McGILL UNIVERSITY PENSION PLAN

ANNUAL REPORT

DECEMBER 31, 2023

McGill

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

2023 HIGHLIGHTS

INVESTMENT OPTIONS

$1.4B
OF ASSETS
10.4% RETURN IN 2023
5-YEAR ANNUALIZED RETURN: 8.4%
BALANCED ACCOUNT

$740.9M
OF ASSETS
12.8% RETURN IN 2023
5-YEAR ANNUALIZED RETURN: 9.9%
EQUITY POOL

$489.1M
OF ASSETS
8.9% RETURN IN 2023
5-YEAR ANNUALIZED RETURN: 3.0%
FIXED INCOME POOL

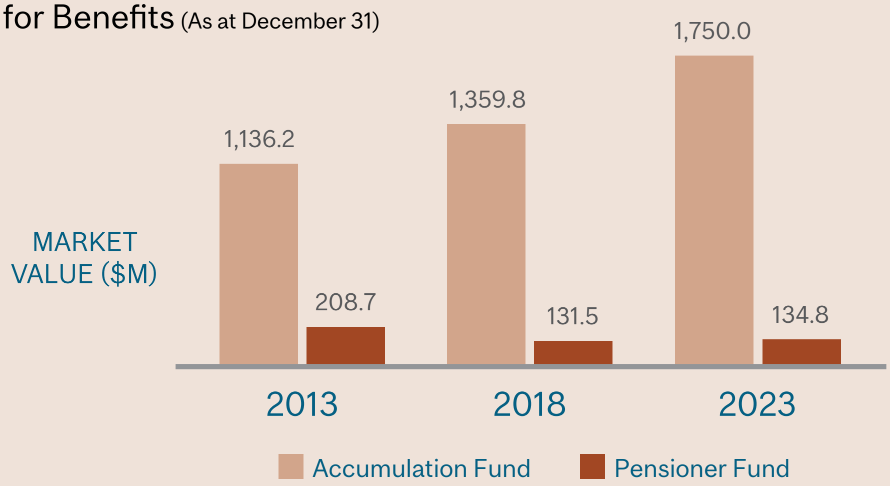
$64.5M
OF ASSETS
9.2% RETURN IN 2023
5-YEAR ANNUALIZED RETURN: 8.3%
SOCIALLY RESPONSIBLE INVESTMENT POOL

$3.6M
OF ASSETS
9.3% RETURN IN 2023
FOSSIL FUEL FREE POOL

$31.4M
OF ASSETS
5.2% RETURN IN 2023
5-YEAR ANNUALIZED RETURN: 2.1%
MONEY MARKET POOL

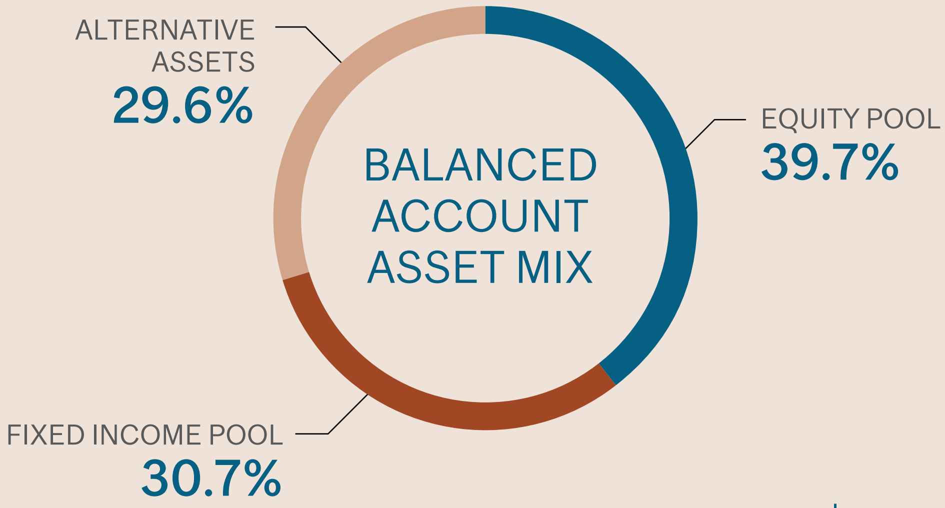
$44.0M
OF ASSETS
RETURNS VARY ACCORDING TO MEMBER'S PROFILE
TARGET DATE PROFILES

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



77.7%

OF ASSETS ARE INVESTED IN THE BALANCED ACCOUNT OPTION



Well-diversified $1.4 Billion in investments

2023 HIGHLIGHTS

MEMBERSHIP
AS AT DECEMBER 31, 2023

GROWTH IN PLAN MEMBERSHIP

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

Membership Statistics as of December 31

	2013	2018	2023
Active	5,709	6,369	6,682
Deferred	2,658	2,723	2,682
Pensioners	1,249	1,002	779
Variable Benefits	0	0	214
Total	**9,616**	**10,094**	**10,357**

Over the last 10 years, active membership has grown by 17%

PLAN MEMBERS AND ASSETS

1,273
settlements totalling
$97.2M
IN BENEFITS
paid out by the plan
in 2023

6,682
ACTIVE MEMBERS

$1.3B in assets
47 years - members' average age
59% women
41% men

2,682
DEFERRED MEMBERS

$245.3M in assets
53 years - members' average age
53% women
47% men

779
MEMBERS IN PENSIONER FUND

85 years - members' average age

214
VARIABLE BENEFITS MEMBERS

$108.0M in assets
70 years - members' average age

118
RETIREMENTS

64 years - average age of new retirees

MESSAGE FROM THE PENSION ADMINISTRATION COMMITTEE

The Pension Administration Committee ("PAC") and the Pension Investment Committee ("PIC") are committed to providing members and the Plan sponsor, the University, with a well-managed, sustainable pension plan focusing on earning steady long-term returns at an appropriate level of risk. The choice of investment pools available to members allows members to select an individual investment plan consistent with their personal risk tolerance, investment horizon and socially responsible investment objectives.

After disappointing returns in 2022, when most asset classes in the Plan reported negative returns, 2023 saw a rebound to positive returns in all classes. The Balanced Account, the most popular option with members, earned a one-year return of 10.4%. Although this was 1.3% below the fund benchmark of 11.7%, the 5-year and 10-year annualized returns for the Balanced Account (8.4% and 7.6%, respectively) are both higher than their benchmarks, while the account is in the top quartile of Canadian pension funds for periods from 2 years to 10 years. Discussion of the factors impacting returns for this year can be found in the Management Commentary from the Office of Investments on page 14 of this report.

Investment results for the individual pools can be found on page 18 of this report. Building on work started in 2022, the Plan adopted and began implementation of a Socially Responsible Investment Policy centred on ESG (environmental, social, governance) issues. Details about this new policy and the carbon footprint of some of the investment pools can be found on pages 16-17.

