McGILL UNIVERSITY

PENSION PLAN

Annual Report

December 31, 2022

McGill

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Bolded words throughout the annual report are defined in the Glossary.

2022 HIGHLIGHTS

INVESTMENT OPTIONS

$1.3B
OF ASSETS
-4.2% RETURN IN 2022
5-YEAR ANNUALIZED RETURN: 6.5%
BALANCED ACCOUNT

$738.7M
OF ASSETS
-9.6% RETURN IN 2022
5-YEAR ANNUALIZED RETURN: 6.1%
EQUITY POOL

$465.3M
OF ASSETS
-8.8% RETURN IN 2022
5-YEAR ANNUALIZED RETURN: 1.6%
FIXED INCOME POOL

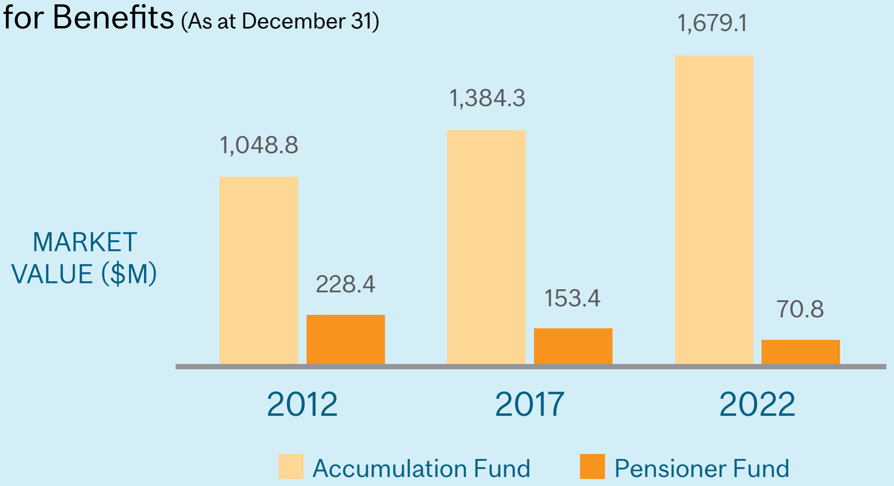
$61.1M
OF ASSETS
-13.3% RETURN IN 2022
5-YEAR ANNUALIZED RETURN: 6.4%
SOCIALLY RESPONSIBLE INVESTMENT POOL

$2.6M
OF ASSETS
-1.0% RETURN FOR 2022
NEW FOSSIL FUEL FREE POOL

$26.8M
OF ASSETS
1.8% RETURN IN 2022
5-YEAR ANNUALIZED RETURN: 1.4%
MONEY MARKET POOL

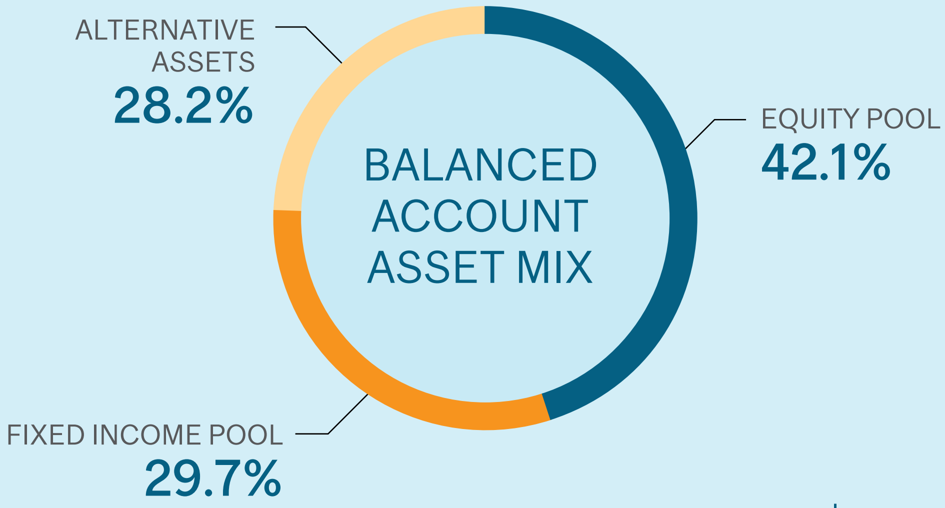
$38.1M
OF ASSETS
RETURNS VARY ACCORDING TO MEMBER'S PROFILE
TARGET DATE PROFILES

McGill University Pension Plan Net Assets Available for Benefits (As at December 31)



80.3%

OF ASSETS ARE INVESTED IN THE BALANCED ACCOUNT OPTION



Well-diversified $1.3 Billion in investments

2022 HIGHLIGHTS

MEMBERSHIP

AS AT DECEMBER 31, 2022

GROWTH IN PLAN MEMBERSHIP

Total membership includes **Active members**, **Deferred members**, **Variable Benefits members** and **Pensioner members**.

Membership Statistics as of December 31

	2012	2017	2022
Active	5,877	6,579	6,572
Deferred	3,111	2,462	2,826
Pensioners	1,397	1,049	816
Variable Benefits	0	0	144
Total	**10,285**	**10,090**	**10,358**

Over the last 10 years, active membership has grown by 12%

PLAN MEMBERS AND ASSETS

6,572

ACTIVE MEMBERS

$1.2B in assets

48 years - member's average age

58% women

42% men

2,826

DEFERRED MEMBERS

$244.0M in assets

53 years - member's average age

53% women

47% men

816

MEMBERS IN PENSIONER FUND

85 years - member's average age

144

VARIABLE BENEFITS MEMBERS

$77.5M in assets

70 years - member's average age

127

RETIREMENTS

65 years - average age of new retirees

953 settlements totalling

$115.5M

IN BENEFITS

paid out by the plan in 2022

MESSAGE FROM THE PENSION ADMINISTRATION COMMITTEE

Last year was challenging for pension plans. As outlined in the Management Commentary (p.14), increases in interest rates combined with heightened uncertainty produced negative market returns in most asset classes. In down markets like 2022's, it is important to maintain a long-term view of your pension investments. Financial markets are cyclical. Over the long term they have typically increased in value. But they can and do experience periods of low or even negative returns. How long it takes markets to recover varies, depending on many economic factors.

The McGill University Pension Plan ("Plan") obviously is not immune to market forces. We saw negative returns in all funds except the Money Market Pool, which does better when interest rates rise. Details about individual pool returns can be found on pages 19 to 27 of this report. The Balanced Account ("BA") is the most popular option with members. In addition to a mix of publicly traded stocks and bonds, the BA also holds alternative investments: private investments in debt or equity, real estate, and infrastructure. The alternative investment asset class earned positive returns during 2022, which helped cushion the effects of negative returns in the Equity Pool and Fixed Income Pool (-9.6% and -8.8%, respectively). Last year's return for the BA was -4.2%, bringing its 5-year and 10-year annualized returns to 6.5% and 8.2%, respectively. Although the Equity Pool and Fixed Income Pool did have negative returns, both funds outperformed their benchmarks of -10.9% for the Equity Pool and -11.7% for the Fixed Income Pool. I want to thank the staff of the Office of Investments ("OOI") for their careful work during the year monitoring the asset allocation in each fund and making adjustments as required.

The PAC works closely with the OOI, the Pension Investment Committee ("PIC") and the Pension Administration Office to oversee the administration and performance of the Plan. Two of the elected members of PAC did not seek re-election when their terms ended in 2022, Ms. Rosemary Cooke, who represented administrative and support staff from 2016 to 2022, and Professor Christopher Ragan, who represented academic staff from 2013 to 2022. On behalf of all members of the Plan, I want to thank them for their contributions to the PAC. At last May's Annual General Meeting, Ms. Lara Pereira and Professor Dror Etzion were elected to fill the two positions.

Last year also saw changes on the PIC. In March, Mr. Clifton Isings and Ms. Caroline Miller completed their 5-year terms. I want to thank them, too, for the time and expertise they provided over those five years. Taking their places are Ms. Dominique Vézina, Vice-President, Risk – Stock Markets and Transactional Analysis at the Caisse de dépôt et placement du Québec, and Mr. Sylvain Gareau, Managing Director, Pension Fund at Desjardins. The Plan has been fortunate to attract high quality individuals from the Montreal investment community to serve on this important committee. Full details on PIC membership are available on page 10.

In 2022, after a brief pause due to COVID, the Pension Administration Office resumed its information sessions for members on topics about the Plan and retirement planning. Sessions held virtually in the fall of 2022 were well attended. In 2023 the Office will offer sessions both virtually and in-person. In addition to these sessions and to the Plan videos posted online (https://www.mcgill.ca/hr/pensions/mupp/watch-video-capsule), Sun Life offers many excellent tools on their portal that can help you better understand and manage your pension investments and plan for retirement. It's a good idea to consult these resources regularly to ensure you understand your plan and are on track to meet your personal retirement goals.

As explained in the section on Responsible Investing (see pages 16-17), the Plan continues to monitor environmental, social and governance ("ESG") matters in the management of its assets. In 2022, PAC adopted a Climate/ESG strategy to guide its decisions related to responsible investing. The OOI is working with SHARE (Shareholder Association for Research and Education) and 11 peer universities in the University Network for Investor Engagement to monitor the ESG policies and practices of the managers they use and to engage with managers where necessary. Responsible investing is also implemented through impact investing and by monitoring the carbon footprint of our listed equities. In May 2022 we opened a Fossil Fuel Free ("FFF") Pool to members. To date, interest in the FFF Pool has been low though it is increasing. For more details about this fund see page 25. The equities in the BA, Socially Responsible Investment ("SRI") Pool and the FFF Pool are generating smaller carbon footprints than their benchmarks.

In 2022, for the third year running, the Annual General Meeting was held virtually. But in 2023 we will be using a hybrid format. I hope to see you either in person or virtually on Wednesday, May 3rd, 2023.

J. Scott

Julia Scott, MBA, FCPA, CFA
Chair of the PAC

PLAN GOVERNANCE

Pension plan governance refers to the roles and responsibilities of the parties who administer and invest the assets of a pension plan as they fulfill their fiduciary obligations. Good governance involves putting in place a structure to administer the pension plan in the best interests of the plan members and beneficiaries, providing appropriate tools to encourage good decision making as well as procedures to ensure proper and timely execution, review and assessment of the pension plan's activities.

The Plan was established in 1972 and is registered under the *Quebec Supplemental Pension Plans Act* (the "Act") under Registration No. 22266 and with the Canada Revenue Agency under Registration No. 299586.

The text of the current **Plan Document** and all formal amendments may be examined upon request at the offices of the Pension Administration Committee located at 680 Sherbrooke Street West, Suite 1420, Montreal, Quebec, H3A 2M7. It can also be viewed online at: https://www.mcgill.ca/hr/pensions/mupp/committee.

MCGILL UNIVERSITY

McGill University ("University") is the sponsor of the Plan. The University approves the Plan text and formal amendments and remits required contributions to the Plan. The Board of Governors ("Board") may supplement, modify, amend or terminate the Plan under certain conditions as set forth in the Plan Document or in any respect which may be required in order to maintain the Plan as a registered pension plan.

PENSION ADMINISTRATION COMMITTEE

The PAC is responsible for the administration of the Plan and the investment of its assets. The PAC has designed and implemented a governance structure in order to appropriately meet its responsibilities.

The PAC has fiduciary responsibility for ensuring that investments are made in a prudent manner and in accordance with the demographic profile and financial needs of its members. As such, it has delegated some of its responsibilities with respect to the investment of the assets to the Pension Investment Committee. The PAC appoints members to the PIC, ensures that such delegates have the proper knowledge and skills to fulfill their mandate, and monitors their activities.

The PAC is also responsible for all administrative matters pertaining to the provision of benefits as set forth in the Plan Document and acts within the framework of legislation and regulations issued under the Act and the *Income Tax Act of Canada.* These responsibilities are discharged through regular meetings of the PAC and through a network of external advisors, consultants and the staff of the Pension Administration Office and the Office of Investments.

During 2022, there were seven PAC meetings and a number of informal working group meetings

The PAC is composed of nine members

Four members are elected by the members of the Plan (two by the Administration & Support Staff and two by the Academic Staff). Two are designated by the Board and two are designated by the Principal and the Chair of the Board. One independent member is appointed by the Board acting upon the recommendation of the PAC. Members serve for a renewable three-year term.

At the Annual meeting held virtually on May 4, 2022, Professor Dror Etzion was elected in one of the Academic positions and Ms. Lara Pereira was elected by acclamation in one of the Administrative & Support Staff positions, for new three-year terms. In July 2022, Ms. Tina Hobday was reappointed by the Board of Governors for a new three-year term. The PAC extends its thanks to Ms. Rosemary Cooke and Professor Christopher Ragan for their wise counsel and valuable contributions to the deliberations of the PAC.

AUDIT COMMITTEE

The Audit Committee ensures the reliability of financial reporting, receives and reviews the draft audited financial statements of the Plan, including the auditor's report thereon, reports their findings back to the PAC, makes recommendations to the PAC as to the approval of the financial statements and conducts such other business as may be required. It also recommends the appointment of the external auditor.

During 2022, there were two regular meetings of the Audit Committee

The Audit Committee is composed of three PAC members

Audit Committee members are appointed by the PAC. In 2022, no changes occurred in the membership of the Audit Committee.

