matters. To ensure compliance, the Plan's portfolio managers conduct due diligence on partners throughout the investment process.

For the Plan, being a PRI signatory means:

- Assessing the DGRC's position on responsible investment
- Demonstrating its commitment to the community in a manner consistent with Desjardins' social responsibility and solidarity values
- Remaining a leader in management and governance processes
- Accessing new resources and training on responsible investment
- Taking advantage of new opportunities to network with other pension funds and financial players

Investing in renewable energy

The Plan has invested $830M in renewable energy, totalling nearly 50% of overall infrastructure investment.

From top to bottom:
- Toba Montrose hydroelectric plant (British Columbia)
- Haldimand solar park (Ontario)
- Rivière-du-Moulin wind farm (Québec)

[1] To learn more about the Principles for Responsible Investment, go to: www.unpri.org/about.

A plan that performs well

Financial performance

Economic context

2017 ended on a high note. For the first time since 2007, the world's 45 largest economies all posted positive annual growth. The governments of several countries developed measures to stimulate or maintain economic prosperity. However, inflationary pressures overall remained limited.

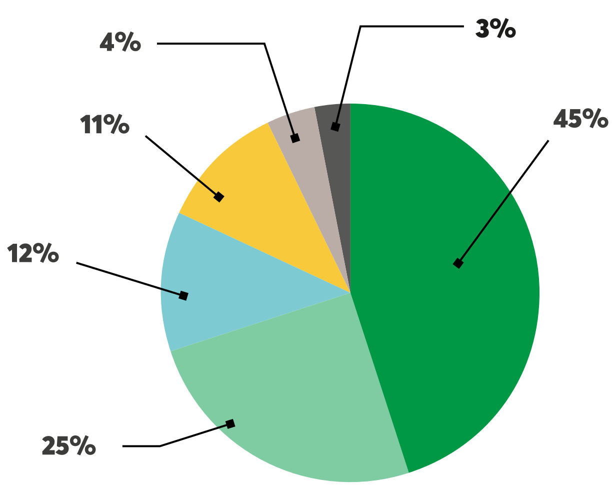
The clouds that hung over the political landscape, including the presidential elections in France and Germany, dissipated as the year went on. In the United States, despite concerns related to the new White House administration, the unemployment rate fell to its lowest level since 2000. This solid economic performance drove stock markets around the world to record highs.

On the Canadian fixed income side, despite higher short-term rates fuelled by Bank of Canada rate hikes, long-term rates fell slightly, while credit spreads for corporate securities tightened, resulting in a slight increase of our liabilities.

In summary, there are undeniably surpluses and imbalances on the market that persist due to favourable outlook caused by strong economic growth.

Asset allocation by class

Assets are divided into two portfolios: a matching portfolio that minimizes the variation of the gap between Plan assets and liabilities; and a performance portfolio that aims to generate sufficient returns to pay members' pensions. These portfolios consist of several asset classes: fixed income securities, public equity, real estate, infrastructure, private equity and specialty finance securities. For each of these classes, it is essential to ensure geographic, sector and strategic diversification. Guided by the annual investment plan, the DGPP Division identifies projects that are aligned with the established targets.