All investments involve both risk and return. In 2023 several actions were taken to reduce the risks associated with the Plan. On March 31 a guaranteed annuity contract was purchased in the Pensioner Fund, the part of the Plan responsible for payments to retired Part A members who elected to receive pensions paid by McGill when they retired. The inflows from this investment correspond exactly to the Plan's obligations to this group of members, thus significantly reducing the interest rate, equity, and longevity risks associated with this obligation. In the fall of 2023, the Plan entered into an interest rate hedge to partially protect its financial position from the adverse effects of declining interest rates. The Plan also reviewed its currency hedging strategy.

As required by legislation, a triennial valuation of the Plan as at December 31, 2022, was completed in 2023. The results of this exercise are summarized on page 11. The valuation concluded that the Plan's solvency had improved significantly since 2019. As a result, last September the cost-sharing rate for Part A members was reduced from 1.9% to 1.4%.

In addition to offering regular information sessions, Pension Administration relaunched its quarterly Pension News newsletter to keep members up to date on activities related to the Plan and to provide other retirement-related information. Pension Administration also worked on ensuring the Plan is in compliance with legislation related to the protection of personal information and the use of French. Members should also regularly consult the information and tools available on Sun Life's platform.

Details of the membership of the PAC and the PIC are available on pages 9 and 10. Professor Dror Etzion, an elected member of PAC representing academic staff, resigned during the year and was replaced for the balance of the academic year by Professor Markus Poschke. I'd like to thank both Professor Etzion for his service and Professor Poschke for stepping in. On PIC, Mr. Nicolas Drapeau completed his term in December 2023. I want to thank him, too, for the time and expertise he provided over his term. Ms. Catherine Janson (BCom 1998), Chief Investment Officer at Samara Multi-Family Office, was appointed to PIC effective January 1, 2024. Members continue to benefit from the exceptional individuals in the Montreal investment and McGill communities who serve on these important committees.

This year's Annual General Meeting, which will be held on Thursday, June 6th, marks the end of my own term on PAC. It has been a privilege to serve the McGill community over the last ten years and I very much appreciate the trust the members have shown in me over that time. I hope to see you either in person or virtually on June 6th.

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 2023, 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 President 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.

On June 30, 2023, Professor Dror Etzion, who was elected in 2022, resigned from one of the Academic positions. The PAC appointed Professor Markus Poschke on an interim basis effective July 1, 2023.

In February and October of 2023 respectively, Ms. Cristiane Tinmouth and Ms. Diana Dutton were reappointed to new three-year terms in positions appointed by the President & the Chair of the Board. In December 2023, Mr. Myles Edwards was reappointed to a new three-year term by the Board of Governors.

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 2023, 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 2023, no changes occurred in the membership of the Audit Committee.

Ms. Cristiane Tinmouth, CPA (Chair of the Audit Committee) Associate Vice-President, Financial Services Office of the Vice-President, 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 June 2024
	**Ms. Diana Dutton**, MBA Interim Vice-President Administration and Finance	Appointed by the President & the Chair of the Board Term ending May 2027
	**Mr. Myles Edwards**, CFA Director and Senior Portfolio Manager-Fixed Income Intact Investment Management Inc.	Appointed by the Board of Governors Term ending March 2027
	**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 June 2025
	**Mr. Markus Poschke** Professor, Department of Economics	Interim replacement - Academic Staff Appointed by the PAC Term ending June 2024
	**Ms. Nikoo Taghavi** Administrative Officer Department of Chemistry	Elected by the Administrative & Support Staff Term ending June 2024
	**Ms. Cristiane Tinmouth**, CPA (Chair of the Audit Committee) Associate Vice-President, Financial Services Office of the Vice-President, Administration and Finance	Appointed by the President & the Chair of the Board Term ending May 2026

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 2023, 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 four years, renewable for a second term of three years and are limited to a maximum of two consecutive terms.

Mr. Nicholas Drapeau's term as member of the PIC ended in December 2023. He was replaced by Ms. Catherine Janson, who joined the PIC in January 2024. The PIC thanks Mr. Drapeau for his wise counsel these past years and for agreeing to extend his second term, which was schedueld to end in May, 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 2025
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 March 2027
Mr. Sylvain Gareau, M.Sc. Consultant, Board Member	Independent external member First term ending January 2026
Mr. Pierre Lavigne, FSA, FCIA, CFA Pension Consultant	PAC member Term ending December 2024
Mr. François Quinty, CFA Director Investment Management Via Rail Canada	Independant external member Second term ending January 2026
Ms. Julia Scott, MBA, FCPA, CFA (Chair of the PAC) Senior Faculty Lecturer (retired)	Chair of the PAC as ex-officio Term ending June 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 2026

HUMAN RESOURCES - PENSION ADMINISTRATION AND OFFICE OF INVESTMENTS

The day-to-day management of the Plan is performed by staff of Human Resources - Pension Administration and of 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 may be 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, 2022 valuation reported that the Plan has a going-concern unfunded liability of $22.7 million and a going-concern funded ratio of 98.7%. The prior valuation was performed as at December 31, 2019.

The University was required to make contributions of $7.5 million in 2023 to fund DB liabilities.

The table below shows the change in the Plan's going-concern funded ratio from 2019 to 2022:

GOING-CONCERN FUNDING POSITION[1]	DECEMBER 31, 2022 $ in 000s	DECEMBER 31, 2019 $ in 000s
MARKET VALUE OF ASSETS	1,749,887	1,641,780
ACTUARIAL LIABILITIES	1,772,558	1,680,013
UNFUNDED LIABILITY	(22,671)	(38,233)
FUNDED RATIO	98.7%	97.7%

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 on or before December 31, 2025.

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, 2022, the degree of solvency of the Plan was 96%.

The University was required to make contributions related to the Solvency Top-Up of $795 thousand in 2023

The table below shows the change in the degree of solvency from 2021 to 2022:

SOLVENCY POSITION[1]	DECEMBER 31, 2022 $ in 000s	DECEMBER 31, 2021 $ in 000s
MARKET VALUE OF ASSETS	238,187	279,099
SOLVENCY LIABILITIES	248,086	368,632
SOLVENCY DEFICIENCY	(9,899)	(89,533)
DEGREE OF SOLVENCY	96.0%	75.7%

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. In September 2023, the members' cost sharing contribution rate was reduced from 1.9% to 1.4%. 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 2023

ACCUMULATION FUND	FROM MEMBERS $ IN 000s	FROM UNIVERSITY $ IN 000s
REGULAR CONTRIBUTIONS	34,586	36,979
CURRENT SERVICE CONTRIBUTIONS		4,538
SOLVENCY TOP-UP CONTRIBUTIONS		795
DEFICIT AMORTIZATION CONTRIBUTIONS		3,006
PART A MEMBER - COST SHARING CONTRIBUTIONS	3,712	
VOLUNTARY CONTRIBUTIONS	1,723	
TOTAL	40,021	45,318

BENEFITS AND PENSION PAYMENTS

Accumulation Fund

During 2023, 1,273 settlements were transacted totalling $97.2 million. The type of settlement transactions processed and the benefits paid out during the year are detailed below.