Ms. Cristiane Tinmouth, CPA (Chair of the Audit Committee) Associate Vice-Principal, Financial Services Office of the Vice-Principal, Administration and Finance
Mr. Pierre Lavigne, FSA, FCIA, CFA Pension Consultant
Ms. Julia Scott, MBA, FCPA, CFA (Chair of the PAC) Senior Faculty Lecturer (retired)

PENSION ADMINISTRATION COMMITTEE

	**Ms. Julia Scott**, MBA, FCPA, CFA (Chair of the PAC) Senior Faculty Lecturer (retired)	Elected by the Academic Staff Term ending May 2024
	**Ms. Diana Dutton**, MBA Associate Vice-Principal Human Resources	Appointed by the Principal & the Chair of the Board Term ending May 2024
	**Mr. Myles Edwards**, CFA Director and Senior Portfolio Manager-Fixed Income Intact Investment Management Inc.	Appointed by the Board of Governors Term ending April 2024
	**Mr. Dror Etzion** Associate Professor, Strategy & Organization Associate Member, Bieler School of Environment	Elected by the Academic Staff Term ending May 2025
	**Ms. Tina Hobday** Lawyer, Partner Langlois lawyers, LLP	Appointed by the Board of Governors Term ending July 2025
	**Mr. Pierre Lavigne**, FSA, FCIA, CFA Pension Consultant	Appointed by the Board of Governors Term ending December 2024
	**Ms. Lara Pereira**, CPA, CBV Controller, Financial Services	Elected by the Administrative & Support Staff Term ending May 2025
	**Ms. Nikoo Taghavi** Administrative Officer Department of Chemistry	Elected by the Administrative & Support Staff Term ending October 2023
	**Ms. Cristiane Tinmouth**, CPA (Chair of the Audit Committee) Associate Vice-Principal, Financial Services Office of the Vice-Principal, Administration and Finance	Appointed by the Principal & the Chair of the Board Term ending May 2023

PENSION INVESTMENT COMMITTEE

The PIC is responsible for the investment of the Plan's assets and for monitoring investment activities in accordance with the Statement of Investment Policy ("SIP") approved by the PAC and applicable legislation. The PIC is also responsible for recommending changes to the SIP, for approving the manager structure and for overseeing the day-to-day management of the assets. From time to time, the PIC will be involved in the selection, termination and monitoring of investment managers, custodian and investment advisors. Monitoring of investment returns and compliance of managers is also a function of PIC members.

During 2022, there were four regular meetings of the PIC

The PIC is composed of eight members

Three PAC members including the Chair of the PAC as ex-officio and five independent external members who are not part of McGill University administration or staff and who are not members of another decision-making body within the Plan governance structure. All PIC members are appointed by the PAC.

PIC independent external members serve a first term of three years, renewable for a second term of two years and are limited to a maximum of two consecutive terms.

Mr. Clifton Isings and Ms. Caroline Miller's terms as members of the PIC ended in March 2022. They were replaced by Mr. Sylvain Gareau and Ms. Dominique Vézina, who joined the PIC in January 2022. The PIC thanks Mr. Isings and Ms. Miller for their wise counsel these past years. Mr. Nicholas Drapeau's second term was schedueld to end in May 2023 but was extended to December 2023 to allow time to find a suitable replacement.

PENSION INVESTMENT COMMITTEE

Mr. Paul Stinis (Chair of the PIC) Corporate Director	Independent external member First term ending January 2024
Mr. Nicolas Drapeau, CFA Vice-President, Private Markets Bimcor Inc.	Independent external member Second term ending December 2023
Mr. Myles Edwards, CFA Director and Senior Portfolio Manager-Fixed Income Intact Investment Management Inc.	PAC member Term ending April 2024
Mr. Sylvain Gareau, M.Sc. Managing Director, Pension Fund Desjardins	Independent external member First term ending January 2025
Mr. Pierre Lavigne, FSA, FCIA, CFA Pension Consultant	PAC member Term ending December 2024
Mr. François Quinty, CFA Director Investment Management Via Rail Canada	Independependant external member Second term ending January 2025
Ms. Julia Scott, MBA, FCPA, CFA (Chair of the PAC) Senior Faculty Lecturer (retired)	Chair of the PAC as ex-officio Term ending May 2024
Ms. Dominique Vézina, CFA, MBA Vice-President, Risk - Stock Markets and Transactional Analysis, Risk and Depositor Relations Division Caisse de dépôt et placement du Québec	Independent external member First term ending January 2025

PENSION ADMINISTRATION OFFICE AND OFFICE OF INVESTMENTS

The day-to-day management of the Plan is performed by the staff of the Pension Administration Office and the Office of Investments on the basis of policies and procedures established and monitored by the PAC.

CIBC MELLON GLOBAL SECURITIES SERVICE

CIBC Mellon services include custody, record keeping, securities lending services, foreign exchange processing and settlement, asset valuation, performance measurement and compliance monitoring.

SUN LIFE

Sun Life is responsible for processing all member transactions as well as the transfers and cash flow allocations among available investment options. Sun Life also performs all calculations regarding settlements and prepares the settlement packages. They are also responsible for producing members' annual statements in accordance with legislative requirements.

NORMANDIN BEAUDRY

Normandin Beaudry is the record keeper for day-to-day administrative services for pensioners receiving an annuity from the Plan.

BENEFITS AND ADMINISTRATION

PLAN OVERVIEW

The Plan consists of two parts (**Part A** and **Part B**) distinguished by the date of eligibility of joining the Plan. For members who joined or were eligible to join the Plan prior to January 1, 2009, the Plan is a **hybrid plan** (Part A). Part A includes a defined contribution ("DC") plan whereby members and the University contribute a certain amount per pay. Members choose how to invest their contributions from a range of investment options. To protect against the investment risks inherent in a DC plan, a defined benefit ("DB") minimum component also exists which provides a guarantee that the pension payable will at least be equal to the amount calculated under the DB formula. The DB formula takes into account the member's credited service and highest average earnings.

For members who joined on or after January 1, 2009, the Plan is a pure DC plan and referred to as Part B. Members and the University each contribute a certain amount per pay. Members choose how to invest their contributions from a range of investment options.

When the time comes to settle, members can transfer and convert their pension account balances into a retirement income with a financial institution or make use of the settlement options offered by the University which include the **McGill Group Life Income Fund**, **McGill Group Locked In Retirement Account** or the **Variable Benefits** option.

To learn more about the applicable provisions, refer to the brochures available online at: https://www.mcgill.ca/hr/pensions/mupp

CONTRIBUTIONS TO THE PLAN

The active members' and the University's regular contributions to Parts A and B of the Plan are invested prior to retirement in the Accumulation Fund in one or several investment options available under the Plan at the discretion of each individual member.

University Additional Contributions

In addition to regular contributions, the University is required to make additional contributions. These are determined by the funded status of the Plan in order to fund the DB minimum component for Part A members and pension payments under the Pensioner Fund, as required by applicable legislation. These additional contributions are invested in the Balanced Account investment option and are accumulated in the **Supplemental Fund**.

In order to determine the University's additional contributions, actuarial valuations are performed at least tri-annually. The actuarial valuation focuses on two fundamental aspects of the funded status of the Plan: going-concern and solvency.

These measure the sufficiency of the Plan's assets to meet the Plan's liabilities from two different perspectives.

1. Going-Concern Valuation

The going-concern valuation assumes the Plan will continue indefinitely. The calculation determines the amount that the University is required to contribute for Part A members to accrue for a year of service and to amortize the Plan deficit, if any.

The December 31, 2019 valuation reported that the Plan has a going-concern unfunded liability of $38.2 million and a going-concern funded ratio of 97.7%. The prior valuation was performed as at December 31, 2017.

The University was required to make contributions of $9.1 million in 2022 to fund DB liabilities.

The table below shows the change in the Plan's going-concern funded ratio from 2017 to 2019:

GOING-CONCERN FUNDING POSITION[1]	DECEMBER 31, 2019 $ in 000s	DECEMBER 31, 2017 $ in 000s
MARKET VALUE OF ASSETS	1,641,780	1,537,696
ACTUARIAL LIABILITIES	1,680,013	1,585,071
UNFUNDED LIABILITY	(38,233)	(47,375)
FUNDED RATIO	97.7%	97.0%

Note 1: Please refer to the Actuarial Valuation Letter on p.29 for further details on the Going-Concern Valuation.

The Plan is required to undergo a complete actuarial valuation at least triennially. The next required complete actuarial valuation will be performed as at December 31, 2022.

2. Solvency Valuation

The solvency valuation determines the financial position of the Plan at the valuation date, had the Plan been terminated on that date. The degree of solvency is used in order to determine additional University contributions required for Part A members to access 100% of their holdings at the earlier of termination, retirement or reaching age 71. The results of the solvency valuation are then used to determine any additional University contributions, so called Solvency Top-Up Contributions.

The calculation of the degree of solvency under the Plan is based only on the solvency assets and liabilities of the defined benefit minimum provision of the Plan, excluding all members' defined contribution balances.

Based on the solvency valuation as at December 31, 2021, the degree of solvency of the Plan was 75.7%.

The University was required to make contributions related to the Solvency Top-Up of $1.9 million in 2022

The table below shows the change in the degree of solvency from 2020 to 2021:

SOLVENCY POSITION[1]	DECEMBER 31, 2021 $ in 000s	DECEMBER 31, 2020 $ in 000s
MARKET VALUE OF ASSETS	279,099	270,888
SOLVENCY LIABILITIES	368,632	513,384
SOLVENCY DEFICIENCY	(89,533)	(242,496)
DEGREE OF SOLVENCY	75.7%	52.8%

Note 1: Please refer to the Actuarial Valuation Letter on p.29 for further details on the Solvency Valuation.

Part A members - Cost Sharing Contributions

Effective January 1, 2014, the Plan was amended to introduce cost sharing of deficits with Part A members. Since September 2018, the members' cost sharing contribution rate is 1.9%. The Part A members' cost sharing contributions are invested in their individual accounts.

The contributions made by the members and the University during the year are detailed below.

Contributions in 2022

ACCUMULATION FUND	FROM MEMBERS $ IN 000s	FROM UNIVERSITY $ IN 000s
REGULAR CONTRIBUTIONS	32,163	33,722
CURRENT SERVICE CONTRIBUTIONS		5,291
SOLVENCY TOP-UP CONTRIBUTIONS		1,851
DEFICIT AMORTIZATION CONTRIBUTIONS		3,774
PART A MEMBER - COST SHARING CONTRIBUTIONS	4,134	
VOLUNTARY CONTRIBUTIONS	1,774	
TOTAL	38,071	44,638

BENEFITS AND PENSION PAYMENTS

Accumulation Fund

During 2022, 953 settlements were transacted totalling $115.5 million. The type of settlement transactions processed and the benefits paid out during the year are detailed below.

Settlements in 2022

ACCUMULATION FUND	NUMBER OF SETTLEMENTS	TOTAL AMOUNT $ in 000s
RETIREMENT BENEFITS – EXTERNAL TRANSFER	208	68,842
RETIREMENT BENEFITS – TRANSFER TO MCGILL UNIVERSITY LIF/LIRA	38	10,477
VARIABLE BENEFITS	264	7,878
TERMINATION BENEFITS	423	24,927
DEATH BENEFITS	20	3,385
TOTAL	953	115,509

Pensioner Fund

As at December 31, 2022 there were 816 pensioners and beneficiaries receiving pensions from the Pensioner Fund. The total of such pension payments amounted to $20.4 million in 2022.

Annuity Dividends

When a funding surplus emerges in the Pensioner Fund, this amount can be set aside to provide increases in the form of annuity dividends to eligible pensions currently in payment. Subsequent to changes in the Act, pension plans must establish a reserve when the plan is in a surplus position. As a result, the Plan must be 100% solvent and must have funded the reserve prior to using any surplus to fund an annuity dividend. Since the latest actuarial valuation confirmed a solvency deficiency, no annuity dividends could be declared.

PLAN AMENDMENTS

There were no amendments to the Plan in 2022.

SERVING MEMBERS

Various services are provided to members to assist them in reaching their financial goals. Different tools are available through the Plan website and information can be obtained by calling the McGill University Savings Programs Call Centre.

All general enquiries concerning the Plan should be referred to McGill University Savings Programs Call Centre 1-888-444-2023.

YOUR ACCOUNT

Account balances are updated on a daily basis, personal rates of return and fund performance tables are updated monthly. Contributions, withdrawals and investment allocation changes are processed twice a month, on the 15th of the month (or preceding business day) and the last business day of the month. Account values are updated within 5 business days following the processing dates noted above.

Using existing McGill username and password, members can access their account and view their current balances and asset mix decisions. https://www.mcgill.ca/hr/pensions/mupp/mupp-login

Members are encouraged to take advantage of the many resources available to them in their retirement and financial planning efforts. Through the website http://mysunlife.ca, plan members are able to find out what type of investor they are with the Asset Allocation Tool. They can plan for retirement by using the Retirement Planner which also includes a decumulation phase illustration to help members estimate their future income.

Since the transition to Sun Life, members can now go mobile and check their balances using the my Sun Life mobile app. In addition to telephone support, members also have access to live support with the Chat live now feature through the website.

Members have been making use of these tools and services in 2022:

FOR THE YEAR ENDED DECEMBER 31, 2022:	
ASSET ALLOCATION TOOL	331
RETIREMENT PLANNER	1,005
MOBILE APP USERS	747
MOBILE APP ACTIVITIES	23,694
WEB USERS	4,562

Several different investment options are designed to help members construct and maintain a well-diversified investment portfolio. Members may change their asset allocation for their current balances and/or future investments.

Members are strongly encouraged to review their holdings regularly and the investment options offered by the Plan to ensure their investments are aligned with their investment objectives and beliefs.

VIDEO CAPSULES

The Pension Administration Office prepared a series of videos capsules to help members under the Plan. These capsules can be viewed at: https://www.mcgill.ca/hr/pensions/mupp/watch-video-capsule.

INFORMATION SESSIONS

The Pension Administration Office offers information sessions to employees and members of the Plan to address their needs. These sessions, which resumed virtually in December 2022, include: General Information Session, Retirement Information Session, Settlement Option Information Session and Decumulation/Payout Phase Information Session. A NEW session for members of Part A (hybrid segment) was also introduced and provides information on the defined benefit minimum provision of the Plan.

Members can register to attend information sessions through Minerva. For more information and access to the slides of these presentations refer to: https://www.mcgill.ca/hr/pensions/mupp/sessions.

INVESTMENT REPORTS

Members have access to Morningstar® available via the Sun Life secure site.

Morningstar® is a provider of investment news and analysis. The Morningstar® investment profile sheets provide in-depth details about what each fund offers. They offer information on performance, the top ten underlying holdings, industry, risk profiles, and more.

INVESTMENT MANAGEMENT

The assets of the Plan are invested in two separate funds, the Accumulation Fund and the Pensioner Fund, in accordance with the liability segments of the Plan and in accordance with the SIP.

Accumulation Fund – Assets of Part A and Part B members and assets of the Supplemental Fund are invested in the Accumulation Fund.