Asset allocation as at December 31, 2017

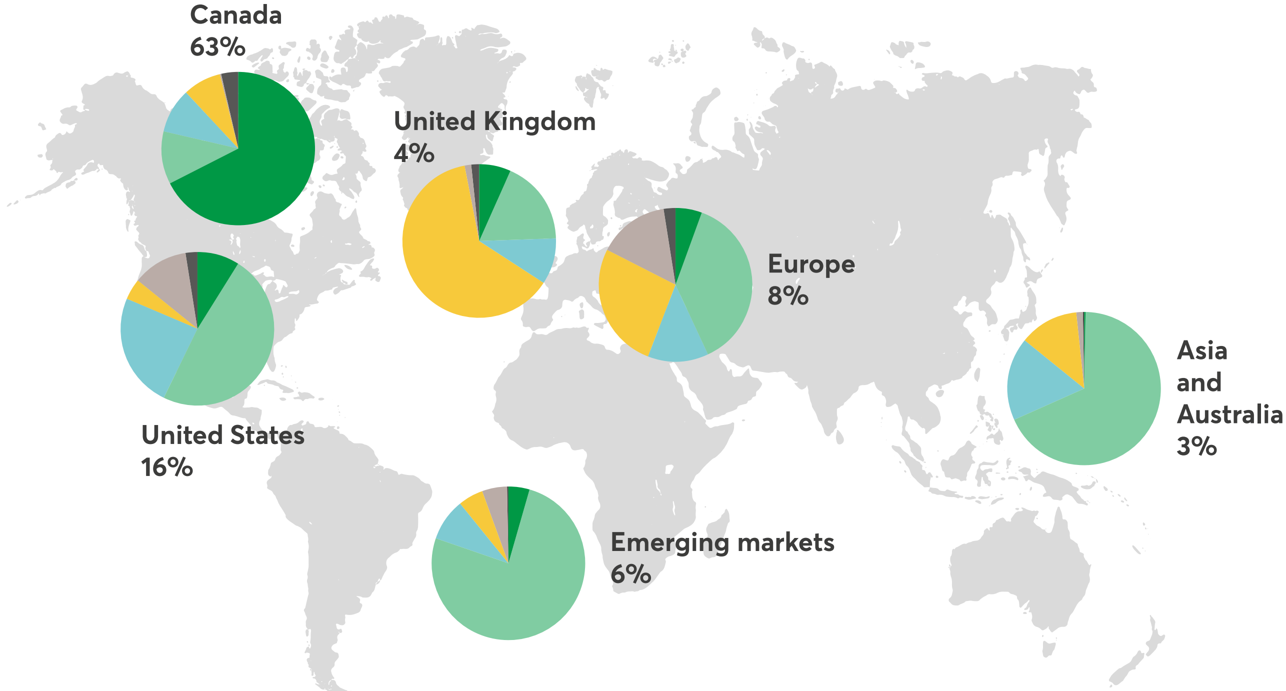
Portfolio	**Asset class**	Allocation	Target
Matching portfolio	**Fixed income**	45%	45%
Performance portfolio	**Public equity**	25%	25%
	Real estate	12%	12%
	Infrastructure	11%	11%
	Private equity	4%	3.5%
	Specialty finance securities	3%	3.5%
		100%	**100%**

Did you know?

Judicious asset allocation is crucial. It is responsible for more than **80%** of the Plan's returns.

Geographic allocation

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



Fixed income | Public equity | Real estate | Infrastructure | Private equity | Specialty finance securities

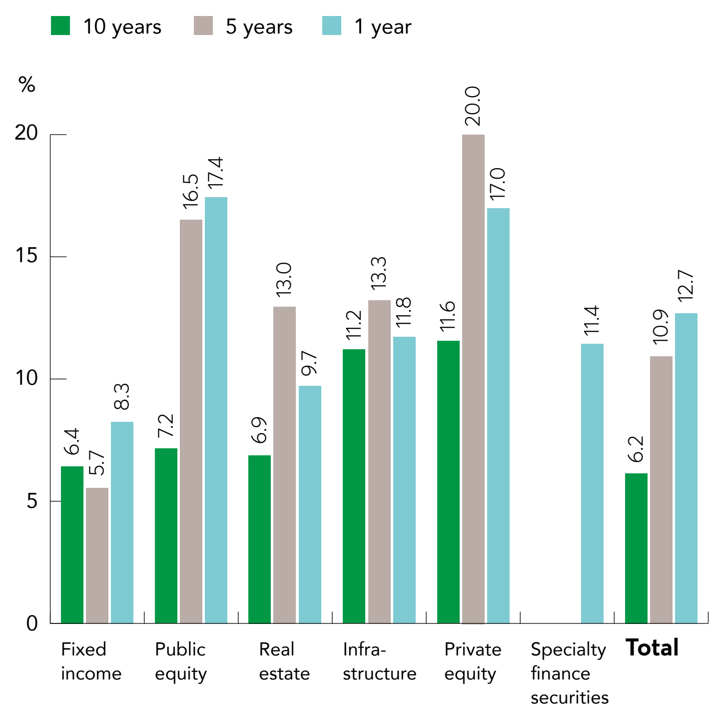
Returns by asset class

In 2017, the Plan posted an excellent return of 12.7%, with 2.5% added value. The Plan's assets reached a record high of $12.9B.

Sustained performance of the different asset classes for over 10 years demonstrates the effectiveness of asset allocation, appropriate geographic diversification strategy, excellent investment partner selection and rigorous risk management.

Did you know?

Thanks to excellent investment management, in the past **5** years, the management team has generated **$929M** in added value compared to the market.