Settlements in 2023

ACCUMULATION FUND	NUMBER OF SETTLEMENTS	TOTAL AMOUNT $ in 000s
RETIREMENT BENEFITS – EXTERNAL TRANSFER	201	59,658
RETIREMENT BENEFITS – TRANSFER TO MCGILL UNIVERSITY LIF/LIRA	18	7,157
VARIABLE BENEFITS	450	12,612
TERMINATION BENEFITS	592	14,031
DEATH BENEFITS	12	3,716
TOTAL	1,273	97,174

Pensioner Fund

As at December 31, 2023 there were 779 pensioners and beneficiaries receiving pensions from the Pensioner Fund. The total of such pension payments amounted to $19.0 million in 2023.

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. As a result of the annuity contract purchased on March 31, 2023 which aligns the expected returns of the contract with the liabilities associated to members of the Pensioner Fund at that date, the conditions required to generate a surplus and dividends are unlikely to occur.

PLAN AMENDMENTS

There were no amendments to the Plan in 2023.

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 (or preceding business day). 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.

Members have the opportunity to 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 2023, the number of mobile app users increased by 25% with users collectively logging into the app over 32 thousand times.

FOR THE YEAR ENDED DECEMBER 31, 2023	
ASSET ALLOCATION TOOL	443
RETIREMENT PLANNER	1,028
MOBILE APP USERS	934
MOBILE APP ACTIVITIES	32,200
WEB USERS	4,542

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

Pension Administration has prepared a series of video 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

Pension Administration offers information sessions to employees and members of the Plan to address their needs. In 2023, 720 members attended the 32 sessions held. Sessions available include: a General Session, a Retirement Session, a Settlement Options Session, a Decumulation Session and the Part A (hybrid) Session.

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.

RETIREMENT CONSULTANTS

Members can speak with a non-commissioned retirement expert by calling Sun Life at 1-866-224-3906 (option 1) between 8 am to 8 pm ET, Monday-Friday. Known as “Retirement Consultants” and registered as Financial Security Advisors in Québec, they can help members create a personalized retirement income roadmap.

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

Q&A with the Office of Investments

What were the drivers of performance of the Balanced Account in 2023?

The Balanced Account earned a robust return of 10.4% for the year. The overall performance of the Balanced Account reflects the performance of the various sub-pools including the Fixed Income Pool, Equity Pool and Alternative Assets.

The Fixed Income Pool had a good year generating 8.9% versus its benchmark of 6.7% as the enhanced diversification and investment manager performance delivered strong performance. Higher interest rates also provided a tailwind for the Fixed Income Pool.

The Equity Pool generated a strong return of 12.8% driven by the U.S. and emerging market equities (excluding China). Additionally, performance in the U.S. stock market was driven by a handful of technology stocks that account for 30% of the S&P 500 index, up from 13% in 2014.

For Alternative Assets, the absence of a direct benchmark complicates straightforward comparisons. The composite benchmark used is a combination of long-term performance expectations for each subclass based on tracking inflation (consumer price index) or public equity markets plus a spread in the case of private equity. For instance, the elevated inflation rates observed over the past year have increased the benchmark's returns, yet the performance of assets within the pool remains subject to the prevailing economic conditions throughout the year. Further, Real Estate asset performance declined during the year due to higher interest rates. Although Real Estate was a detractor to performance, we believe that the current allocation is in high quality assets and should recover once the market stabilizes over the next few years. Over 10 years, Alternative Assets have generated 8.9% (after management fees) versus its benchmark of 8.1%.

In essence, performance against benchmarks hinges significantly on the selection of these benchmarks. While some peers may opt for benchmarks that are easier to attain, our benchmarks are ambitious, particularly concerning Alternative Assets where recognized and investable benchmarks are lacking. We remain confident in their achievability over the long-term, though relative performance may exhibit a short-term variability.

Overall, despite performance of the Balanced Account being lower than the benchmark for the year, it experienced strong absolute performance (10.4%) and has beaten the benchmark over various long-term periods including the 10-year annualized period (7.6% vs. 6.8% for the benchmark).

What were some of the unforeseen events that occurred during the year?

2023 was a major reversal of 2022 in many ways as equities and bonds delivered gains. Returns were strong despite economic and geopolitical uncertainties and an elevated interest rate environment. Economies proved to be more resilient, especially in the U.S., and technology stocks regained favour. The anticipation of lower interest rates drove investors to take more risk with equity volatility ending the year at near multi-decade lows and with global high yield corporate credit risk near 15-year lows. Investors were increasingly confident that a recession was not imminent.

Which asset classes were stand out performers? How exactly did this drive performance?

Within Alternative Assets, private infrastructure had a standout year as the stable inflation-linked cash flows provided by these assets were in demand by investors. The Balanced Account was able to sell several assets during a strong market environment which helped drive returns for this asset class to 25.6%. These returns were generated through multiple years of investment and strong investment manager performance. Further, strong value creation was generated in private equity with returns supported by asset sales. This contributed to returns for the 2023 calendar year. Additionally, the Money Market Pool offered strong returns as short-term interest rates rose during 2022 to provide good investment returns in 2023. The Money Market Pool generated 5.2% for the year, superior to most Guaranteed Investment Certificates (GICs) that typically returned less than the Money Market Pool with generally less flexibility to redeem cash.

What are the current concerns affecting the Office of Investments' outlook?

The future investment landscape is increasingly influenced by several key factors that must be integrated in the investment process. Firstly, deglobalization is marked by a shift towards protectionist political policies and trade tensions between major economies and poses challenges for businesses operating in global markets. This market fragmentation could disrupt supply chains, increase costs, limit growth opportunities, and ultimately increase expectations of inflation in the future. The prospect of above average inflation coupled with a potentially higher interest rate environment presents an investment environment that makes diversification a key to meeting return objectives. This environment could dampen consumer spending and business investment, leading to a lower-growth environment. As a result, prudent risk management, diversification, continued exposure to long-term secular growth trends, and an allocation to inflation-linked assets are essential for navigating uncertain market conditions.

What are the current themes in the portfolio that could play out in 2024?

The Office of Investments has identified several key themes that stand to benefit members in the current environment. Real estate presents a compelling opportunity in 2024 as assets are being refinanced at higher interest costs than in the past. As a result, new investments in real estate assets are being offered at more attractive prices across various real estate subsectors creating an opportunity for investors to acquire high-quality assets. In light of this, it is our assessment that specific segments within the real estate market, notably the office sector, are experiencing a confluence of pressures beyond mere financing costs. Consequently, the Office of Investments is exercising heightened prudence regarding capital allocation in these sectors, notwithstanding the potential allure of reduced or distressed asset valuations.

The concept of private floating rate debt stands out as a significant theme, particularly in the probable context of relatively higher inflation and interest rates compared to the previous decade. This environment creates favorable conditions to extend credit facilities secured by high quality collateral or to profitable enterprises, ultimately yielding attractive investment returns. Such an approach entails lower risk relative to equity investing, positioning debt holders advantageously.

Lastly, the portfolio continues to pursue investments in renewable energy and decarbonization themes, with additional deployment anticipated. Legislative measures such as the *Inflation Reduction Act* in the U.S. are driving a historic shift towards sustainable investments while Europe has been historically focused on the matter with increased attention on energy independence over the past two years. With the rise in interest rates, valuations have corrected and provide for a more attractive entry point.