The Supplemental Fund represents the sum of all additional contributions from the University into the Plan: the Solvency Top-Up Contributions as well as the funding related to actuarial valuation requirements less contributions paid out related to the **defined benefit minimum component**.

Pensioner Fund – Assets of members who have opted for an internal settlement. The Pensioner Fund was reopened in September 2020 for members who elect to receive any **supplemental retirement benefit** as a pension.

Statement of Investment Policy ("SIP") – The PAC has adopted a comprehensive SIP which addresses such issues as investment objectives, risk tolerance, asset allocation, diversification, **currency hedging**, expected rates of return, liquidity requirements, permitted investments, ESG considerations and other issues relevant to the investment process. This establishes a framework within which the PIC and the Office of Investments ("OOI") select the investment managers and strategies into segregated accounts, pooled funds and private funds.

The majority of the Plan's investments are **actively managed** by external investment managers with a range of investment mandates. Portfolio managers are responsible for individual security selection within their mandates.

The SIP is reviewed on a regular basis and updated when necessary to ensure that it continues to meet legal requirements and best practices to the benefit of the membership. A copy of the SIP can be found on the Plan's website at: https://www.mcgill.ca/hr/pensions/mupp/invest/statement-investment-policy or can be viewed in the offices of the PAC, upon request.

MANAGEMENT COMMENTARY
By the Office of Investments

2022 was a challenging year for investors as most bond and stock markets declined. In this environment, the defensive posture of the diversified Balanced Account helped to protect capital . The OOI's role is to keep the portfolios fully invested and navigate all market environments by carefully selecting and allocating to investment opportunities, ensuring a high level of portfolio diversification, and avoiding undue risk.

Market returns in 2022 were impacted by high levels of inflation not seen since the 1980s. As such, the generalized price increases that began in 2021 were not transitory so central banks went all-in, quickly raising interest rates to levels not experienced since 2007-2008. Markets were caught with an interest rate shock, with both equity and fixed-income assets falling in value. Lofty equity valuations corrected as financial conditions tightened, while higher interest rates made existing bond prices contract as new bonds can be issued with higher coupon payments. That said, corporate distress and the rate of default remained low. It is not clear how long interest rates will have to remain high and countries are likely to experience diverging inflation and economic strength. This should provide for ample investment opportunities for select asset classes, regions, sectors, and securities.

After several years of strong equity market performance, equities cooled off during 2022 with the Equity Pool generating -9.6%, with 4-year annualized performance at 9.2%. Similarly, the continued rapid pace of interest rate increases caused a negative impact on fixed income markets. In 2022, the Fixed Income Pool reported a return of -8.9%. However, the active management of the Fixed Income Pool through a lower sensitivity to interest rates and higher level of diversification generated outperformance against the overall bond market.

The Alternative Assets portfolio, that includes real assets, diversifying assets and private investments, held up strongly proving their diversification benefit within a well-constructed balanced portfolio of equities and bonds. Alternative Assets continued to benefit from either their absolute return characteristics, inflation protection qualities and/or strong investor demand. In 2022, the Alternative Assets performance generated a return of 6.5%, net of fees. Alternative investments made by the Plan in recent years are bearing fruit, enhancing the risk-adjusted returns of the Balanced Account and the Target Date Portfolios. We expect to continue to selectively commit to attractive private funds where the underlying asset class or sector continue to experience strong growth and enhance diversification.

The Balanced Account, a combination of the Equity Pool, the Fixed Income Pool and the Alternative Assets, is the most popular investment option of the Plan, holding 80.3% of members' assets. It earned a return of -4.2% over the year. To take advantage of higher interest rates and expected returns in fixed income, the Statement of Investment Policy ("SIP") was revised to increase the target allocation of the Fixed Income Pool by 5% (from 30% to 35%) and reduce the target allocation to the Equity Pool (from 45% to 40%).

Prior to 2022, the strong bull market was primarily driven by elevating valuations and less on the growth of the profitability of the investment. However, the 2022 reduction in publicly traded asset valuations has improved the future long-term expected returns for these assets classes and investors are no longer required to take relatively higher levels of risk to obtain the same return. The OOI is maintaining a defensive tilt within the Balanced Account as revenues and earnings may come under pressure if inflation takes longer to control than expected. While prices in many sectors of the economy are stabilizing, we are far from the central bank's 2% inflation target and the labor market will likely need to soften before inflation is tamed. Fortunately, many assets in the Alternatives Assets, such as real estate and infrastructure have inflation adjusted cash flows, or private debt that primarily has floating rate assets with yields rising in step with rising interest rates. Long term, these assets deliver enhanced diversification, attractive risk adjusted returns, and access to compelling and unique investment opportunities.

From an environmental, social and governance perspective, 99% of the Plan's assets are invested with managers who incorporate Environmental, Social and Governance ("ESG") factors in their investment process. The Plan made a compelling investment into a private equity fund committed to investing in companies that intend to have positive and measurable social and environmental outcomes. In 2022 the OOI started collecting its managers' Principles for Responsible Investment ("PRI") scores. Each year, PRI signatories report on their responsible investment practices and receive scores from the PRI. The OOI will continue to collect and monitor these scores on an annual basis and engage with low-scoring managers to promote better ESG practices.

Overall, the OOI remains committed to adding value across asset classes and optimally managing the Balanced Account, that utilizes Alternative Assets such as private investments, real assets and absolute return strategies for their expected diversifying and return-enhancing benefit.

SOURCE: GETTY IMAGES

THE PLAN & RESPONSIBLE INVESTING

ESG DUE DILIGENCE QUESTIONNAIRE FOR ASSET MANAGERS

The Plan is managed using a responsible investing approach. Environmental, social and governance ("ESG") considerations are integrated in investment processes such as investment due diligence and analysis, and manager engagement. Indeed, when evaluating investment firms, priority is given to those that follow ESG criteria to evaluate companies in which they might want to invest.

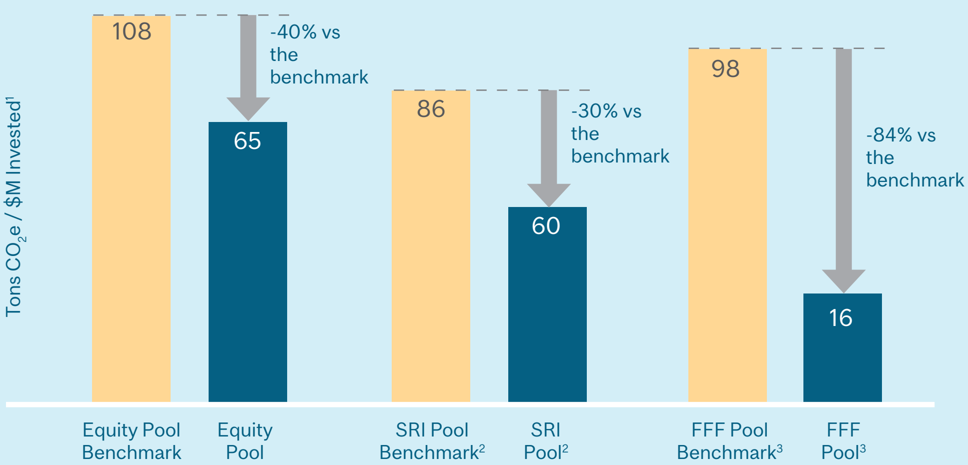
As at December 31, 2022, 99% of the Plan's assets were invested with managers that have an ESG policy or are signatories of the Principles for Responsible Investment ("PRI").

Furthermore, in 2022, the Plan collaborated with SHARE and 11 peer universities to develop an ESG Due Diligence questionnaire for investment managers. Responses to the questionnaire will provide relevant, meaningful, comparable and transparent data from our managers on ESG performance. The questionnaire will be rolled out to managers in 2023 and will be distributed annually going forward. The data collected from the questionnaire will be the basis for meaningful discussions on responsible investing with the goal of ensuring the Plan's managers are integrating ESG considerations in their investment process in order to mitigate risk.

CARBON FOOTPRINT FOR 2022

The Plan assessed the carbon footprint of the listed equities of the Equity Pool and the SRI Pool for the second year and performed a first assessment of the listed equities of the Fossil Fuel Free Pool.

The carbon footprint was calculated on Scope 1 & 2 emissions (see definition below) of listed equities companies, using data from MSCI, a global provider of market indexes and ESG solutions.



[1] Scope 1 & 2 emissions
[2] Listed equities only (63% of the SRI Pool)
[3] Listed equities only (60% of the FFF Pool)

Types of green house gas emissions according to the *GHG Protocol Corporate Accounting and Reporting Standard*

Scope 1	All direct emissions from sources owned or controlled by the company
Scope 2	Indirect greenhouse gas emissions from consumption of purchased electricity, heat or steam
Scope 3	Other indirect emissions (not included in scope 2) that occur in the value chain of the company

One should be very careful when comparing carbon footprints across portfolios from different organizations, as carbon accounting methodologies, types of assets covered and data providers may vary from one organization to another.

In 2022, staff from the Office of Investments continued to further their knowledge of ESG issues and Responsible Investment practices, through 90 hours of training and participation at various conferences.

$83M IN IMPACT INVESTMENTS

Impact investments are made with the intention to generate positive, measurable social and environmental impact alongside a financial return. The impact investing market is growing and provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, new clean technologies and affordable and accessible basic services including housing, healthcare and education.

New Investment in a Private Equity Impact Fund

In 2022, the Plan made a USD $20M commitment in a Private Equity Impact Capital Fund which is a global fund focused on impact investment themes such as good health & wellbeing, climate, resources, education and financial inclusion.

The Plan also has investments in a European Real Estate Fund with an impressive track record for achieving high performing green building certifications. Another of the Plan's impact investments is in a Global Renewable Energy Fund which includes investments in solar generation and power assets.

As at December 31, 2022, the Plan had more than $83M in impact investments including commitments.

PROXY VOTING AUDIT

In April 2022, the PAC approved a first assessment of the proxy voting practices of the Plan's investment managers be conducted to ensure that they are in line with the Plan's investment objectives. Proxy votes are a valuable tool held by the Plan by virtue of its ownership of shares in publicly-listed corporations.

The Plan hired SHARE to perform a proxy voting audit on 20,009 ballots cast by managers on the Plan's behalf from July 1st, 2021, to June 30, 2022.

Business items can be placed on company ballots either by corporate management or shareholders. In the latter case, they are called "shareholder proposals". SHARE analyzed the Plan's managers' level of support for ESG shareholder proposals, that is, shareholder proposals that are seeking a change in management regarding environmental, social or governance behavior.

The results of the proxy voting audit will help the Office of Investments evaluate the Plan's investment managers' voting performance and suggest changes that more closely align their voting with socially responsible investment practices.

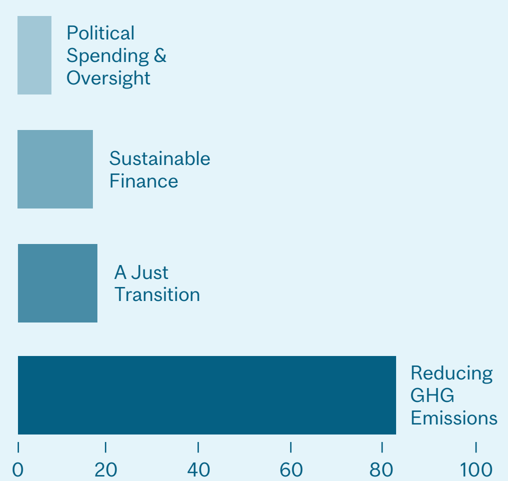
ENGAGEMENT

Engagement is a responsible investment strategy that enables investors to use their voices as shareholders to support better corporate sustainability policies and practice, and drive positive change. It enables investors to build a constructive dialogue with corporate boards and management.

In 2022, the Plan appointed SHARE as its shareholder engagement service provider to engage with the Plan's portfolio companies on climate-related issues on its behalf. Through SHARE, McGill became one of the first members of the University Network for Investor Engagement (UNIE), a Canadian university-led initiative that amplifies the voices of shareholders in addressing the drivers of climate change.

Throughout 2022, SHARE conducted 125 engagements with 59 different companies from the Plan's portfolio. Engagements covered topics such as reducing greenhouse gas emissions, sustainable finance, political spending and oversight, and ensuring a just transition. SHARE has tracked positive progress on 49 of these engagements so far.

ENGAGEMENT TOPICS 2022



The Plan is a member of the University Network for Investor Engagement (UNIE) through the Shareholder Association for Research and Education (SHARE) – an award-winning non-profit organization dedicated to mobilizing investor leadership for a sustainable, inclusive and productive economy. Alongside other post-secondary institutional investors, and together with SHARE, the Plan works to engage companies on climate-related risks and opportunities, leading to tangible changes and improvements to corporate sustainability practices.

ACCUMULATION FUND

The Accumulation Fund includes assets of Part A and Part B members in addition to assets of the Supplemental Fund. Its structure offers a wide range of investment strategies and allows members to create specific investment allocations that best respond to their financial needs. The Accumulation Fund consists of an Equity Pool, a Fixed Income Pool, Alternative Assets, a Money Market Pool, a Socially Responsible Investment Pool and a Fossil Fuel Free Pool. Members also have the Balanced Account option and the Target Date profiles that consist of diverse allocations to the Equity Pool, Alternative Assets and the Fixed Income Pool.