A plan that is diversified

Thames Water, United Kingdom

Thames Water, United Kingdom

In partnership with Desjardins Financial Security and Desjardins General Insurance Group, a new investment of £65M has been made in United Kingdom water management sector. Due to the fact that it is a closely regulated and monopolistic business sector providing essential services, it leads to stable, regular income and attractive returns.

Ivanhoé Cambridge, Canada

Duo, France

For over 25 years, investments with Ivanhoé Cambridge, the Caisse de dépôt et placement du Québec's real estate subsidiary, have been at the heart of the Plan's real estate portfolio, with nearly $845M invested. Our longstanding partnership with Ivanhoé Cambridge, with its investments in key urban centres, ensures a solid and sustained running yield.

KKR Asian Fund III, Asia

Dixon Hospitality
Laser Clinics,
Australia

Newly partnered with the Plan in 2017, KKR has been a high-performance private equity portfolio manager for over 30 years. This US$15M investment in the Asia-Pacific region contributes to the portfolio's geographic diversification.

Lion Industrial Trust, United States

Cranbury Township, United States

The Plan has invested US$60M in Lion Industrial Trust, an open real estate fund specializing in the North American industrial sector. This new partnership allows the Plan to position itself in sectors that are growing due to changes in consumer habits.

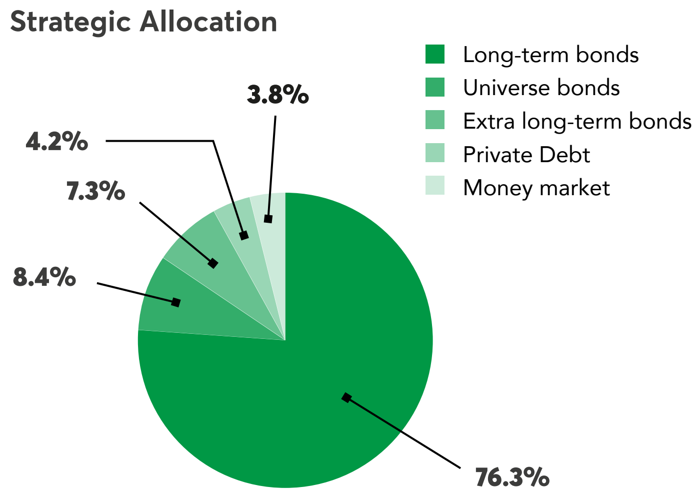
Matching portfolio

Fixed income

The strategic role of the fixed income securities portfolio is to achieve the target level of matching between assets and liabilities in order to minimize the volatility of the Plan's financial situation.

The bond overlay strategy, launched in 2016, has continued to build at a deployment pace of $100M per month. This asset had reached over $1.8B by the end of 2017, leading to better interest rate risk edging.

The Canadian bond market had a good year in 2017. Canadian sovereign rates with longer maturities fell slightly, with provincial and corporate rates making the drop even more pronounced. An improving global economic outlook contributed to narrowing credit spreads.



The fixed income securities portfolio generated a considerable return of 8.3%, which is 0.3% above its performance target. Active management and positioning in credit securities with longer maturities are behind these results.

$5.8B in assets	**45%** of net assets	**8.3%** return in 2017	**0.3%** added value

Performance portfolio

Public equity

The public equity portfolio's main objective is to access the long-term stock market risk premium to help finance the Plan at a lower cost and to ensure access to funds in the event of adverse scenarios.

Buoyed by optimism about global economic growth, the stock markets had an excellent year. In local currencies, international stocks jumped 18.5%, helped significantly by the 21.2% return on U.S. equities. However, the U.S. dollar's depreciation of nearly 6.5% against the loonie reduced returns for Canadian investors like the Plan. On the Canadian stock market, the S&P/TSX grew by 9.1%.

The global equity portfolio had a remarkable year with a return of 20.9%, for added value of 6.5% on the MSCI World Index. Active management of growth, low-volatility and value mandates led to excellent results. Exposure to emerging markets and to European small-cap and mid-cap securities enhanced an already exceptional performance.

The Canadian equity portfolio ended the year with a return of 7.4%, being 1.7% below the benchmark. Security selection in more cyclical sectors returned lower results given the more conservative mandate profile.