SOCIALLY RESPONSIBLE INVESTING

The Plan applies a socially responsible investing approach to the fund's overall management. Responsible investment complements traditional financial analysis by incorporating environmental, social, and governance ("ESG") factors into investment decision-making and management engagement post-acquisition to support the long-term financial well-being of the Plan's members. In the past year, the Plan saw several exciting developments in its responsible investing strategy. The flagship addition, the Socially Responsible Investment ("SRI") Policy, will ensure that investments are aligned with the Plan's purpose by considering material ESG factors investment risks and returns. The 2023 Annual Report presents the carbon footprint of corporate fixed income for the first time, managers underwent an initial assessment of their SRI practices, and active ownership was bolstered by continued climate engagement by service provider SHARE and the adoption of new proxy voting guidelines for a US equity fund.

ESG DUE DILIGENCE QUESTIONNAIRE

Pension fund fiduciaries have a duty to consider all financial risks and opportunities when managing plan assets. This includes researching, understanding, and evaluating the material ESG factors that affect the Plan's holdings. In April 2023, the Office of Investments circulated an ESG Due Diligence Questionnaire to the Plan's investment managers to enhance the Plan's monitoring process and identify opportunities for engagement. The questionnaire was designed in collaboration with shareholder engagement service provider SHARE and 11 Canadian universities. Once the responses were aggregated into a single database, information was synthesized to construct a scoring system around three central criteria designed to highlight the relevant features of the investment process and understand managers' practices holistically. The scoring process revealed valuable insights into managers' strengths and weaknesses, highlighting discussion topics and pathways to improvement. To demonstrate responsible asset stewardship, the Office of Investments met with managers when actionable opportunities for engagement were identified on matters relating to responsible investment. Discussions focused on sustainability disclosures, climate risk, and stewardship through industry collaboration. The questionnaire is to be sent out annually to allow for the ongoing performance analysis of managers and moving forward, it will be integrated within the hiring process to ensure that new investment managers possess a sufficient level of ESG integration.

99% of the Plan's assets are invested with managers that have an **ESG policy** or are signatories of the **UNPRI**

26 Managers were surveyed:

The Plan's investment managers have overall satisfactory ESG practices.

The Plan met with 3 managers:

Discussed potential areas of improvement regarding their ESG practices.

ENGAGEMENT & PROXY VOTING

Active Stewardship is a responsible investment strategy that sees shareholders leveraging engagement activities with management to maximize an asset's long-term value through improving its sustainability and resiliency. In 2022, the Plan appointed SHARE to engage with the Plan's portfolio companies on climate-related issues. During 2023, SHARE conducted 53 engagements across 33 different companies included within the Plan's portfolio and tracked positive progress across 15 cases.

By virtue of owning shares in publicly listed corporations, the Plan has opportunities to influence investees by proxy voting on agenda items at shareholder meetings. Proxy voting covers a range of topics including corporate governance, board structure, and executive salaries, as well as climate change and human rights. In 2023, one of the Plan's managers began offering the ability for investors to choose a specialized proxy voting policy for their holdings. Following an analysis of the options provided, the Institutional Shareholder Services ("ISS") U.S. Socially Responsible Investing (SRI) Policy was selected due to its higher rates of support for Environmental and Social shareholder proposals, Diversity, Equity & Inclusion reporting measures, equitable pay programs, and higher rates of opposition to board appointments when climate objectives are not met. The Plan will continue to select ESG-conscious proxy voting policies whenever feasible and review its managers' proxy voting policies to encourage the improvement of their own proxy voting guidelines to align with industry best practices.

CARBON FOOTPRINT

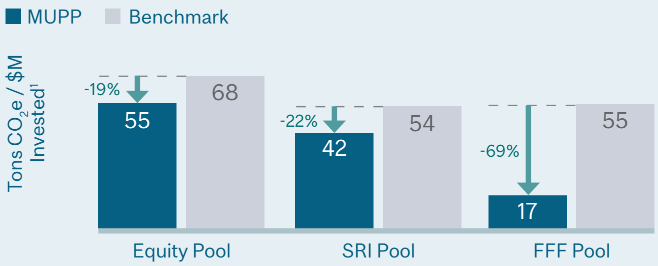
The Plan measures the carbon footprint of its investment portfolios on an annual basis. This assessment is one of the approaches to monitoring the Plan's exposure to climate risk and provides members with greater transparency on their investments. The greenhouse gas emissions of firms are expressed using tons of carbon dioxide equivalent ("tCO2e").

The carbon footprint of the Plan is thereby measured in tons of carbon dioxide equivalent per USD 1 million dollars invested (defined as tCO2e/$M). This normalized metric allows comparison of portfolios of different sizes, markets, and time periods against a benchmark of comparable firms.

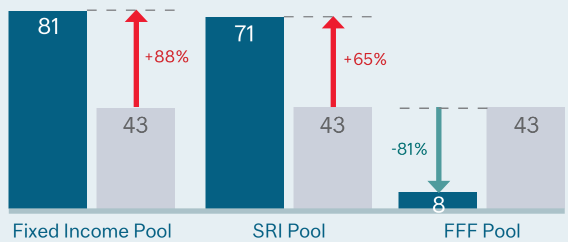
Calculation of the carbon footprint of corporate fixed income holdings was completed for the first time. As a reminder, the SRI and FFF Pools are balanced funds comprising of both listed equities and fixed income securities. In a diversified fixed income portfolio such as the ones offered to Plan members, the majority of assets consist of government bonds, while corporate fixed income and other instruments like mortgages or private debt make up the remaining assets.

The graphic below illustrates information on the carbon footprint of various investment pools available to Plan members. On the left side, the carbon footprint of the Listed Equities within the Equity Pool, SRI Pool, and FFF Pool is presented. Similarly, the right side presents the carbon footprint of the corporate fixed income holdings within the Fixed Income Pool, SRI Pool, and FFF Pool.

LISTED EQUITIES



CORPORATE FIXED INCOME



[1] Scope 1 & 2 emissions

The inclusion of corporate fixed income in the Plan's carbon footprint measurement serves as an additional tool for enhancing the Plan's investment manager monitoring. It creates further opportunities to engage with managers regarding their ESG integration approach, particularly in assessing climate risks and opportunities within their overall investment framework.

METHODOLOGY

Carbon footprint data is sourced from MSCI. MSCI is a global provider of market indices and ESG solutions with expertise in ESG analysis and carbon footprint measurement. Carbon emissions are now recorded using the "EVIC" (Enterprise Value Including Cash) allocation base. This was done to align with industry best practices. Companies outside of the current MSCI ESG Climate Change Metrics coverage are excluded from analysis of the carbon footprint. The Plan considers Scope 1 and Scope 2 emissions within its carbon footprint calculation, as firms report Scope 3 emissions at lower rates than the other scopes and because multiple entities within the same value chain can cause emissions to be double counted.