The Balanced Account is the default investment option of the Plan. Members who do not select an investment option are automatically invested in the Balanced Account

PERFORMANCE RELATIVE TO BENCHMARK

As at December 31, 2022 (gross of fees)

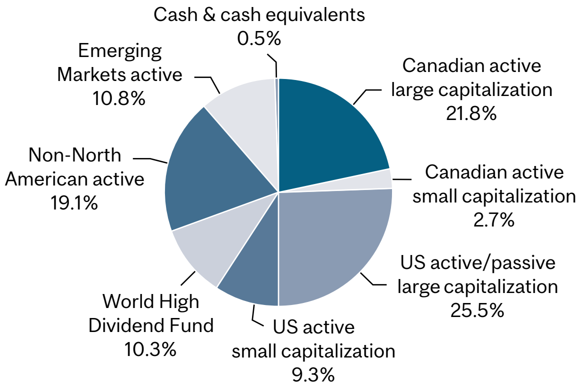
ASSET CLASSES	BENCHMARKS	ASSETS ($ Millions)	2022 RETURNS	BENCHMARK'S RETURNS	VALUE ADDED
SPECIFIC INVESTMENT STRATEGIES					
Equity Pool	22% S&P/TSX Composite 38% S&P 500 (50% USD Hedged) 29% MSCI EAFE 11% MSCI Emerging Markets	738.7	-9.6%	-10.9%	1.3%
Fixed Income Pool	FTSE Canada Universe Bond	465.3	-8.8%	-11.7%	2.9%
Alternative Assets[1]	40% Real Assets Benchmark 40% Private Investments Benchmark 20% Diversifying Assets Benchmark	384.6	6.5%	6.9%	-0.4%
Money Market Pool	FTSE Canada 30-Day T-Bill	26.8	1.8%	1.7%	0.1%
BALANCED INVESTMENT STRATEGIES					
Balanced Account	45% Equity Pool Benchmark 25% Alternative Assets Benchmark 30% Fixed Income Pool Benchmark	1,346.3	-4.2%	-6.7%	2.5%
Socially Responsible Investment Pool	20% S&P/TSX Capped Composite 40% MSCI World Total Return Net (C$) 40% FTSE Canada Universe Bond	61.1	-13.3%	-10.6%	-2.7%
Fossil Fuel Free Pool	53% MSCI World Total Return Net (C$) 29% FTSE Canada Universe Bond 9% FTSE Canada Short Term Overall Bond 7% MSCI Emerging Markets Total Return Net (C$) 2% FTSE Canada 30-Day T-Bill	2.6	-1.0%	-2.0%	1.0%
Target Date profiles		38.1	-7.6% to -6.9%	-9.6% to -8.3%	1.1% to 2.0%

[1]Net of fees

ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

EQUITY POOL

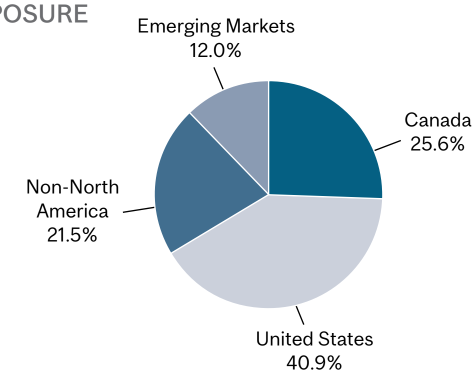
8 SUB-ASSET CLASSES



$738.7M

44.1% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	42
Administration fees	24
TOTAL	66

INVESTMENT OBJECTIVE

The Equity Pool's investment objective is to provide long-term capital appreciation and income by investing in a diversified portfolio of Canadian and foreign listed equity securities.

The annualized long-term objective measured over a 10-year period is the annual change in the Canadian **Consumer Price Index** (CPI) + 5.0%, being 7.4%.

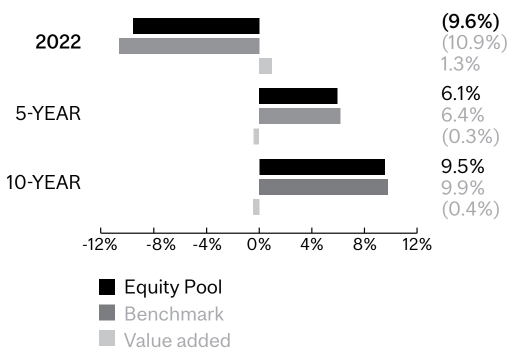
2022 PERFORMANCE HIGHLIGHTS

The equity market declined in 2022 with the Canadian (S&P/TSX Composite) and global equity (MSCI ACWI) indices generating -5.8% and -12.4% (in Canadian dollars), respectively. This represented a reversal of the positive returns of 2021 and was mostly driven by the reduction in equity valuation driven by the increase in interest rates. As a result, the Equity Pool returned -9.6% (gross of fees) in 2022, surpassing its benchmark performance of -10.9%. This outperformance is primarily explained by the defensive positioning of the underlying portfolios, with most fund managers focused on lower valuation stocks. The defensive positioning helped to protect capital throughout the year versus the broader equity market and was particularly beneficial in the US Equity allocations. Finally, the overweight in Canadian equities continued to support the relative performance as the domestic stock market fared better than other regions.

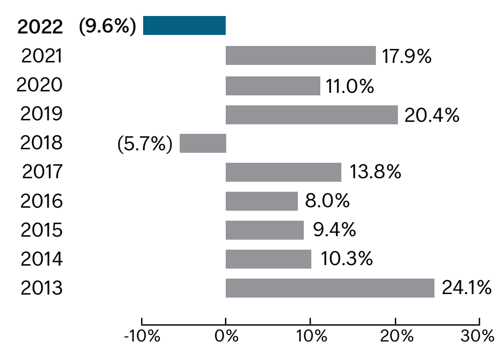
PORTFOLIO CHANGES

No material changes occurred during 2022.

ANNUALIZED RETURNS vs BENCHMARK
(gross of fees)



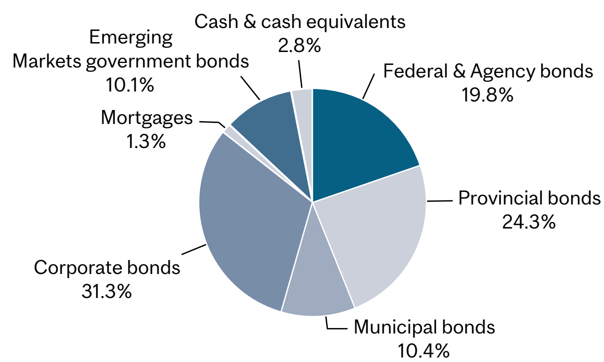
HISTORICAL ANNUAL RETURNS
(gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

FIXED INCOME POOL

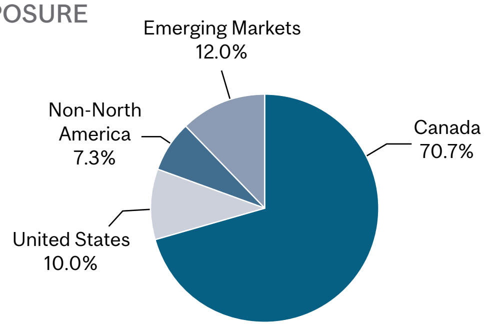
7 SUB-ASSET CLASSES



$465.3M

27.7% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	32
Administration fees	25
TOTAL	57

INVESTMENT OBJECTIVE

The Fixed Income Pool's investment objective is to provide a predictable source of income with low investment return volatility by investing in a diversified portfolio of Canadian and Global fixed income securities.

The annualized long-term objective measured over a 10-year period is the annual change in the Canadian CPI + 1.0%, being 3.4%.

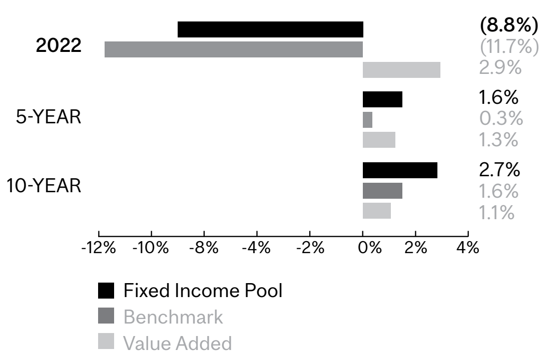
2022 PERFORMANCE HIGHLIGHTS

During the year, the rapidly rising interest rates were a headwind for fixed income markets as bond valuations were negatively impacted by the increase in interest rates. As a result, the Fixed Income Pool reported a performance of -8.8% (gross of fees), but succeeded to beat its benchmark performance of -11.7% during the year. This outperformance was driven in part by the shorter duration (lower interest rate sensitivity) positioning of the portfolio during most of the year, its international diversification, and the positive value generated by the investment managers.

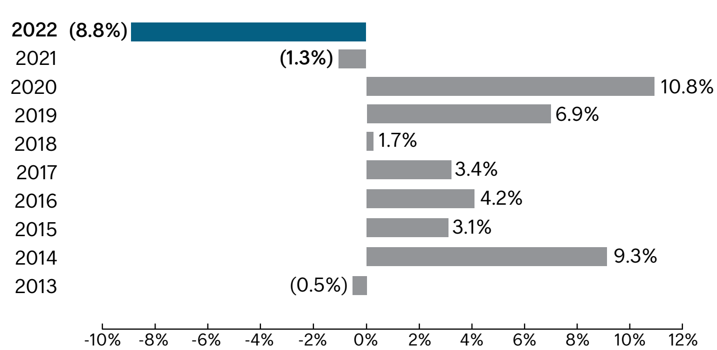
PORTFOLIO CHANGES

The duration of the fixed income portfolio has been increased towards the end of the year to be closer to that of the benchmark to reduce the potential impact on relative performance should interest rates decrease in the future.

ANNUALIZED RETURNS vs BENCHMARK
(gross of fees)



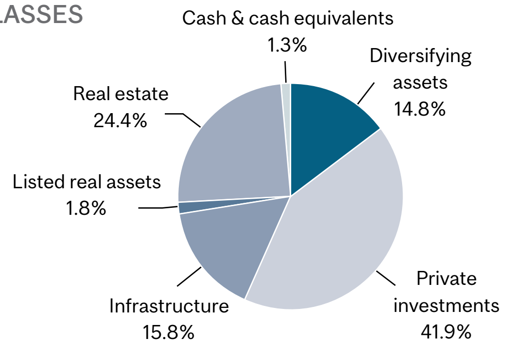
HISTORICAL ANNUAL RETURNS
(gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

ALTERNATIVE ASSETS

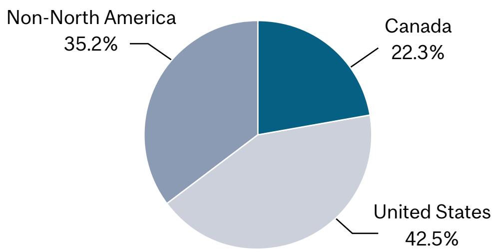
6 SUB-ASSET CLASSES



$384.6M

22.9% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	258
Administration fees	26
TOTAL	284

INVESTMENT OBJECTIVE

The Alternative Assets' investment objective is to provide long-term capital appreciation and income with a focus on capital preservation, by investing in a diversified portfolio of alternative assets.

The annualized long-term objective measured over a 10-year period is the annual change in the Canadian CPI + 4.5%, being 6.9%.It is worth mentioning that the Alternative Assets' benchmarks are not replicable nor investable.

2022 PERFORMANCE HIGHLIGHTS

Despite the downturn in both equity and fixed income markets, Alternative Assets generated positive and surprisingly elevated net returns of 6.5% in 2022. The performance was in line with the benchmark (6.5% vs 6.9%) despite having a non-investible benchmark partially based on inflation metrics. The increase in interest rates was a headwind for Real Estate performance this year. On the other hand, Infrastructure and Private Debt assets provided strong protection to high inflation and rising interest rates and were a positive contributor to performance. Furthermore, Diversifying Assets continued to be a positive contributor in 2022 as its absolute return nature was favoured by a volatile market.

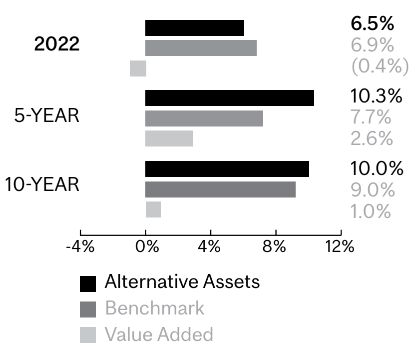
Management fees are higher for the Alternative Assets because these are privately negotiated investments. For this reason, it is the only investment option for which returns are presented net of fees, as per the industry standard.

PORTFOLIO CHANGES

In 2022, further commitments were made into private investments and infrastructures, with two investments in Private Equity , one of which being a fund dedicated to impact investments opportunities, and one investment in a North American infrastructure funds.

ANNUALIZED RETURNS vs BENCHMARK

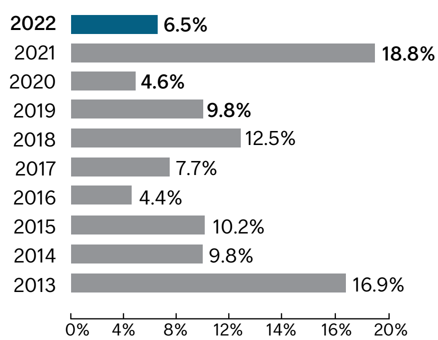
(net of fees)*



*net of fees, per industry standards

HISTORICAL ANNUAL RETURNS

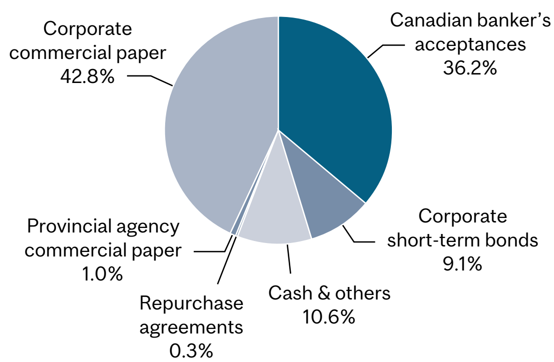
(net of fees)*



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

MONEY MARKET POOL

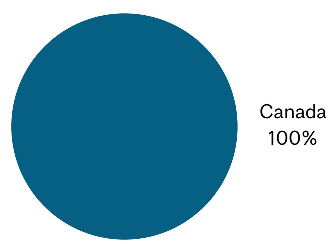
5 TYPES OF SECURITIES



$26.8M

1.6% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	10
Administration fees	12
TOTAL	22

INVESTMENT OBJECTIVE

The Money Market Pool's investment objective is to provide stable returns and maintain capital and liquidity.

The long-term objective is to outperform the return of the FTSE 30-Day T-Bill Index, calculated as an average annual compound rate of return for the last three consecutive years.

The assets are invested in the TD Emerald Canadian Short term Investment Fund and the TD Emerald Canadian Treasury Management Fund.