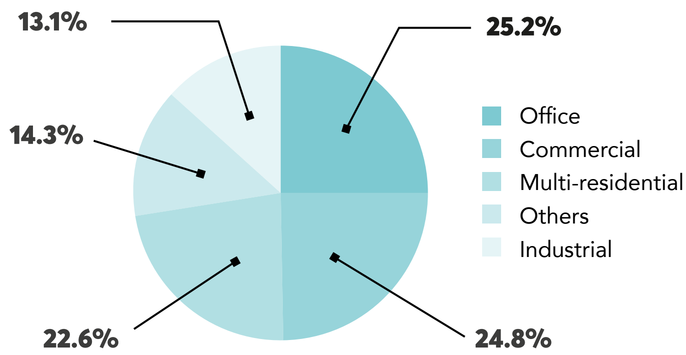
$3.2B in assets	**25%** of net assets	**17.4%** return in 2017	**4.4%** added value

Real estate

The Plan's real estate portfolio continued to perform well in 2017 with a return of 9.7%, which is 2.9% higher than the benchmark index. The asset class reached a $1.6B value at the end of the year, representing 12% of net assets, in line with the target.

Generally speaking, the portfolio investments posted excellent results during the year. The Plan's partnerships with managers such as Realstar, with their Canadian multi-residential real estate fund, and Greystone, with their diversified Canadian real estate fund, contributed positively to this performance. Only one new investment was made at the end of the year with a manager working in the Canadian multi-residential real estate sector.

Sector Allocation



The positive macro environment might lead to inflationary pressures. In this economical context, investments in the industrial and multi-residential sectors will be beneficial since those types of properties have the potential to grow their operating income accordingly.

$1.6B in assets	**12%** of net assets	**9.7%** return in 2017	**2.9%** added value

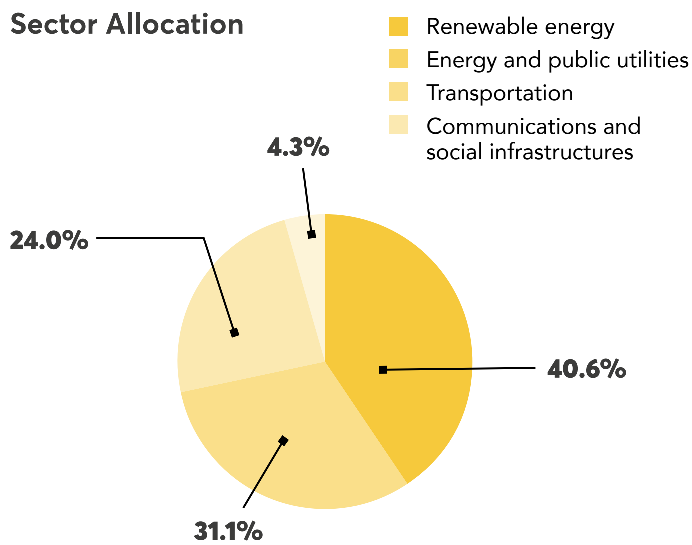
Infrastructure

Infrastructure was once again a major point of conversation in the institutional investment sector in 2017. This asset class saw the closure of 69 specialty funds, totalling US$65B and nearly 2,400 transactions worldwide[1] , demonstrating its popularity. Infrastructure investment helps match assets and liabilities to minimize the volatility of the Plan's financial situation and generate stable and regular returns.

The Plan's infrastructure portfolio had an excellent year, with returns of 11.8% and the deployment of over $170M in seven investments.

The Plan has continued to develop a wind energy platform in France that was initiated with Innergex in 2016. This added 162 MW to the total capacity of the portfolio, which now stands at 320 MW, enough to supply power to nearly 240,000 homes for a whole year.

Sector Allocation



$1.4B in assets	**11%** of net assets	**11.8%** return in 2017	**5.5%** added value

[1] Preqin. '2018 Preqin Global Infrastructure Report, Sample Pages', (2018), online: < https://www.preqin.com/item/2018-preqin-global-infrastructure-report/4/20141 >.

Private equity

The private equity portfolio generated a 17% return in 2017, 2.6% higher than its benchmark index, the MSCI World Index. Over five years, the return is 20%. Therefore, the value of the portfolio was $456M at the end of the year, equivalent to 4% of total Plan assets.

The portfolio deployed $108M over the year due to the disbursement of commitments made in recent years, including new commitments in 2017 totalling $160M. Managers also took advantage of favourable economic conditions to dispose of portfolio companies, which generated distributions totalling $117M. Overall, the portfolio has grown by $54M since the end of the previous year.