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 a firm
Scope 2	Indirect greenhouse gas emissions from the consumption of energy purchased by the firm
Scope 3	Other emissions occurring from sources not owned or controlled by a firm

SRI POLICY

This year's major achievement was the PAC's approval of the Plan's Socially Responsible Investment Policy which officially formalizes ESG objectives within the fund's governance. The document defines a clear, flexible framework to integrate responsible investment into the Plan's asset management while considering ESG factors and their impact on investment returns and risk. It designates specific areas of strategic focus, including ESG factor integration, active ownership, and climate change. The SRI Policy will be reviewed every three years, or more frequently as required, to ensure that it remains consistent with the Plan's objective, and industry best practices. The policy can be found on the Office of Investments' website at: https://www.mcgill.ca/investments/pension.

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, 2023 (gross of fees)

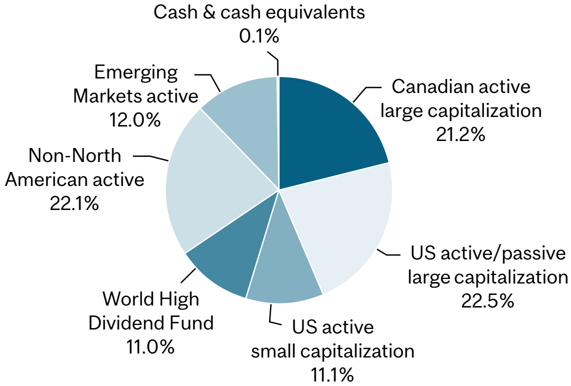
ASSET CLASSES	BENCHMARKS	ASSETS ($ Millions)	2023 RETURNS	BENCHMARK'S RETURNS	VALUE ADDED
SPECIFIC INVESTMENT STRATEGIES					
Equity Pool	20% S&P/TSX Composite 30% S&P 500 10% Russell 2000 29% MSCI EAFE 11% MSCI Emerging Markets	740.9	12.8%	17.3%	-4.5%
Fixed Income Pool	FTSE Canada Bond Universe	489.1	8.9%	6.7%	2.2%
Alternative Assets[1]	40% Real Assets Benchmark 20% Private Equity Benchmark 20% Private Debt Benchmark 20% Diversifying Assets Benchmark	409.0	5.5%	9.7%	-4.2%
Money Market Pool	FTSE Canada 30-Day T-Bill	31.4	5.2%	4.8%	0.4%
BALANCED INVESTMENT STRATEGIES					
Balanced Account	40% Equity Pool Benchmark 25% Alternative Assets Benchmark 35% Fixed Income Pool Benchmark	1,361.0	10.4%	11.7%	-1.3%
Socially Responsible Investment Pool	20% S&P/TSX Capped Composite 40% MSCI World Total Return Net (C$) 40% FTSE Canada Universe Bond	64.5	9.2%	13.1%	-3.9%
Fossil Fuel Free Pool	53% MSCI World Total Return Net (C$) 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	3.6	9.3%	13.7%	-4.4%
Target Date profiles		44.0	9.5% to 11.3%	9.6% to 15.1%	-3.8% to -0.1%

[1]Net of fees

ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

EQUITY POOL

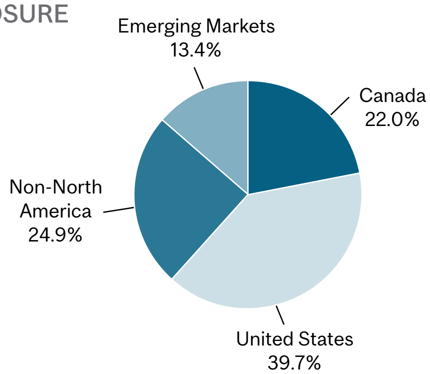
7 SUB-ASSET CLASSES



$740.8M

42.3% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	42
Administration fees	27
TOTAL	69

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 7.6%.

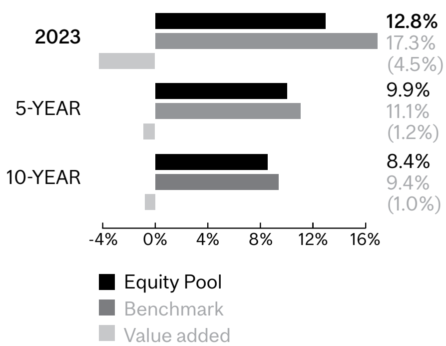
2023 PERFORMANCE HIGHLIGHTS

The equity market increased in 2023 with the Canadian and global equity indices generating 11.8% and 19.5% (in Canadian dollars), respectively. The Equity Pool return was largely attributed to the strong performance of U.S. equities that was primarily driven by a handful of technology stocks. As a result, the Equity Pool returned 12.8% (gross of fees) for the year.

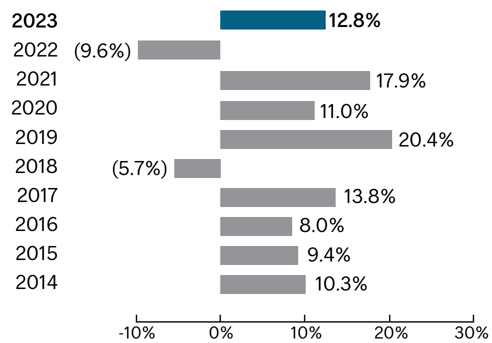
PORTFOLIO CHANGES

Two U.S. Large Cap. mandates were reduced to fund the new sophisticated U.S. equity strategy. The Canadian Equity Small Cap. Manager was terminated to fund a U.S. Equity Small Cap. manager. The benchmark of the Equity Pool was also changed to remove currency hedging and to include a strategic allocation to U.S. Equity Small Cap. stocks.

ANNUALIZED RETURNS vs BENCHMARK
(gross of fees)



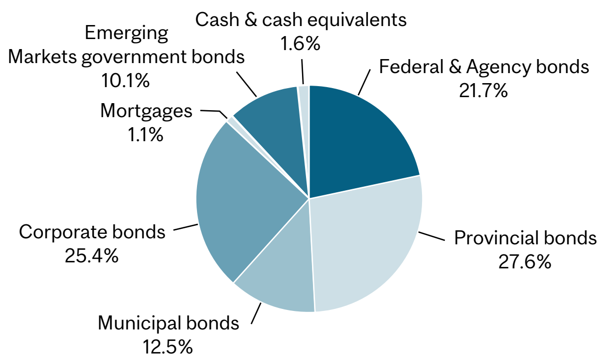
HISTORICAL ANNUAL RETURNS
(gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

FIXED INCOME POOL

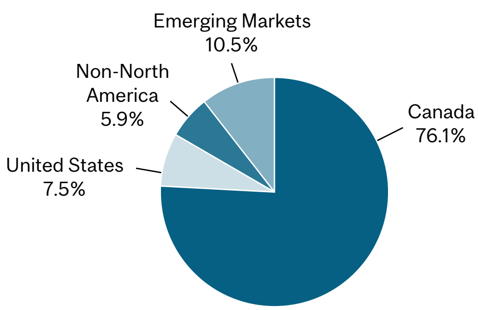
7 SUB-ASSET CLASSES



$489.0M

27.9% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	33
Administration fees	27
TOTAL	60

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 3.6%.