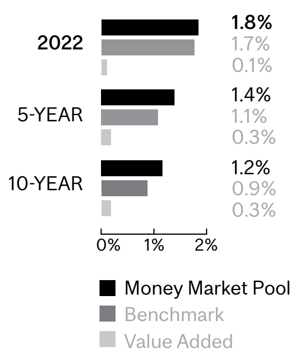
2022 PERFORMANCE HIGHLIGHTS

For the 12-month period ending December 31, 2022, the Money Market Pool provided a return of 1.8% (gross of fees), outperforming its benchmark of 1.7% by 0.1%. Following a historically low interest rate target set in place at the onset of the pandemic in 2020, the Bank of Canada raised its interest rate target seven consecutive times during 2022 in an effort to control an increasing inflation rate. Due to this, the level of absolute return by the Money Market pool has increased significantly during the second part of the year. As of December 31, 2022, the current yield of the Money Market Pool is 4.72%, which represents the expected return over the next year, assuming no subsequent change to interest rates.

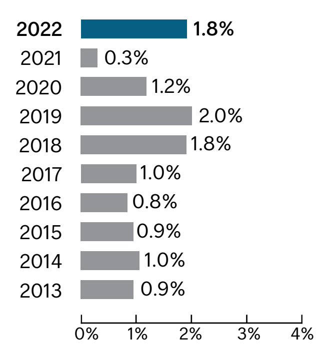
PORTFOLIO CHANGES

No material changes occurred during 2022.

ANNUALIZED RETURNS vs BENCHMARK
(gross of fees)



HISTORICAL ANNUAL RETURNS
(gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

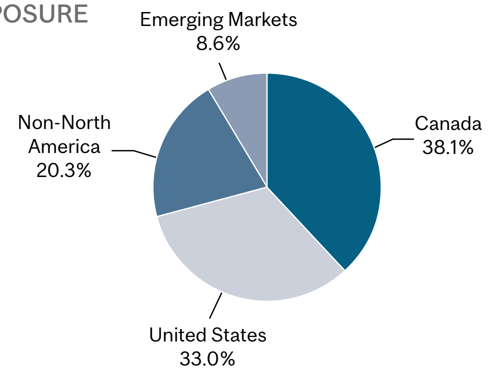
BALANCED ACCOUNT

3 ASSET CLASSES	DECEMBER 31, 2022	ACTUAL TARGET	MIN - MAX
Equity Pool	42.1%	45%	30% - 63%
Fixed Income Pool	29.7%	30%	20% - 50%
Alternative Assets	28.2%	25%	10% - 40%

$1,346.3M

80.3% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	98
Administration fees	25
TOTAL	123

INVESTMENT OBJECTIVE

The Balanced Account's investment objective is to optimize capital accumulation over the long-term through allocations to the Equity Pool, Fixed Income Pool and Alternative Assets, as determined by the Pension Administration Committee.

The annualized long-term objective measured over a 10-year period is the annual change in the Canadian CPI + 3.7%, being 6.1%.

2022 PERFORMANCE HIGHLIGHTS

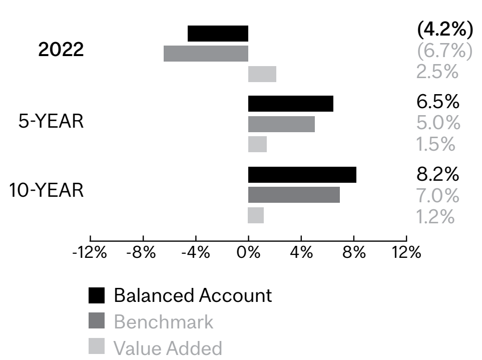
In a year of a downturn in equity and fixed income markets, 2022 emphasized the importance of portfolio diversification for investors. The Balanced Account benefited from its diversification and generated a return of -4.2% (gross of fees), compared to -6.7% for the benchmark during 2022, despite the equity and fixed income performance of -9.6% and -8.8%. In addition to the excellent value added in equities and fixed income provided by the defensive positioning and strong manager security selection, the exposure to Alternative assets was the main reason for the Balanced Account's superior relative performance in 2022. The investments in real assets provided protection against rising inflation, while the Private Investments and Diversifying Assets further contributed to the positive return of the Alternative assets.

PORTFOLIO CHANGES

Over the course of the year, changes occurred in the Balanced Account through changes in the Fixed Income Pool and Alternative Assets. Furthermore, given the recent increase in rates and the higher expected returns for the Fixed Income Pool, the target equity allocation has been reduced in favor of an increased target exposure to fixed income to optimize the asset mix of the Balanced Account, in line with its investment objectives.

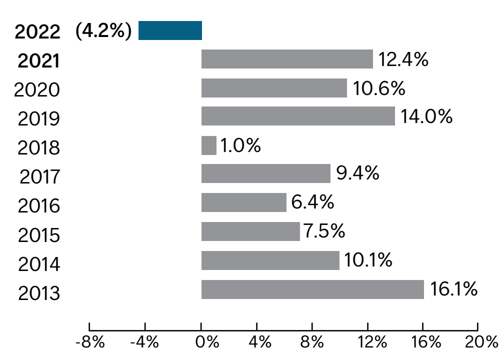
ANNUALIZED RETURNS vs BENCHMARK

(gross of fees)



HISTORICAL ANNUAL RETURNS

(gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

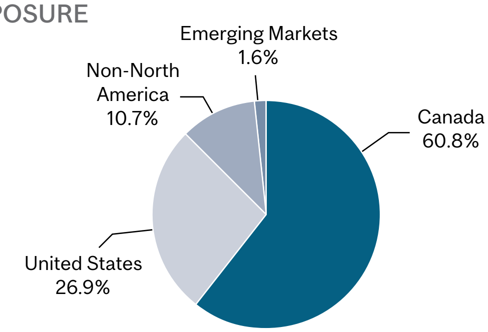
SOCIALLY RESPONSIBLE INVESTMENT POOL

3 RBC VISION FUNDS	DECEMBER 31, 2022	ACTUAL TARGET
Canadian Equity Fund	20.2%	20%
Global Equity Fund	40.4%	40%
Canadian Bond Fund	39.4%	40%

$61.1M

3.6% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	19
Administration fees	11
TOTAL	30

INVESTMENT OBJECTIVE

The SRI Pool's objective is to optimize capital accumulation over the long-term, while following an investment framework that incorporates issues related to socially responsible investing.

The annualized long-term objective measured over a 10-year period is the annual change in the Canadian CPI + 3.4%, being 5.8%.

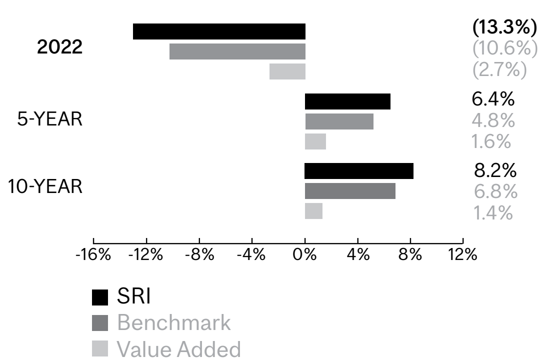
2022 PERFORMANCE HIGHLIGHTS

For the first time since 2011, the SRI Pool did not outperform its benchmark and returned -13.3% (gross of fees), lagging the benchmark performance of -10.6% during the same period. This underperformance is mostly explained by the important allocation to global equities and the underperformance of the manager in this asset class. Both the Canadian equity and the fixed income allocations positively contributed to the relative performance this year, but not sufficiently to allow the SRI Pool to eliminate the shortfall versus its benchmark.

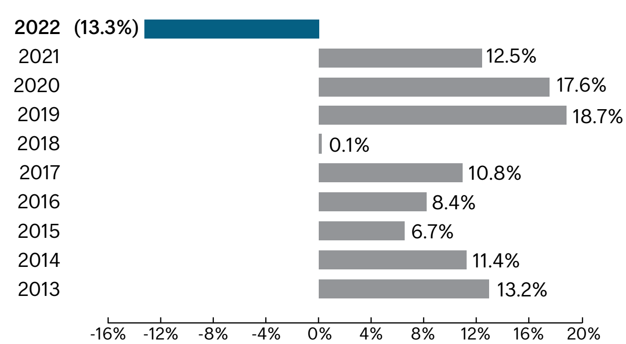
PORTFOLIO CHANGES

No material changes occurred during 2022.

ANNUALIZED RETURNS vs BENCHMARK
(gross of fees)



HISTORICAL ANNUAL RETURNS
(gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

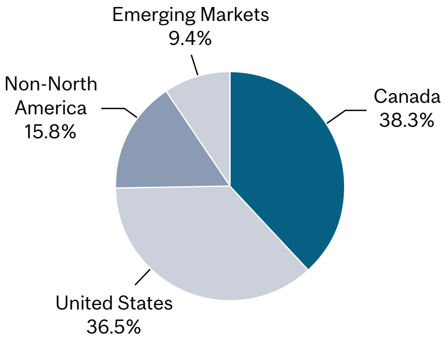
FOSSIL FUEL FREE POOL

2 RBC VISION FUNDS	DECEMBER 31, 2022	ACTUAL TARGET
Global Equity Fund	61.9%	60%
Canadian Bond Fund	38.1%	40%

$2.6M

0.2% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	17
Administration fees	7
TOTAL	24

INVESTMENT OBJECTIVE

The Fossil Fuel Free (FFF) Pool's objective is to optimize capital accumulation over the long-term, while following an investment framework that excludes securities of issuers directly engaged in the extraction, processing and transportation of fossil fuels such as coal, oil and natural gas. In order to attain the investment objective, a moderate to high degree of short-term volatility is accepted in the FFF Pool.

The annualized 10-year long-term objective is the annual change in the Canadian CPI + 3.4%, being 5.8%.

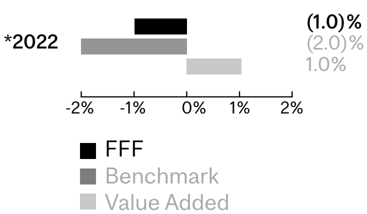
2022 PERFORMANCE HIGHLIGHTS

The FFF Pool was opened to members at the end of April 2022. For the 8-month period ending on December 31, 2022, the FFF Pool returned -1.0% (gross of fees), outperforming its benchmark by 1.0%. Both global equity (its largest allocation) and the fixed income components resulted in the strong relative performance of the FFF Pool during the period.

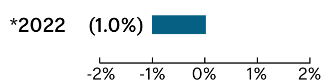
PORTFOLIO CHANGES

Introduction of the FFF Pool to plan members at the end of April 2022.

ANNUALIZED RETURNS vs BENCHMARK
(gross of fees)



HISTORICAL ANNUAL RETURNS
(gross of fees)



*2022 performance corresponds to the cumulative performance of the fund from May 1st (the inception of the FFF Pool) to December 31.

ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

TARGET DATE PROFILES

3 RISK PROFILES

- Conservative
- Moderate
- Aggressive

3 ASSET CLASSES

- Fixed Income Pool
- Equity Pool
- Alternative Assets

$38.1M

2.3% OF ACCUMULATION FUND ASSETS

INVESTMENT OBJECTIVE

The investment objective of the Target Date profiles is to optimize capital accumulation over the long-term through allocations to the Equity Pool, Fixed Income Pool and Alternative Assets based on the chosen risk profile and target retirement date of the Plan member.

Target Date considers all stages of plan members' lives. Farther away from retirement, the asset mix is tilted more aggressively for growth. Closer to retirement, the asset mix becomes more conservative to preserve gains and generate income.

The expected rate of return for each risk profile will be a blend of the expectations specified above, determined in accordance with the specific asset allocation strategy of the risk profile and the chosen target of the individual Plan member.

2022 PERFORMANCE HIGHLIGHTS

For the 12-month period ending on December 31, 2022, the Target Date Profiles provided returns ranging from -7.6% to -6.9% (gross of fees) depending on the target retirement date and the risk profile of the funds. The performance of these funds includes value added ranging from 1.1% to 2.0%. For all profiles during 2022, the inflation protection and absolute return properties of the Alternative Assets, the defensive nature of the equity portfolio and the robust relative performance of the fixed income portfolio were the main contributors of outperformance.

PORTFOLIO CHANGES

During 2022, changes occurred in the Target Date Profiles through changes in the Fixed Income Pool and Alternative Assets.

The table below shows the gross returns for the Target Date profiles.

		Target Date	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070
CONSERVATIVE RISK PROFILE	Allocation	Fixed Income Pool	65%	65%	50%	50%	40%	40%	30%	30%	20%	20%	20%
		Equity Pool	25%	25%	35%	35%	45%	45%	55%	55%	65%	65%	65%
		Alternative Assets	10%	10%	15%	15%	15%	15%	15%	15%	15%	15%	15%
	Annual Return	2022	-7.6%	-7.6%	-6.9%	-6.9%	-7.0%	-7.0%	-7.0%	-7.0%	-7.1%	-7.1%	-7.1%
		Benchmark	-9.6%	-9.6%	-8.6%	-8.6%	-8.6%	-8.6%	-8.5%	-8.5%	-8.4%	-8.4%	-8.4%
		Value Added	2.0%	2.0%	1.7%	1.7%	1.6%	1.6%	1.5%	1.5%	1.3%	1.3%	1.3%
	Fees in basis points	Management Fees	57	57	70	70	70	70	71	71	72	72	72
		Administration Fees	25	25	25	25	25	25	25	25	25	25	25
MODERATE RISK PROFILE	Allocation	Fixed Income Pool	65%	50%	40%	40%	30%	30%	20%	20%	10%	10%	10%
		Equity Pool	25%	35%	45%	45%	55%	55%	65%	65%	75%	75%	75%
		Alternative Assets	10%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
	Annual Return	2022	-7.6%	-6.9%	-7.0%	-7.0%	-7.0%	-7.0%	-7.1%	-7.1%	-7.2%	-7.2%	-7.2%
		Benchmark	-9.6%	-8.6%	-8.6%	-8.6%	-8.5%	-8.5%	-8.4%	-8.4%	-8.3%	-8.3%	-8.3%
		Value Added	2.0%	1.7%	1.6%	1.6%	1.5%	1.5%	1.3%	1.3%	1.1%	1.1%	1.1%
	Fees in basis points	Management Fees	57	70	70	70	71	71	72	72	73	73	73
		Administration Fees	25	25	25	25	25	25	25	25	25	25	25
AGGRESSIVE RISK PROFILE	Allocation	Fixed Income Pool	50%	40%	30%	30%	20%	20%	10%	10%	10%	10%	10%
		Equity Pool	35%	45%	55%	55%	65%	65%	75%	75%	75%	75%	75%
		Alternative Assets	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
	Annual Return	2022	-6.9%	-7.0%	-7.0%	-7.0%	-7.1%	-7.1%	-7.2%	-7.2%	-7.2%	-7.2%	-7.2%
		Benchmark	-8.6%	-8.6%	-8.5%	-8.5%	-8.4%	-8.4%	-8.3%	-8.3%	-8.3%	-8.3%	-8.3%
		Value Added	1.7%	1.6%	1.5%	1.5%	1.3%	1.3%	1.1%	1.1%	1.1%	1.1%	1.1%
	Fees in basis points	Management Fees	70	70	71	71	72	72	73	73	73	73	73
		Administration Fees	25	25	25	25	25	25	25	25	25	25	25

PENSIONER FUND

The Pensioner Fund contains the assets required to finance the benefits of retired staff who opted for an internal pension settlement prior to January 1, 2011. The Pensioner Fund was reopened in September 2020 for members who elect to receive any supplemental retirement benefit as a pension.