New partnerships were established in 2017 with CVC, which has a Europe-focused strategy, and with KKR, whose strategy is focused on acquiring companies in the Asia-Pacific region. In addition, new commitments were made with some longstanding partners like Carlyle, TPG, Silver Lake and Ardian. In a context where the valuations are at an all-time high, selecting the best managers is essential to producing added value compared to the market in the coming years.

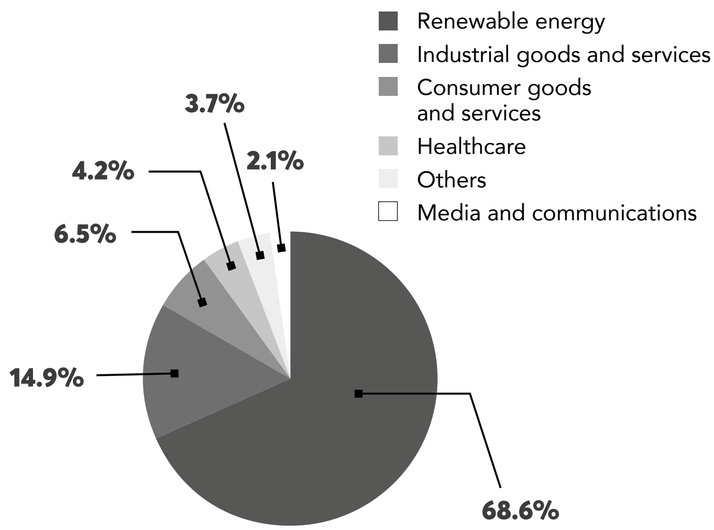
$0.5B in assets	**4%** of net assets	**17.0%** return in 2017	**2.6%** added value

Speciality finance securities

The Plan created a new asset class in 2017: specialty finance securities. One of the objectives of this portfolio is to enhance the integration of credit risk premiums to ensure that the Plan is sufficiently funded at an optimal cost. It is also designed to support the matching of assets and liabilities to minimize the volatility of the Plan's financial situation and ensure liquidities by providing high regular returns.

The specialty finance securities portfolio generated a return of 11.4% in 2017, 4.6% higher than the benchmark index. The value of the portfolio was $371M at the end of the year, equivalent to 3% of the total assets of the Plan. The portfolio is under construction, which is why it is below the target of 3.5% of the total portfolio. The portfolio is mainly composed of debt products related to infrastructure projects and mandates with managers specializing in issuing loans to private companies in North America.

Sector Allocation



$0.4B in assets	**3%** of net assets	**11.4%** return in 2017	**4.6%** added value

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, 2017, on which PricewaterhouseCoopers s.r.l./s.e.n.c.r.l. expressed an unqualified opinion dated February 20, 2018.

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, 2017

(In thousands of $)	2017	2016
Investment portfolio		
Investment assets		
Bonds and bond investment funds	$ 7,364,513	$ 5,435,171
Equities and equity investment funds	3,237,035	2,968,893
Real estate	1,574,830	1,395,508
Infrastructure	1,416,363	1,211,336
Private equity	455,639	401,700
Specialty finance securities	371,117	331,084
Other investments	24,473	24,972
Cash and money market securities	692,125	409,040
Securities borrowed or purchased under reverse repurchase agreements	199,952	399,350
Derivative financial instruments	43,957	5,165
	15,380,004	12,582,219
Investment liabilities		
Commitments related to securities lent or sold under repurchase agreements	(2,523,106)	(1,098,241)
Derivative financial instruments	(20,076)	(34,805)
Total investment portfolio	**12,836,822**	**11,449,173**
Employer contributions receivable	14,066	13,115
Employee contributions receivable	7,622	7,090
Other assets	84,586	41,595
	106,274	61,800
Other liabilities	(89,124)	(64,024)
Net assets available for benefits	**$ 12,853,972**	**$ 11,446,949**

Approved by the Retirement Committee,

Serge Bonsalle (signature) ______________________, member Claude Chapdelaine (signature) ______________________, member