2023 PERFORMANCE HIGHLIGHTS

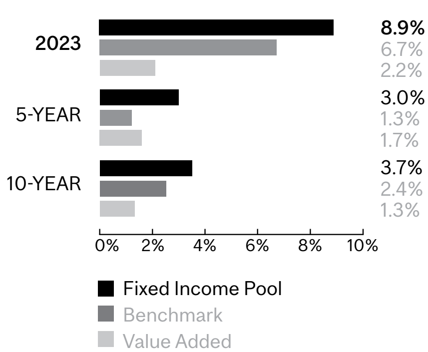
During the year, returns in fixed income were driven mainly in the last three months of the year as interest rates fell in anticipation of falling inflation and the expectation of multiple interest rate cuts in 2024. As a result, the Fixed Income Pool reported a performance of 8.9% (gross of fees), marking a robust year for the Fixed Income Pool. This strong performance was driven by the skill of the investment managers as well as the strategic diversification of the Fixed Income Pool.

PORTFOLIO CHANGES

No material changes occurred during 2023.

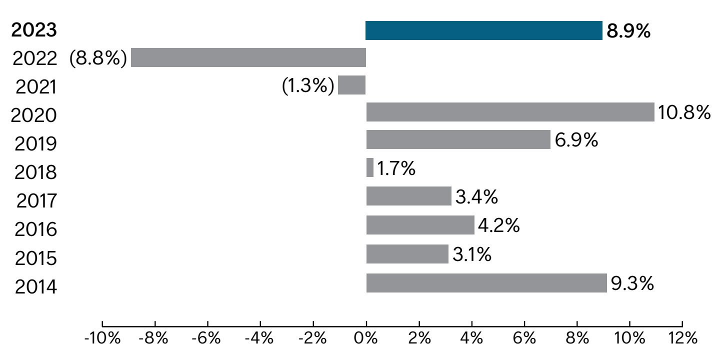
ANNUALIZED RETURNS vs BENCHMARK

(gross of fees)



HISTORICAL ANNUAL RETURNS

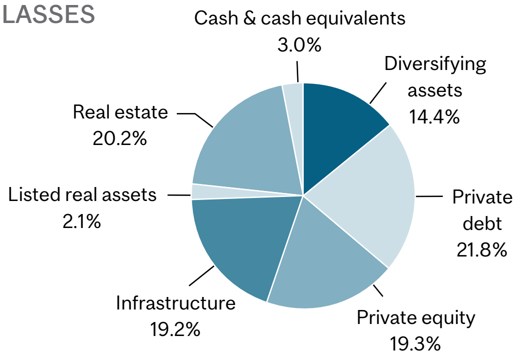
(gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

ALTERNATIVE ASSETS

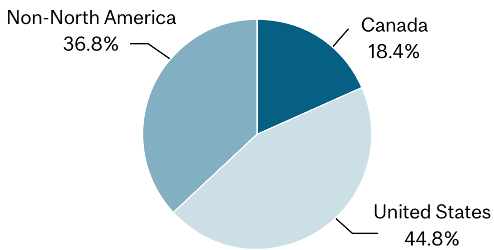
7 SUB-ASSET CLASSES



$409.0M

23.4% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	261
Administration fees	27
TOTAL	288

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 7.1%.

2023 PERFORMANCE HIGHLIGHTS

Alternative Assets generated a net of fee return of 5.5% in 2023 versus its benchmark of 9.7%. The benchmarks are non-investible as they are based either on a peer fund universe, inflation rate, interest rate or listed equity returns plus a spread. As such, these benchmarks proved to be difficult to beat over the year and are best evaluated over a longer time period. Further, Real Estate asset performance declined during the year due to higher interest rates. On the other hand, private infrastructure had a standout year as the stable inflation linked cash flows were in demand by investors. Lastly, Private Equity had a strong year supported by various exits throughout the year.

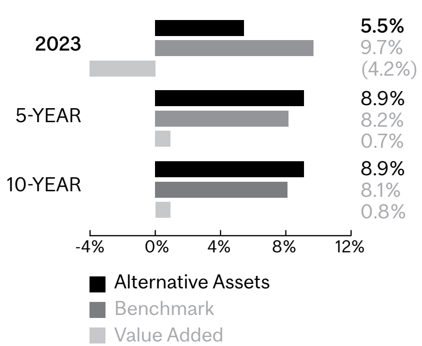
Management fees are higher for the Alternative Assets because these are privately negotiated investments. For this reason, it is the only investment option for which returns are presented net of fees, as per the industry standard.

PORTFOLIO CHANGES

In 2023, further commitments were made to private equity. The benchmark of the alternative assets pool was also modified to consider the new currency hedging strategy.

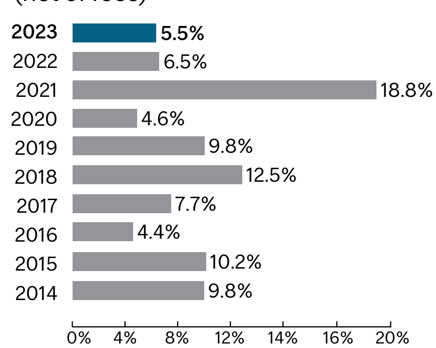
ANNUALIZED RETURNS vs BENCHMARK

(net of fees)*



HISTORICAL ANNUAL RETURNS

(net of fees)*

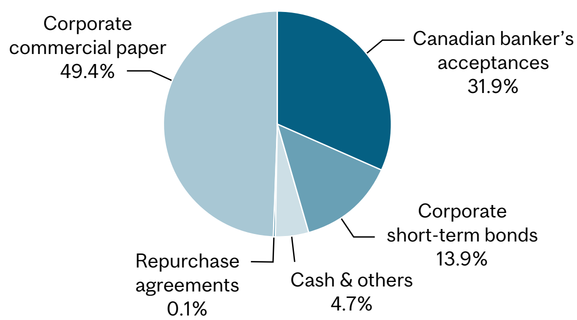


*net of fees, per industry standards

ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

MONEY MARKET POOL

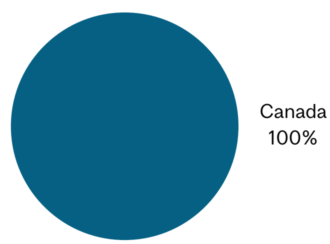
5 TYPES OF SECURITIES



$31.4M

1.8% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	9
Administration fees	11
TOTAL	20

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.

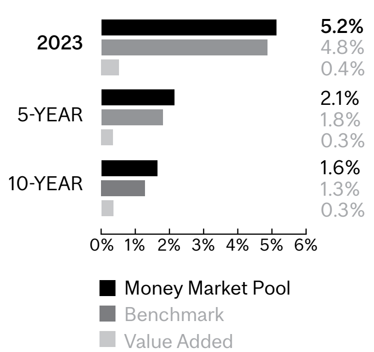
2023 PERFORMANCE HIGHLIGHTS

For the 12-month period ending December 31, 2023, the Money Market Pool generated a return of 5.2% (gross of fees). The Bank of Canada continued its fight against inflation and raised interest rates three times for a total of 0.75% during the year. Due to this, the level of return provided by the Money Market pool has continued to increase. As of December 31, 2023, the current yield to maturity of the Money Market Pool is 5.3%.