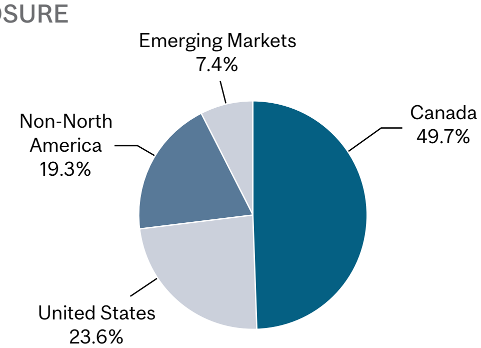
3 ASSET CLASSES

	DECEMBER, 31 2022	ACTUAL TARGET
Equity	50.7%	50%
Fixed Income	49.0%	50%
Real Estate	0.3%	0%

$72.9M

OF ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	48
Administration fees	24
TOTAL	72

INVESTMENT OBJECTIVE

The Pensioner Fund's investment objective is to optimize the performance of the fund over the long term, to provide enhancements of pension amounts in accordance with the Plan Document, if possible, and to minimize actuarial deficiencies.

The long-term objective measured over a 10-year period is the annual change in the Canadian CPI index + 3.0%, being 5.4%.

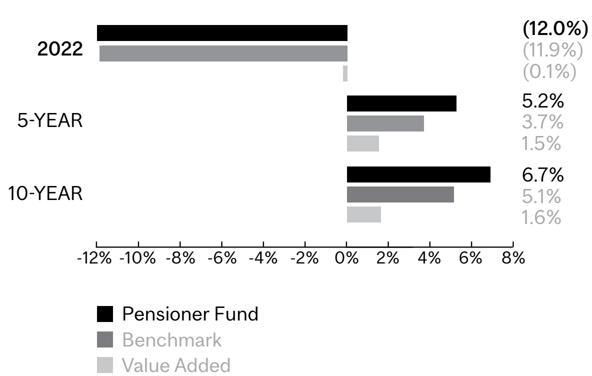
2022 PERFORMANCE HIGHLIGHTS

For the 12-month period ending December 31, 2022, the Pensioner Fund generated a return of -12.0% (gross of fees), slightly lagging the benchmark performance of -11.9%. As equity markets declined in 2022, the global equity manager was not able to outperform its benchmark due to its style being out of favour. However, the fixed income managers were able to outperform their benchmarks contributing to performance.

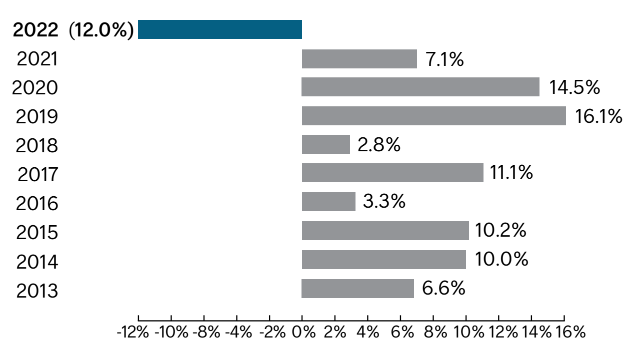
PORTFOLIO CHANGES

In 2022, the existing liability-driven fixed income mandate was replaced by a short-term liability government bond mandate to lower cost and align with liability duration.

ANNUALIZED RETURNS vs BENCHMARK
(gross of fees)



HISTORICAL ANNUAL RETURNS
(gross of fees)



EXTERNAL ADVISORS AND INVESTMENT MANAGERS

EXTERNAL ADVISORS

CIBC Mellon Global Securities Service	Custody services Performance measurement Private investment administrative services Compliance monitoring
Sun Life	Record keeping Processing transactions Cash flow allocations to investment options Settlement package Host the Plan website
Normandin Beaudry	Record keeping for pensioners
Eckler	Actuarial services
Deloitte	External auditor
Ernst & Young	Tax consultant
WTAX	Withholding tax consultant
Mercer	Investment consultant and manager database

INVESTMENT MANAGERS (excluding Alternative Assets)

Equity Pool	Canadian Equity	Fidelity Investments Van Berkom & Associates
	US Equity	Wellington Management Van Berkom & Associates State Street Global Advisors
	Non-North American Equity	William Blair & Company RBC Global Asset Management Mawer Investment Management Ninety One
	Global Dividend Equity	State Street Global Advisors
Fixed Income Pool	Canadian Bonds	Canso Investment Counsel RBC Global Asset Management
	Infrastructure Private Debt	Ares (formerly called AMP Capital)
	Municipal & Provincial Bonds	Fiera Capital
	Global Government Bonds	Colchester Global Investors
	Emerging Market Government Bonds	Colchester Global Investors
Money Market Pool	Canadian Short-term Investments	TD Asset Management
Socially Responsible Investment Pool	Canadian Equity Global Equity Canadian Bonds	RBC Global Asset Management
Fossil Fuel Free Pool	Global Equity Fund Canadian Bond Fund	RBC Global Asset Management
Pensioner Fund	Equity	Vontobel
	Fixed Income	Canso Investment Counsel Manulife Investment Management

ACTUARIAL VALUATION AS AT DECEMBER 31, 2019

ECKLER

At the request of the University and Pension Administration Committee, we have performed a complete actuarial valuation of the McGill University Pension Plan as at December 31, 2019. The results of such valuation were presented in a formal report dated December 23, 2020 which has been filed with the government authorities. The main objectives of the actuarial valuation are to determine the funded position of the Plan as at the valuation date, under both the Going-Concern Funding Position and Solvency Position, and to establish the contributions that are required to be made by the University to comply with the applicable legislation for the three-year period following the valuation date.

Going - Concern Funding Valuation

For the Going-Concern Funding Valuation, the Plan's actuarial liabilities are first compared with the market value of assets as at the valuation date. For the defined contribution provisions ("DC Segment"), actuarial liabilities correspond, by definition, to accumulated contributions with interest and no funding surplus/deficiency can exist thereon. Conversely, for the defined benefit provisions, i.e. minimum pension provisions under Part A ("DB Minimum Segment") and pensions in course of payment ("Pensioner Segment"), a funding surplus/deficiency may exist. If a funding deficiency is revealed, it must be funded over a maximum period of 15 years by the University. In addition, the University must make contributions on account of current service; these contributions include those required under the DC provisions of the Plan and also those required on account of the DB Minimum Segment.

For the DB segments, actuarial liabilities and current service cost are a function of actuarial assumptions underlying the valuation process. A comprehensive review of actuarial assumptions was made in preparation for this valuation. Actuarial assumptions will be reviewed as part of the next complete required actuarial valuation to ensure they are still appropriate.

See Benefits and Administration section of the Annual Report for the main results of the Going-Concern Funding Valuation.

Solvency Valuation

The solvency valuation simulates what would have been the funded position of the Plan as at the valuation date had the Plan been terminated as at that date. The actuarial assumptions are prescribed by legislation. The results of the solvency valuation do not have any direct impact on the funding requirements under the Plan; however, additional University contributions are required for external settlements to be made in totality, such additional contributions representing the unfunded portion of the DB Minimum Segment settlements based on the most recently calculated degree of solvency as required under the *Quebec Supplemental Pension Plans Act*. The last interim valuation to report on the solvency financial position of the Plan was prepared as at December 31, 2021 and filed with Retraite Québec on June 21, 2022.

See Benefits and Administration section for the main results of the Solvency Valuation.

Actuarial Opinion

In our opinion:

(a) the data on which the valuations are based are sufficient and reliable for the purposes of the valuations;

(b) the assumptions are, in aggregate, appropriate for the purposes of the valuations;

(c) the methods employed in the valuations are appropriate for the purposes of the valuations; and

(d) the assumptions and methods employed to determine the solvency position of the Plan are consistent with the requirements of the *Quebec Supplemental Pension Plans Act*.

Notwithstanding the foregoing opinion, emerging experience, differing from the assumptions, will result in gains or losses which will be revealed in future valuations.

The next required complete actuarial valuation is due no later than December 31, 2022 and needs to be filed with governmental authorities before the regulatory deadline of September 30, 2023. The University is required to continue to contribute based on the December 31, 2019 actuarial valuation report until a new complete actuarial valuation report is filed, at which time the University will adjust its contributions to reflect the new funding requirements revealed under this new valuation.

Respectfully submitted,

Jean-Francois Gariépy, FSA, FCIA

FINANCIAL REPORT

MANAGEMENT'S LETTER OF RESPONSIBILITY

To the Pension Administration Committee of the McGill University Pension Plan

The 2022 financial report of the McGill University Pension Plan ("Plan") has been prepared by management and approved by the Pension Administration Committee ("PAC").

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting provisions set out in the Guide to the Annual Information Return published by Retraite Québec relating to the preparation of a financial report under section 161 of the *Supplemental Pension Plans Act* (Quebec). This responsibility includes selecting the appropriate accounting principles and methods and exercising an objective judgment when making decisions affecting the measurements of transactions.

In discharging its responsibilities for the integrity and fairness of the financial report, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the financial report.

Ultimate responsibility for the financial report rests with the members of the PAC. The PAC oversees financial reporting through its Audit Committee. The Audit Committee, comprised of three individuals who are neither management nor employees of the Plan, reviews the financial report and recommends it for approval to the PAC. The Audit Committee fulfills its responsibilities by reviewing the financial information prepared by management and by discussing relevant matters with management and the external auditors. The Audit Committee is also responsible for recommending the appointment of the Plan's external auditors to the PAC. The Audit Committee meets regularly with management and the external auditors to review the scope and timing of the audit, to discuss any audit findings and recommendations for improvement, and to ensure it has appropriately discharged its responsibilities.

Deloitte LLP has been appointed by the PAC to audit the financial report and report directly to the Audit Committee; their report follows. The external auditors have full and free access to, and meet periodically with, both the Audit Committee and management to discuss their audit findings.

March 15, 2023

Kendra Racine, CPA
Senior Manager, Finance & Governance

Sophie Leblanc, CFA
Chief Investment Officer and Treasurer

INDEPENDENT AUDITOR'S REPORT

To the Pension Administration Committee of the McGill University Pension Plan

Opinion

We have audited the financial report of McGill University Pension Plan (the "Plan"), which comprises the statement of net assets available for benefits as at December 31, 2022, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial report").

In our opinion, the accompanying financial report presents fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2022, and the changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions set out in the Guide to the Annual Information Return published by Retraite Québec relating to the preparation of a financial report under section 161 of the *Supplemental Pension Plans Act* (Quebec).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial report in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report is prepared to assist the Pension Administration Committee of the Plan to comply with the financial reporting requirements of Retraite Québec. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial report and our auditor's report thereon, in the McGill University Pension Plan Annual Report.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the McGill University Pension Plan Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting provisions set out in the Guide to the Annual Information Return published by Retraite Québec relating to the preparation of a financial report under section 161 of the *Supplemental Pension Plans Act* (Quebec), and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP[1]

Montreal, Quebec
March 20, 2023

[1]CPA Auditor, public accountancy permit No. A130874

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31, 2022
(Tabular amounts expressed in thousands of dollars)

Accumulation Fund

ASSETS	2022	2021
Investments (Note 3)	$1,670,646	$1,820,045
Cash	14,534	16,148
Derivative financial instruments (Note 4)	2,181	5,063
Accrued investment income	3,750	3,542
Accounts receivable	490	649
McGill University contributions receivable	1,316	935
	1,692,917	1,846,382

LIABILITIES		
Derivative financial instruments (Note 4)	7,839	818
Accounts payable and accruals	1,892	1,722
Due to Pensioner Fund (Note 6)	10	8
Owing to former members	4,096	5,179
	13,837	7,727
Net assets available for benefits	**$1,679,080**	**$1,838,655**

Pensioner Fund

ASSETS	2022	2021
Investments (Note 3)	$72,599	$104,559
Cash	199	529
Derivative financial instruments (Note 4)	4	5
Accrued investment income	297	482
Accounts receivable	21	1
Receivable from Accumulation Fund (Note 6)	10	8
	73,130	105,584

LIABILITIES		
Accounts payable and accruals	49	58
Due to McGill University	2,274	2,384
	2,323	2,442
Net assets available for benefits	**$70,807**	**$103,142**
Total net assets available for benefits	**$1,749,887**	**$1,941,797**

The accompanying notes are an integral part of the financial report.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31, 2022
(Tabular amounts expressed in thousands of dollars)

Accumulation Fund

	2022	2021
Net assets available for benefits, January 1	$1,838,655	$1,653,321
INCREASE		
Investment income (Note 5)	40,158	39,616
Realized gains	15,467	131,437
Members' regular contributions	32,163	31,812
Members' cost sharing contributions	4,134	4,341
Members' voluntary contributions	1,774	1,696
McGill University's regular contributions	33,722	32,953
McGill University's current service contributions	5,291	5,585
McGill University's special contributions	5,625	6,397
Transfers from other registered plans	1,593	835
Total increase in net assets	139,927	254,672
DECREASE		
Administration expenses (Note 7)	4,111	3,992
Investment management fees	4,292	5,513
Transaction costs	198	117
SRB transfers (Note 1(C))	952	553
Retirement benefits	68,841	39,704
Variable benefits	7,878	4,351
Retirement benefits - McGill University LIF/RIF	10,477	16,953
Termination benefits	24,927	18,536
Death benefits	3,385	5,727
Total decrease in net assets	125,061	95,446
Change in unrealized fair value of investments (unrealized (losses) gains)	(174,441)	26,108
Change in net assets available for benefits	**(159,575)**	**185,334**
Net assets available for benefits, December 31	**$1,679,080**	**$1,838,655**

Pensioner Fund

	2022	2021
Net assets available for benefits, January 1	$103,142	$117,504
INCREASE		
Investment income (Note 5)	1,867	1,991
Realized gains	1,706	9,160
SRB transfers (Note 1(C))	952	553
Total increase in net assets	4,525	11,704
DECREASE		
Administration expenses (Note 7)	201	201
Investment management fees	96	134
Pension payments	20,388	21,667
Total decrease in net assets	20,685	22,002
Change in unrealized fair value of investments (unrealized losses)	(16,175)	(4,064)
Change in net assets available for benefits	**(32,335)**	**(14,362)**
Net assets available for benefits, December 31	**$70,807**	**$103,142**
Total net assets available for benefits, December 31	**$1,749,887**	**$1,941,797**

The accompanying notes are an integral part of the financial report.