Desjardins Group Pension Plan

Changes in net assets available for benefits

For the year ended December 31, 2017

(In thousands of $)	2017	2016
Increase in net assets		
Net investment income		
Bonds and bond investment funds	$ 177,545	$ 168,812
Equities and equity investment funds	57,684	61,485
Real estate	25,451	25,708
Infrastructure	75,842	62,956
Private equity	3,233	1,224
Specialty finance securities	30,020	28,196
Cash and money market securities	2,248	1,523
Other income	1,298	1,541
	373,321	351,445
Changes in the fair value of investments and derivative financial instruments	1,081,010	489,948
	1,454,331	841,393
Contributions		
Employer contributions	350,405	335,197
Administrative expenses	(14,861)	(12,139)
	335,544	323,058
Employee contributions	191,841	197,421
Contributions, net of administrative expenses	527,385	520,479
Transfer	1,518	5,121
	528,903	525,600
	1,983,234	**1,366,993**
Decrease in net assets		
Pension benefits		
Annuities	401,737	362,041
Reimbursements	74,817	95,671
Death benefits	11,617	12,732
	488,171	470,444
Investment management, custodian fees, transaction and other costs	54,687	50,797
Performance fees	33,354	21,165
	576,211	542,406
Net increase in net assets	**1,407,023**	**824,587**
Net assets available for benefits at the beginning of the year	**11,446,949**	**10,622,362**
Net assets available for benefits at the end of the year	**$ 12,853,972**	**$11,446,949**

A plan that follows sound governance practices

Fédération des caisses Desjardins du Québec

The Fédération des caisses Desjardins du Québec ("FCDQ") represents all Desjardins employers with respect to the Plan. The FCDQ'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 FCDQ stands surety for the obligations arising from the participation of 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 by the DGPP Regulation, the 14-member Desjardins Group Retirement Committee is responsible for administering the Plan soundly and in the best interest of Plan members, and for paying the promised benefits to them and their survivors.

Investment Committee

The Investment Committee is made up of eight individuals, seven of whom are members of the DGRC. The DGRC delegates responsibility for managing Plan assets to this committee. The DGRC establishes the investment policy, and oversees the Investment Committee, which is responsible for ensuring that the policy is applied, respected and followed. The Investment Committee selects various investment vehicles, entrusts management mandates to portfolio managers and ensures that each investment meets expectations.

Risk Management Advisory Committee

The Risk Management Advisory Committee reports to the DGRC. This committee, which is made up of five Desjardins Group experts and one external member, is responsible for analyzing the main risks associated with managing Plan activities. It does this by issuing opinions on the integrated risk profile submitted to the DGRC, on the asset allocation strategy and on investment projects submitted to the Investment Committee.

DGRC best practices

Delegation of tasks

For efficiency reasons, the DGRC has delegated certain responsibilities to the DGPP Division, Desjardins Financial Security, the Investment Committee and the Risk Management Advisory Committee.

Rigorous oversight

The DGRC examines reports prepared by agents on efficiency, compliance and performance in terms of their respective roles and responsibilities, then follows up at predetermined frequencies.

Frequent meetings and member attendance

In 2017, the DGRC, the Investment Committee and the Risk Management Advisory Committee held 22 meetings, with an overall participation rate of 90%.

Member training

Training is offered to all new DGRC members to help them fulfill their responsibilities. While serving on the committee, members also have access to a number of other presentations and training opportunities.

Code of ethics

To ensure that each member is acting in Plan members' best interests, the DGRC has adopted a code of ethics. All members must also undergo security and credit checks every three year.

Communications and reporting

Plan members and beneficiaries are given timely and transparent information on their rights, obligations and any significant developments concerning the Plan. The DGRC is available to answer their questions and address their concerns.

At the annual meeting, the DGRC gives an update on its administration and the Plan's financial situation, and announces the names of the newly elected DGRC members.

Members of the DGRC

The DGRC is made up of seven members, including one external member to the Desjardins Group, appointed by the FCDQ's Board of Directors who represents all employers. Also serving on the DGRC are seven individuals elected by Plan members. The names of the elected members are announced at the annual meeting. These 14 committee members share the role of Plan trustee.