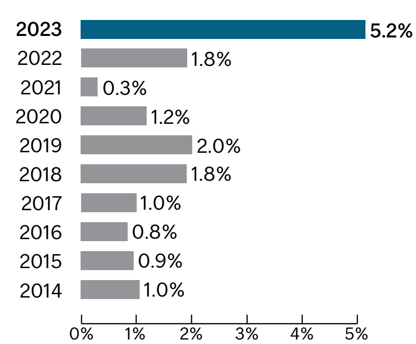
PORTFOLIO CHANGES

No material changes occurred during 2023.

ANNUALIZED RETURNS vs BENCHMARK
(gross of fees)



HISTORICAL ANNUAL RETURNS
(gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

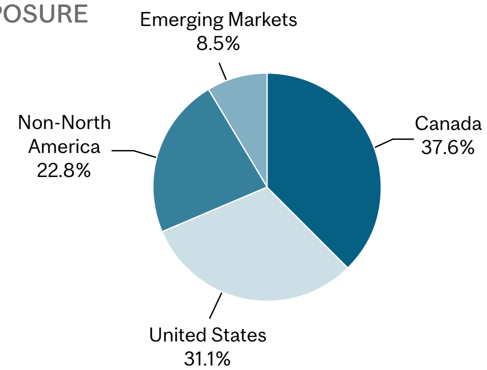
BALANCED ACCOUNT

3 ASSET CLASSES	DECEMBER 31, 2023	ACTUAL TARGET	MIN - MAX
Equity Pool	39.7%	40%	30% - 63%
Fixed Income Pool	30.7%	35%	25% - 55%
Alternative Assets	29.6%	25%	10% - 40%

$1,361.0M

77.7% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	105
Administration fees	27
TOTAL	132

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 + 3.5%, being 6.1%.

2023 PERFORMANCE HIGHLIGHTS

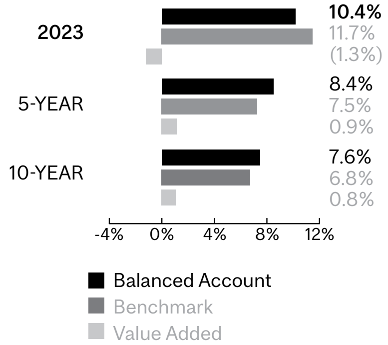
2023 was a reversal of the downturn that occurred during the prior year. The strong positive returns generated by the Equity Pool and the Fixed Income Pool contributed to the Balanced Account's robust return of 10.4% (gross of fees).

PORTFOLIO CHANGES

On the first of the year, the benchmark of the Balanced Account was adjusted to decrease equities and increase fixed income due to higher interest rates and expected returns in fixed income. Changes in the Balance Account benchmark also occured through modifications to the Equity Pool and Alternative Assets benchmarks.

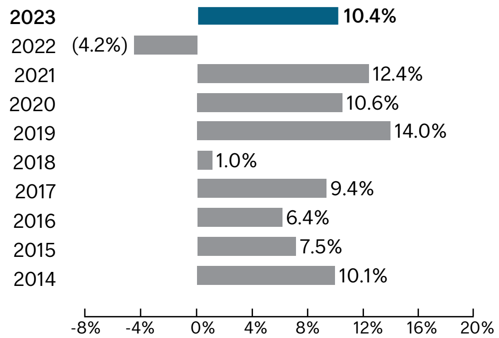
ANNUALIZED RETURNS vs BENCHMARK

(gross of fees)



HISTORICAL ANNUAL RETURNS

(gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

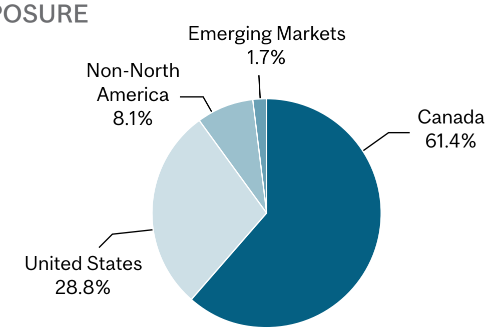
SOCIALLY RESPONSIBLE INVESTMENT POOL

3 RBC VISION FUNDS	DECEMBER 31, 2023	ACTUAL TARGET
Canadian Equity Fund	20.4%	20%
Global Equity Fund	39.2%	40%
Canadian Bond Fund	40.4%	40%

$64.5M

3.7% 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 6.0%.

2023 PERFORMANCE HIGHLIGHTS

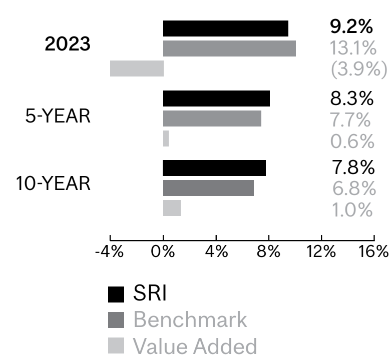
The SRI Pool had strong absolute returns of 9.2% (gross of fees) but lagged the benchmark of 13.1% during the year. This is primarily explained by the important allocation to Global equities that experienced some stock selection headwinds. The Canadian Equity and Fixed Income allocations positively contributed to the performance this year.

PORTFOLIO CHANGES

No material changes occurred during 2023.

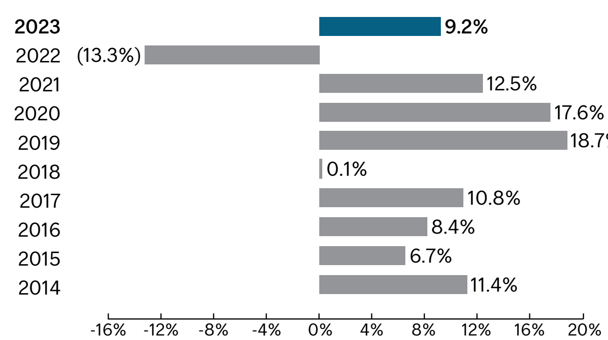
ANNUALIZED RETURNS vs BENCHMARK

(gross of fees)



HISTORICAL ANNUAL RETURNS

(gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

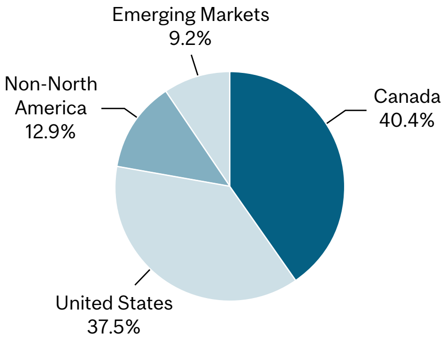
FOSSIL FUEL FREE POOL

2 RBC VISION FUNDS	DECEMBER 31, 2023	ACTUAL TARGET
Global Equity Fund	59.8%	60%
Canadian Bond Fund	40.2%	40%

$3.6M

0.2% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

Management fees	19
Administration fees	11
TOTAL	30

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 6.0%.

2023 PERFORMANCE HIGHLIGHTS

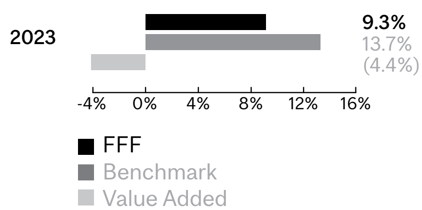
The FFF Pool returned a strong performance of 9.3% (gross of fees). The allocation to Fixed Income helped drive performance during the year due to strong credit selection and tactical yield curve management.