NOTES TO THE FINANCIAL REPORT

December 31, 2022
(Tabular amounts expressed in thousands of dollars)

1. Summary Description of the Plan

(A) GENERAL

The McGill University Pension Plan ("Plan") is a retirement benefit arrangement for eligible employees ("Member") of McGill University ("University"). The Plan is a Registered Pension Plan Trust as defined in the *Income Tax Act* and is not subject to income taxes. The pension for each Member is determined in accordance with the accumulated value of the Member's pension account at retirement under a defined contribution arrangement, augmented, as applicable for Part A Members, by a Defined Benefit Minimum Supplement.

(B) FUNDING POLICY

Members are required to contribute to the Plan a percentage of Basic Earnings, as defined in the Plan Document, less 1.8% of the portion of Basic Earnings subject to a Quebec Pension Plan ("QPP") contribution.

	Members' Regular Contributions as a Percentage of Basic Earnings	
Members' age at end of preceding month	Regular Members	Tenure Stream Clinical Members
39 or less	5.0%	5.5%
40 to 49	7.0%	7.5%
50 to 65	8.0%	8.5%

The University is required to make regular monthly contributions to the Plan equal to a percentage of Basic Earnings determined according to the following table, less 1.8% of the portion of Basic Earnings subject to a required employer contribution to the QPP:

	University Regular Contributions as a Percentage of Basic Earnings	
Members' age at end of preceding month	Regular Members	Tenure Stream Clinical Members
39 or less	5.0%	5.8%
40 to 49	7.5%	8.3%
50 to 65	10.0%	10.8%

For those Members enrolled in the Plan or eligible to enroll in the Plan prior to January 1, 2009 ("Part A Members"), there is a Defined Benefit Minimum Supplement determined according to the highest average earnings formula.

The University is required to make additional contributions as may be necessary to fund the cost of the Defined Benefit Minimum Component, as well as other payments as required by law.

Effective January 1, 2014, Part A Members began making cost sharing contributions to assist in the funding of the actuarial deficit. As of December 2020, following the results of the valuation exercise performed as at December 31, 2019, members' cost sharing contributions, which offset the University's regular contributions in the Defined Contribution Component, remain at 1.9% of eligible earnings.

(C) SUPPLEMENTAL RETIREMENT BENEFIT TRANSFERS

A supplemental retirement benefit ("SRB") transfer represents a transfer from the Accumulation Fund to the Pensioner Fund.

Starting in September 2020, Part A members have the option to receive any SRB value arising from the Defined Benefit Minimum Supplement in the form of a pension.

(D) RETIREMENT BENEFITS

A retirement benefit is payable when a Member reaches retirement age. The retirement benefit for each Member is equal to the accumulated value of the Member's pension account at retirement including, if applicable, the Defined Benefit Minimum Supplement.

Members can transfer eligible pension holdings into a Life Income Fund (LIF) or Retirement Income Fund (RIF) sponsored by McGill University.

(E) VARIABLE BENEFITS

A variable benefit is a decumulation phase settlement option that allows members the choice of receiving a life income type payment while remaining invested in the Plan.

Members who select the variable benefits option can schedule to receive monthly, quarterly or annual payments in addition to ad-hoc lump sum payments from their holdings in the Plan.

(F) TERMINATION BENEFITS

A termination benefit is payable when a Member ceases to be employed. The value of the termination benefit is equal to the accumulated value of the Member's pension account including, if applicable, the Defined Benefit Minimum Supplement.

NOTES TO THE FINANCIAL REPORT

December 31, 2022
(Tabular amounts expressed in thousands of dollars)

1. Summary Description of the Plan (continued)

(G) DEATH BENEFITS

In the event of death before retirement, a lump sum death benefit equal to the accumulated value of the Member's pension account, including, if applicable, the Defined Benefit Minimum Supplement, is paid to the beneficiary or beneficiaries entitled thereto.

In the event of death after retirement, the death benefit, if any, is determined according to the settlement option chosen at retirement.

(H) ACCUMULATION FUND

The Accumulation Fund is composed of an Equity Pool, Alternative Assets, a Fixed Income Pool, a Socially-Responsible Investment Pool, a Fossil Fuel Free Pool and a Money Market Pool. A Balanced Account and Target Date Options are also available, composed of allocations to the Equity Pool, Alternative Assets and the Fixed Income Pool in proportions determined from time to time by the Pension Administration Committee ("PAC").

This structure offers a wide range of possible investment strategies permitting Members to create specific strategies that best respond to their individual financial needs.

All defined contribution assets of the Accumulation Fund are allocated to individual accounts and all investment income, gains and losses are distributed accordingly. Assets are, by definition, equal to liabilities and there can be no defined contribution surplus or deficit in the fund.

The Supplemental Fund holds University contributions related to the Defined Benefit Minimum Component, as well as the University's funding related to actuarial valuation needs.

The assets of the Supplemental Fund are invested in the Balanced Account and are included in the Accumulation Fund.

Any balance existing in the Supplemental Fund is the property of the University to be applied in such fashion as the University shall determine, including, but not limited to, the payment of University contributions otherwise required under the Plan.

Effective January 1, 2014, Part A Members began sharing up to 50% of the cost of funding the actuarial deficit.

In the event of a Plan termination, any actuarial deficit arising from the Defined Benefit Minimum Component or from actuarial valuation needs is the responsibility of the University.

(I) PENSIONER FUND

The Pensioner Fund holds the assets required to secure the obligation for retired staff who opted for an internal pension settlement prior to January 1, 2011.

The Pensioner Fund was reopened in September 2020 for members who elect to receive any supplemental retirement benefit as a pension.

2. Significant Accounting Policies

BASIS OF PRESENTATION AND ACCOUNTING FRAMEWORK

The financial report has been prepared by management in accordance with the financial reporting provisions described in the *Guide to the Annual Information Return* published by Retraite Québec. The basis of accounting used in this financial report materially differs from Canadian accounting standards for pension plans because it excludes the pension obligations of the Plan and its related disclosures.

The Plan applies Section 4600, Pension Plans, of Part IV of the *CPA Canada Handbook - Accounting* (the "Handbook"). Section 4600 is the underlying accounting standard to the framework prescribed by Retraite Québec. Canadian accounting standards for private enterprises in Part II of the Handbook have been chosen for accounting policies that do not relate to the Plan's investment portfolio, to the extent that those standards do not conflict with the requirements of Section 4600.

Investments as at December 31, 2022, have been valued using the closing price. If the closing price is below bid price or above ask price, the investments are valued using the mean price.

The financial report is prepared on a going concern basis and presents the aggregate financial position of the Plan as a separate financial reporting entity independent of the University.

The financial report includes the following significant accounting policies:

INVESTMENTS

Investments are recorded as of the trade date and are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTES TO THE FINANCIAL REPORT

December 31, 2022
(Tabular amounts expressed in thousands of dollars)

2. Significant Accounting Policies (continued)

INVESTMENTS (continued)

The fair value of investments is determined as follows:

(a) Currency contracts are valued using year-end foreign exchange rates, volatility and time to maturity.

(b) Stock index futures are valued at the stock exchange's settlement price.

(c) Fixed income investments are valued using price or yield equivalent quotations supplied by third-party vendors.

(d) Equity investments are valued at quoted market prices.

(e) Real assets investments valuations are based on periodic appraisals for privately-held real assets. Listed real asset investments are valued at quoted market prices.

(f) Private investments fair value estimates are primarily derived from the most recent financial statements pertaining to the Plan's private investments, adjusted for cash flows and foreign currency, as applicable.

(g) Diversifying assets are valued depending on the underlying assets (currency contracts, fixed income, common stocks, derivatives and real assets).

INCOME RECOGNITION

Investment income is recorded using the accrual method. Dividends and fund distributions are recorded when declared.

FOREIGN EXCHANGE

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the fair value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the current year change in unrealized fair value of investments in the Statement of Changes in Net Assets Available for Benefits.

CONTRIBUTIONS

Contributions are recorded on an accrual basis.

BENEFITS

Payments of retirement, termination, variable and death benefits are recorded on an accrual basis.

USE OF ESTIMATES

The preparation of the financial report requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial report and the reported amounts of revenue and expenses during the reporting period. Key components of the financial report requiring the use of estimates include fair value of real assets investments, private investments and diversifying assets. Actual results could differ from these estimates.

3. Investments and Financial Instruments

(A) TERMS AND CONDITIONS

The terms and conditions of the investments are described as follows:

Cash and Cash Equivalents

Cash equivalent investments, primarily securities issued or guaranteed by Canadian governments, have an average term to maturity of 52 days in the Accumulation Fund (2021 - 69 days) and 94 days in the Pensioner Fund (2021 - 105 days).

Fixed Income

In the Accumulation Fund, bonds, 37.0% of which are guaranteed by the federal or provincial governments (2021 - 38.0%), have a weighted average yield to maturity of 5.3% (2021 - 2.8%) and an average duration of 6.9 years (2021 - 6.8 years). In the Pensioner Fund, bonds, 73.8% of which are guaranteed by the federal or provincial governments (2021 - 40.7%), have a weighted average yield to maturity of 4.7% (2021 - 2.5%) and an average duration of 5.9 years (2021 - 6.6 years).

Equity Investments

In both the Accumulation Fund and the Pensioner Fund, common stock, including trust units and pooled funds, are diversified by issuer, industry sector and geographically.

NOTES TO THE FINANCIAL REPORT

December 31, 2022
(Tabular amounts expressed in thousands of dollars)

3. Investments and Financial Instruments (continued)

(A) TERMS AND CONDITIONS (continued)

Real Assets

Real assets consist of real estate and infrastructure investments.

In the Accumulation Fund, real estate consists of investments in pooled funds investing directly in Canadian, US and European properties.

In the Accumulation Fund, infrastructure investments consist of funds that invest directly in European and US infrastructure assets.

In the Pensioner Fund, real estate consists of investments in pooled funds investing directly in Canadian properties.

Listed Real Assets

In the Accumulation Fund, listed real assets are marketable securities and are diversified globally.

Private Investments

In the Accumulation Fund, private investments consist of investments in private equity funds of funds, private debt funds and equity funds.

Diversifying Assets

In the Accumulation Fund, diversifying assets consist of investments in an absolute return strategy focusing on relative value trading and hedge fund co-investments and secondaries.

(B) COMMITMENTS

In the Accumulation Fund, there are unfunded commitments in the amount of $220.0 million (2021 - $163.4 million) for diversifying assets, fixed income (private debt), private investments, real estate and infrastructure investments. It is anticipated that these commitments will be met in the normal course of operations.

(C) CREDIT RISK

Credit risk arises from the potential for a bond issuer to default on its contractual obligations to the Plan. Fixed income investments are recorded at fair value. This represents the maximum credit risk exposure of the Plan. The credit risk is managed through diversification of issuers and by limiting allocation to non-investment grade issuers.

(D) LIQUIDITY RISK

Liquidity risk refers to the risk that the Plan does not have sufficient cash to meet its liabilities, commitments, benefit payments and any other expected or unexpected cash flow requirements. The liquidity position of the Plan is analyzed regularly to ensure the Plan has sufficient liquid assets such as cash, cash equivalent securities and government bonds. The Plan also maintains a portfolio of highly marketable assets that can be sold on a timely basis as protection against any unforeseen interruption to the payment requirements of the Plan.

(E) INTEREST RATE RISK

Interest rate risk refers to the impact of interest rate changes on the Plan's financial position. It impacts the liabilities of the Plan as a result of the Defined Benefit Minimum Provision, as well as the liabilities of the Pensioner Fund.

Interest rate changes directly impact the fair value of fixed income securities held in the Plan and partially compensate the effect on the pension liabilities.

Duration is a measure used to approximate the impact on the fair value of fixed income securities for a given change in interest rates. To manage this risk, the duration of the Plan's fixed income securities are monitored and adjusted, as appropriate. Interest rate derivatives are sometimes used to hedge the interest rate risk of the Plan. Note 4 quantifies the interest rate derivatives outstanding as at December 31, 2022 and 2021.

(F) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the value of a foreign currency denominated asset or liability will fluctuate due to changes in foreign exchange rates. Currency forward contracts are used in order to hedge the effect of changes in the value of foreign currencies on foreign investments. The Plan's largest foreign currency exposure is to the United States dollar and to the Euro. Diversification of assets is also used to manage foreign currency risk. Note 4 quantifies the currency contracts outstanding as at December 31, 2022 and 2021.

(G) EQUITY PRICE RISK

Equity price risk is the risk that the fair value of an investment will fluctuate as a result of changes in market price. Asset class and sub-asset class diversification is used to manage this risk.