Members appointed by employers

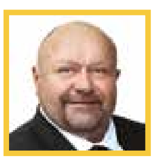
Serge Rousseau, Chair
President of the Kamouraska and Chaudière-Appalaches Regional

Claude Chapdelaine, Vice-Chair
President of the West-Montreal Regional Council

Christian Savard, Secretary
President of the Centre-du-Québec Regional Council

Michel Allard
Vice-President of the Bas-Saint-Laurent and Gaspésie–Iles-de-la-Madeleine Regional Council

Roch Ouellet
President of the Outaouais, Abitibi-Témiscamingue and Nord-du-Québec Regional Council



Pierre Perras
Vice-President of the Outaouais, Abitibi-Témiscamingue and Nord-du-Québec Regional Council

External member appointed by employers

Marc St-Pierre
President, MSP & Associés

Members appointed by Plan members

Representing active Plan members from the Desjardins caisses

David Gingras
Financial Planner and Mutual Fund Representative for Desjardins Financial Services Firm Inc.
Caisse populaire Desjardins de Saint-Augustin-de-Desmaures

Julie Tremblay
Manager, Business Development
Financial Planner and Mutual Fund Representative for Desjardins Financial Services Firm Inc.
Caisse Desjardins de Lévis

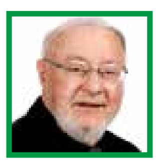
Representing active Plan members from the Federation

Robert Bastien
Vice-President, Business Services Division, Fédération des caisses Desjardins du Québec

Representing active members from the affiliated corporations

Dominic Laurin
Development Advisor
Investment Solutions Development and Management, Wealth Management and Life and Health Insurance,
Desjardins Investments

Representing retirees, beneficiaries and Plan members with deferred pensions



Michel-Pierre Bergeron
Desjardins retiree

Observers elected by Plan members

Representing active Plan members

Mario Lévesque
Development Advisor, Financial Performance, Individual Insurance, Wealth Management and Life and Health Insurance, Desjardins Financial Security

Representing retirees, beneficiaries and Plan members with deferred pensions

Robert Desbiens
Desjardins retiree

A plan that is at your service

Desjardins Group Pension Plan Division

The Retirement Committee has delegated responsibility for strategic planning, risk management, regulatory compliance, internal auditing, financial reporting, asset and liability management and operations management to the Desjardins Group Pension Plan Division ("DGPP Division"). The DGPP Division reports to Réal Bellemare, Executive Vice-President, Finance, Treasury and Administration and Chief Financial Officer, Desjardins Group.

With the Plan's assets nearly doubling in the last five years, the team has had to adapt its practices and expand to remain efficient and fulfill its mission. The team is now made up of over 40 highly qualified individuals, who put their experience and expertise to work for Plan members.

Réal Bellemare
Executive Vice-President
Finance, Treasury and
Administration and
Chief Financial Officer,
Desjardins Group

Sylvain Gareau
Vice-President
Desjardins Group
Pension Plan

François Hudon
Director
Liability Management,
Asset Allocation and Risk

Frédéric Angers
Director
Infrastructure

Patrick Chillis
Director
Legal Affairs
and Governance

Liability Management, Asset Allocation and Risk
Ensures the Plan's overall financial health by developing the asset allocation strategy and action plans and by identifying and managing risks impacting the Plan

Investment Management
Implements the investment plan strategy and tracks the investments under its responsibility as well as the Plan's financial performance

Governance and Legal Affairs
Provides guidance and advice on legal, taxation, compliance and governance matters impacting operations and activities (e.g., investment transactions)

Finance
Carries out various activities related to finance management, accounting and financial disclosure, while administering and supporting the management information system

Member Services
Addresses Plan members and employers inquiries, provides training on preparing for retirement and offers other presentations when requested by employers

Valuable partners

The Plan harnesses Desjardins Group's strength by tapping into the expertise of the following internal partners:

Desjardins Financial Security
Administrative manager of the Plan and investment partner

HR Solutions Development Division and Desjardins Group Support Functions Officer team
Representative of the Plan sponsor

Desjardins General Insurance Group Inc.
Investment partner

Desjardins Global Asset Management
Investment manager

Desjardins Trust
Asset custodian

Fédération des caisses Desjardins du Québec
Banking services

For investment management and compliance purposes, the Plan also relies on a number of external partners to ensure administrative and operational efficiency.

DGPP's Member Services Team

The Member Services Team is committed to providing prompt, proactive, people-focused service to all Desjardins Group Pension Plan participants. The 10-person team processed nearly 32,000 requests in 2017, ensuring participants get answers to their questions, whether newly-hired or retired.

Offered services

Phone support

Please feel free to contact the Member Services Team if you have questions regarding the DGPP. They will take the time to provide you with all explanations you need, whether you want to understand your annual statement or to use the retirement simulator.