NOTES TO THE FINANCIAL REPORT

December 31, 2022

3. Investments and Financial Instruments (continued)

EFFECT OF THE VARIATIONS OF INTEREST RATE, FOREIGN CURRENCY AND EQUITY PRICE RISK

Type of risk	Variation	Effect on Accumulation Fund	Effect on Pensioner Fund
Interest rate risk	1% increase (decrease)	Decrease (increase) fair value of fixed income investments by $33.2 million (2021 - $34.3 million)	Decrease (increase) fair value of fixed income investments by $2.0 million (2021 - $3.0 million)
Foreign currency risk on investments	$0.01 appreciation (depreciation) of the United States dollar versus the Canadian dollar	Increase (decrease) in the fair value of investments of approximately $4.4 million (2021 - $5.0 million)	Increase (decrease) in the fair value of investments of approximately $290 thousand (2021 - $466 thousand)
	$0.01 appreciation (depreciation) of the Euro versus the Canadian dollar	Increase (decrease) in the fair value of investments of approximately $790 thousand (2021 - $692 thousand)	N/A
Foreign currency risk on forward contracts	$0.01 appreciation (depreciation) of the United States dollar versus the Canadian dollar	Decrease (increase) in the fair value of forward contracts of approximately $2.0 million (2021 - $1.7 million)	N/A
	$0.01 appreciation (depreciation) of the Euro versus the Canadian dollar	Decrease (increase) in the fair value of forward contracts of approximately $527 thousand (2021 - $393 thousand)	N/A
Equity price risk	10% change in equity prices	$92.9 million change in the fair value of the private and listed equities (2021 - $108.6 million)	$3.7 million change in the fair value of the private and listed equities (2021 - $5.5 million)

NOTES TO THE FINANCIAL REPORT

December 31, 2022
(Tabular amounts expressed in thousands of dollars)

3. Investments and Financial Instruments (continued)

(H) INVESTMENT DETAIL

	Accumulation Fund		Pensioner Fund	
	2022	**2021**	**2022**	**2021**
Cash equivalents				
Canadian	$35,964	$40,057	$2,200	$2,324
Foreign	17,044	11,371	1	1
	53,008	51,428	2,201	2,325
Fixed income investments				
Canadian	336,504	362,010	30,141	37,719
Foreign	141,189	139,249	2,933	7,811
	477,693	501,259	33,074	45,530
Equity investments				
Canadian	346,378	428,033	93	119
Foreign	414,393	485,689	36,968	54,495
	760,771	913,722	37,061	54,614
Alternative Assets*				
Real assets	154,498	144,147	263	2,090
Listed real assets	6,914	35,790	-	-
Private investments	161,324	136,102	-	-
Diversifying assets	56,438	37,597	-	-
	379,174	353,636	263	2,090
Total Investments	**$1,670,646**	**$1,820,045**	**$72,599**	**$104,559**

* In the Accumulation Fund, 75.5% (73.1% in 2021) of Alternative Assets are held in foreign currencies. There are no Alternative Assets held in foreign currencies in the Pensioner Fund in 2022 and 2021.

NOTES TO THE FINANCIAL REPORT

December 31, 2022
(Tabular amounts expressed in thousands of dollars)

3. Investments and Financial Instruments (continued)

(I) FAIR VALUE HIERARCHY

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the data used to perform each evaluation. The fair value hierarchy is made up of the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable data on the market each time such data exists. A financial instrument is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value.

	Fair Value as at December 31, 2022			
Accumulation Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$53,008	$-	$-	$53,008
Fixed income investments	-	457,439	20,254	477,693
Equity investments	530,284	230,487	-	760,771
Alternative Assets	6,915	-	372,259	379,174
Total Investments	**$590,207**	**$687,926**	**$392,513**	**$1,670,646**
Other Financial Assets				
Evaluated at fair value	-	$2,181	-	$2,181
Other Financial Liabilities				
Evaluated at fair value	-	$7,839	-	$7,839

	Fair Value as at December 31, 2021			
Accumulation Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$51,428	$-	$-	$51,428
Fixed income investments	-	479,920	21,339	501,259
Equity investments	625,189	288,533	-	913,722
Alternative Assets	35,791	-	317,845	353,636
Total Investments	**$712,408**	**$768,453**	**$339,184**	**$1,820,045**
Other Financial Assets				
Evaluated at fair value	-	$5,063	-	$5,063
Other Financial Liabilities				
Evaluated at fair value	-	$818	-	$818

NOTES TO THE FINANCIAL REPORT

December 31, 2022
(Tabular amounts expressed in thousands of dollars)

3. Investments and Financial Instruments (continued)

(I) FAIR VALUE HIERARCHY (continued)

	Fair Value as at December 31, 2022			
Pensioner Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$2,201	$-	$-	$2,201
Fixed income investments	-	33,074	-	33,074
Equity investments	-	37,061	-	37,061
Alternative Assets	-	-	263	263
Total Investments	**$2,201**	**$70,135**	**$263**	**$72,599**
Other Financial Assets				
Evaluated at fair value	-	$4	-	$4

	Fair Value as at December 31, 2021			
Pensioner Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$2,325	$-	$-	$2,325
Fixed income investments	-	45,530	-	45,530
Equity investments	-	54,614	-	54,614
Alternative Assets	-	-	2,090	2,090
Total Investments	**$2,325**	**$100,144**	**$2,090**	**$104,559**
Other Financial Assets				
Evaluated at fair value	-	$5	-	$5

NOTES TO THE FINANCIAL REPORT

December 31, 2022
(Tabular amounts expressed in thousands of dollars)

3. Investments and Financial Instruments (continued)

(I) FAIR VALUE HIERARCHY (continued)

The following table summarizes movements in the fair value of financial instruments classsified as Level 3 from the beginning balance to the ending balance:

	Accumulation Fund	Pensioner Fund
Fair value, January 1, 2021	$315,102	$2,309
Purchases	30,884	-
Sales	(49,113)	(4)
Change in fair value	42,311	(215)
Fair value, December 31, 2021	$339,184	$2,090
Purchases	61,113	-
Sales	(32,896)	(1,905)
Change in fair value	25,112	78
Fair value, December 31, 2022	**$392,513**	**$263**

During 2022 and 2021, there has been no transfer of amounts between Level 1 and Level 2 or to or from Level 3.

NOTES TO THE FINANCIAL REPORT

December 31, 2022
(Tabular amounts expressed in thousands of dollars)

4. Derivative Financial Instruments

Derivatives are financial contracts, the value of which is derived from changes in the underlying asset, index of prices or rates, interest rate or foreign exchange rate. The fair value of derivative financial instruments is based on the amount at which they could be settled based on estimated current market rates. The Plan's investment objectives for the use of derivatives are to manage financial risk. The Plan utilizes currency forward contracts and interest rate swaps.

Forwards
Forwards are contractual agreements between two parties to either buy or sell an asset at a predetermined price on a specified future date. The Plan uses currency forward contracts to modify the Plan's exposure to currency risk.

Swaps
Swaps are contractual agreements between two counterparties to exchange a series of cash flows. The Plan utilizes interest rate swaps to mitigate the Plan's interest rate risk.

Notional values
Notional values represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged, and are therefore not recorded as assets or liabilities in this financial report. Notional values are also the basis on which the fair values of the contracts and the returns are determined. Notional values do not necessarily represent the future cash flows to be exchanged.

(A) DERIVATIVE FINANCIAL INSTRUMENTS NOTIONAL AND FAIR VALUES

The following tables summarize the notional and fair values of the Plan's derivative positions.

Accumulation Fund	2022			2021		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives Fowards	$ 445,831	$ 2,181	$ 5,730	$ 437,257	$ 5,063	$ 818
Interest Rate derivatives Swaps	300,000	-	2,109	-	-	-
Total	$ 745,831	$ 2,181	$ 7,839	$ 437,257	$ 5,063	$ 818

Pensioner Fund	2022			2021		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives Fowards	$ 2,451	$ 4	$ -	$ 4,519	$ 5	$ -
Total	$ 2,451	$ 4	$ -	$ 4,519	$ 5	$ -

* In the Accumulation Fund, the largest foreign currency exposure is to the United States dollar and the Euro in 2022 and 2021. In the Pensioner Fund, the foreign currency exposure is to the United States dollar in 2022 and 2021.

NOTES TO THE FINANCIAL REPORT

December 31, 2022
(Tabular amounts expressed in thousands of dollars)

4. Derivative Financial Instruments (continued)

(B) DERIVATIVE FINANCIAL INSTRUMENTS NOTIONAL VALUES BY TERM MATURITY

The following table summarizes the notional values for the Plan's derivative positions by term to maturity.

Term to Maturity	Accumulation Fund		Pensioner Fund	
	2022	2021	2022	2021
Under 1 year	$745,831	$437,257	$2,451	$4,519
1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Total	**$745,831**	**$437,257**	**$2,451**	**$4,519**

5. Investment Income

	Accumulation Fund		Pensioner Fund	
	2022	2021	2022	2021
Cash and cash equivalents	$1,067	$418	$30	$22
Fixed income	12,980	12,010	1,644	1,820
Equity	16,999	19,437	187	141
Real assets	4,509	3,348	-	-
Private investments	4,406	4,272	-	-
Securities lending	197	131	6	8
Total	**$40,158**	**$39,616**	**$1,867**	**$1,991**

6. Receivable from/due to Accumulation and Pensioner Fund

As at December 31, 2022, $10 thousand (2021- $8 thousand) was the amount of the inter fund account between the Accumulation Fund and the Pensioner Fund. The amount relates to administrative expenses.

NOTES TO THE FINANCIAL REPORT

December 31, 2022
(Tabular amounts expressed in thousands of dollars)

7. Administration Expenses

Administration expenses include the following:

	Accumulation Fund		Pensioner Fund	
	2022	**2021**	**2022**	**2021**
Service provider record keeping fees	$1,471	$1,341	$65	$54
Salaries and benefits	1,134	1,241	56	70
Custodial	280	302	19	15
Liability insurance	193	192	9	12
GST/QST charge	151	232	8	15
Actuarial	122	54	5	3
Performance measurement fees	115	108	12	10
Retraite Québec fees	114	106	6	7
Trustee	114	93	5	6
Financial data providers	113	108	-	-
Audit	83	74	4	4
Other expenses	221	141	12	5
Total	**$4,111**	**$3,992**	**$201**	**$201**

8. Credit Line

During the year, the Plan had an authorized credit line of $40 million ($nil in 2021) bearing interest at the effective Canadian prime rate (4.7% to 6.5% in 2022). As at December 31, 2022, the credit line was unused.

9. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

GLOSSARY

Active Management A management style where by a manager selects individual investments with the goal of earning a return higher than a comparative benchmarks.

Active Member Refers to a McGill employee contributing to the Plan.

Basis Points A unit of measure representing one hundredth of one per cent.

Benchmark A standard against which rates of return can be compared to measure value added against market indices.

Consumer Price Index (CPI) An indicator provided by Statistics Canada that measures the price of a representative basket of goods and services. Inflation is the annual rate of change of the CPI.

Currency Hedging The act of entering into a financial contract in order to protect against changes in currency exchange rates.

Deferred Member Member no longer contributing and has not yet elected a settlement option from the Plan.

Defined Benefit Minimum Component Based on a formula that takes into account the plan member's credited service and highest 60-consecutive months of earnings. Applicable to members who joined or were eligible to join the Plan prior to January 1, 2009.

Degree of Solvency Ratio of total solvency assets to total solvency liabilities at the valuation date, excluding all members' defined contribution balances.

Going-Concern Surplus Means the amount, if any, by which the sum of the going-concern assets exceed the going-concern liabilities.

Going-Concern Deficiency Means the amount, if any, by which the sum of the going-concern liabilities exceed the going-concern assets.

Going-Concern Valuation Assumes the Plan will remain in effect indefinitely and is, therefore, based on long-term actuarial assumptions and methods.

Hybrid Plan A pension plan that includes elements of both defined contribution and defined benefit provisions. Part A of the Plan is a hybrid plan arrangement.

McGill Group Life Income Fund (LIF) Decumulation phase settlement option offered by the University for the direct transfer of locked-in pension account balances from the Plan or LIRA.

McGill Group Locked In Retirement Account (LIRA) Accumulation phase settlement option offered by the University for the direct transfer of locked-in pension account balances from the Plan.

Part A Refers to the hybrid part of the Plan for employees who joined or were eligible to join prior to January 1, 2009.

Part B Refers to the defined contribution part of the Plan for employees who joined the Plan on or after January 1, 2009.

Pensioner Fund Assets of retired members or beneficiaries who have opted for an internal settlement.

Pensioner Member Retired member or beneficiary receiving pension payments from the Pensioner Fund.

Plan Document The text of the McGill University Pension Plan.

PRI Stands for Principles for Responsible Investment.There are six principles that offer a menu of possible actions for incorporating ESG issues in investment practices.

Solvency Deficiency Means the amount by which the sum of the actuarial liabilities, as determined on a solvency basis, exceeds the sum of the assets. A solvency valuation is based on the assumption that the Plan is being terminated.

Solvency Top-Up Contribution Additional contributions required by the University to allow settlement of DB benefits at a level of 100% when Part A members terminate employment, retire or reach age 65.

Supplemental Fund Represents the sum of all special contributions from the University into the Plan: the Solvency Top-Up Contributions as well as the funding related to actuarial valuation requirements less contributions paid out related to the defined benefit minimum component.

Supplemental Retirement Benefit (SRB) Represents an additional amount a member is entitled to if the transfer value of the DB Minimum pension is higher than the total value the member would have accumulated in their Defined Contribution account had it been invested 100% in the Balanced Account, adjusted for contributions related to stipends on a prorata basis (as applicable).

Target Date Profiles Evolving asset mix based on a member's target retirement date and risk tolerance. As a member approaches retirement, the asset mix becomes more conservative.

Variable Benefits Decumulation phase settlement option that allows members the option of receiving a life income type payment while remaining invested in the McGill University Pension Plan.

CONTACTS

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All general enquiries concerning the Plan should be referred to McGill University Savings Programs Call Centre 1-888-444-2023.

NOTES

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