On-site presentations

Presentations are given to Plan members on request of Desjardins Group employers. These presentations aim at improving members' understanding of the Plan and are adapted to their needs.

Tools

- Personalized annual statement
- Retirement simulator
- Secure file
- Animated information capsules

Contact details

1-866-434-3166
Monday to Friday, 8:00 a.m. to 5:00 p.m.
desjardinsgroupplans@desjardins.com
www.rcd-dgp.com

"Highly professional approach. Advisors are knowledgeable and are dedicated to providing simple answers. Moreover, the service is always kind and courteous. Getting guidance is reassuring at this crucial stage of life that is retirement."

Carole Riendeau, retiree
Caisse Desjardins des Verts-Sommets de l'Estrie

Retirement planning session

The program is intended for members aged 50 and over who plan to retire in the next five years. The program covers the DGPP, retirees' benefits, Canada Pension Plan or Quebec Pension Plan and Old Age Security. Other topics include tax considerations, legal aspects, psychological and social challenges at retirement.

This program offers four activities, including a one-day in-class training session provided by an advisor of the Member Services Team. This in-class aims to:

- Encourage participants to engage in personal reflection on the financial aspects of retirement
- Present the various sources of income available at retirement
- Go over the main features of the DGPP
- Show tools that could help prepare for retirement

To register: Visit MD2 or contact the Human Resources Service Centre at 1-855-688-2433, options 9-2.

Did you know?

This training session is one of the initiatives that allows Desjardins Group to carve out a place in Canada's Top **100** Employers ranking for the **7th** year in a row.[1]

[1] Mediacorp Canada Inc. 'Recognized as one of Canada's Top 100 Employers', (2018), online: <https://content.eluta.ca/top-employer-desjardins/>.

A beneficial plan

The DGPP is a defined benefit plan in which participants accumulate a lifetime retirement income. The annuity is calculated according to a pre-set formula that takes into account the number of years of membership in the Plan and the best-paid years at Desjardins Group. No early retirement adjustment applies from age 62 for service from 2009. Annuity options are available to meet new retirees' needs. Moreover, the retirement income is partially indexed to the increase in the cost of living. Finally, the cost-sharing of the Plan between employers and employees is 65:35.

	Service before 2009	From 2009 to 2012	Starting in 2013
Pension formula	(1.3% of salary 5 up to MPE 5 + 2% of salary 5 over MPE 5) X credited years **+**	(1.5% of salary 5 up to MPE 5 + 2% of salary 5 over MPE 5) X credited years **+**	(1.5% of salary 8 up to MPE 5 + 2% of salary 8 over MPE 5) X credited years
Early retirement adjustment	3% per year remaining until age 65 OR 85-point rule at age 57	Reduction of 4% per year remaining until age 62	
Normal form of pension	**With spouse:** Life annuity, 60% joint and survivor, guaranteed 10 years **Without a spouse:** Life annuity, guaranteed 15 years		**With or without a spouse** Life annuity, guaranteed 10 years
Annual pension indexation at retirement	CPI – Maximum 3% per year Throughout retirement		CPI – Maximum 1% per year From age 65 for 10 years

Salary 5: Average salary of five best-paid years
Salary 8: Average salary of eight best-paid years
MPE: Maximum pensionable earnings eligible for the Québec Pension Plan or Canada Pension Plan, which was $55,300 in 2017
MPE 5: Average of the maximum pensionable earnings eligible for the Québec Pension Plan or Canada Pension Plan for the year of retirement and the previous four years
85-point rule: Reduction of 3% per point missing to reach 85 (age + years of continuous service) and 3% per year before age 57
CPI: Consumer Price Index

Contribution rate

Employee
6.9% of annual salary, up to 65% of MPE
+ 10.3% of the excess

Did you know?

For every **$1** contributed by employees, **$1.85** is contributed to the Plan by employers.

In the event of termination of employment

Options available based on age upon termination

Under age 55

- Deferred annuity representing 100% of the credited pension accumulated in the Plan*
  Early retirement options from age 55
- Transfer of the pension value out of the Plan in proportion to the solvency ratio

From age 55

- Deferred annuity representing 100% of the credited pension accumulated in the Plan*
  Annuity benefits should start no later than age 65
- Immediate early retirement representing 100% of the credited pension

When retirement occurs before age 65, an early retirement adjustment may apply.

*Option available only if the pension value is no less than 20% of the MPE of the termination year

Desjardins