PORTFOLIO CHANGES

No material changes occurred during 2023.

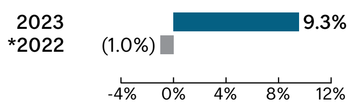
ANNUALIZED RETURNS vs BENCHMARK

(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

$44.0M

2.5% 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.

2023 PERFORMANCE HIGHLIGHTS

For the 12-month period ending on December 31, 2023, the Target Date Profiles generated robust returns ranging from 9.5% to 11.3% (gross of fees) depending on the target retirement date and the risk profile of the funds.

PORTFOLIO CHANGES

During 2023, changes occurred in the Target Date Profiles through changes in the Equity 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	2023	9.5%	9.5%	9.7%	9.7%	10.1%	10.1%	10.5%	10.5%	10.9%	10.9%	10.9%
		Benchmark	9.6%	9.6%	10.9%	10.9%	11.9%	11.9%	13.0%	13.0%	14.0%	14.0%	14.0%
		Value Added	-0.1%	-0.1%	-1.2%	-1.2%	-1.8%	-1.8%	-2.5%	-2.5%	-3.1%	-3.1%	-3.1%
	Fees in basis points	Management Fees	58	58	70	70	71	71	72	72	73	73	73
		Administration Fees	27	27	27	27	27	27	27	27	27	27	27
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	2023	9.5%	9.7%	10.1%	10.1%	10.5%	10.5%	10.9%	10.9%	11.3%	11.3%	11.3%
		Benchmark	9.6%	10.9%	11.9%	11.9%	13.0%	13.0%	14.0%	14.0%	15.1%	15.1%	15.1%
		Value Added	-0.1%	-1.2%	-1.8%	-1.8%	-2.5%	-2.5%	-3.1%	-3.1%	-3.8%	-3.8%	-3.8%
	Fees in basis points	Management Fees	58	70	71	71	72	72	73	73	74	74	74
		Administration Fees	27	27	27	27	27	27	27	27	27	27	27
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	2023	9.7%	10.1%	10.5%	10.5%	10.9%	10.9%	11.3%	11.3%	11.3%	11.3%	11.3%
		Benchmark	10.9%	11.9%	13.0%	13.0%	14.0%	14.0%	15.1%	15.1%	15.1%	15.1%	15.1%
		Value Added	-1.2%	-1.8%	-2.5%	-2.5%	-3.1%	-3.1%	-3.8%	-3.8%	-3.8%	-3.8%	-3.8%
	Fees in basis points	Management Fees	70	71	72	72	73	73	74	74	74	74	74
		Administration Fees	27	27	27	27	27	27	27	27	27	27	27

PENSIONER FUND

4 ASSET CLASSES

	DECEMBER, 31 2023
Annuity Contract	98.1%
Cash & Cash Equivalents	1.5%
Fixed Income	0.1%
Real Estate	0.3%

$134.8M

OF ASSETS

FEES in basis points

Management fees	6
Administration fees	25
TOTAL	31

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.

INVESTMENT OBJECTIVE

The Pensioner Fund's investment objective is to preserve capital and maintain liquidity while minimizing the possibility of actuarial deficiencies.

PORTFOLIO CHANGES

To reduce investment, interest rate and/or longevity risks from the Pensioner Fund, the Plan is authorized to use de-risking strategies as deemed appropriate from time to time.

On March 31, 2023, an annuity contract was purchased with an insurer for members of the Pensioner Fund who were in receipt, at that date, of an annuity payable from the Fund. The expected return of the annuity contract is aligned with the return of the liabilities associated with members of the Pensioner Fund who retired on or before March 31, 2023.

The insurer pays the Plan a monthly amount equivalent to the total benefit covered by the contract, enabling the Plan to pay annuities to retirees. This annuity contract subscription, which corresponds precisely in terms of amount and maturity to a section of the payable benefits of the Plan, is considered an investment of the Plan.

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 STRATEGIES (excluding Alternative Assets)

Equity Pool	Canadian Equity	Fidelity Investments
	US Equity	Wellington Management State Street Global Advisors Van Berkom & Associates Pzena Investment Management S&P 500 Total Return Swap
	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 Corporate & Government Bonds	RBC Global Asset Management Fiera Capital
	North American Corporate Bonds	Canso Investment Counsel
	Infrastructure Private Debt	Ares Management
	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 & Global Equity Canadian Bonds	RBC Global Asset Management
Fossil Fuel Free Pool	Global Equity Fund Canadian Bond Fund	RBC Global Asset Management
Pensioner Fund	Guaranteed Annuity Contract	Industrial Alliance

ACTUARIAL VALUATION AS AT DECEMBER 31, 2022

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, 2022. The results of such valuation were presented in a formal report dated July 18, 2023 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 may be 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*.

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, 2025 and needs to be filed with governmental authorities before the regulatory deadline of September 30, 2026. The University is required to continue to contribute based on the December 31, 2022 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 2023 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.

May 1, 2024

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, 2023, 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, 2023, 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
May 1, 2024

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

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31, 2023
(Tabular amounts expressed in thousands of dollars)

Accumulation Fund

ASSETS	2023	2022
Investments (Note 3)	$1,727,076	$1,670,646
Cash	8,360	14,534
Derivative financial instruments (Note 4)	17,075	2,181
Accrued investment income	3,807	3,750
Accounts receivable	1,019	490
McGill University contributions receivable	589	1,316
	1,757,926	1,692,917
LIABILITIES		
Derivative financial instruments (Note 4)	1,077	7,839
Accounts payable and accruals	3,162	1,892
Due to Pensioner Fund (Note 6)	7	10
Owing to former members	3,746	4,096
	7,992	13,837
Net assets available for benefits	**$1,749,934**	**$1,679,080**

Pensioner Fund

ASSETS	2023	2022
Investments (Note 3)	$133,556	$72,599
Cash	497	199
Derivative financial instruments (Note 4)	-	4
Accrued investment income	-	297
Accounts receivable	2,969	21
Receivable from Accumulation Fund (Note 6)	7	10
	137,029	73,130
LIABILITIES		
Accounts payable and accruals	44	49
Due to McGill University	2,144	2,274
	2,188	2,323
Net assets available for benefits	**$134,841**	**$70,807**
Total net assets available for benefits	**$1,884,775**	**$1,749,887**

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

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31, 2023
(Tabular amounts expressed in thousands of dollars)

Accumulation Fund

	2023	2022
Net assets available for benefits, January 1	$1,679,080	$1,838,655
INCREASE		
Investment income (Note 5)	44,553	40,158
Realized gains	79,876	15,467
Members' regular contributions	34,586	32,163
Members' cost sharing contributions	3,712	4,134
Members' voluntary contributions	1,723	1,774
McGill University's regular contributions	36,979	33,722
McGill University's current service contributions	4,538	5,291
McGill University's special contributions	3,801	5,625
Transfers from other registered plans	635	1,593
Total increase in net assets	210,403	139,927
DECREASE		
Administration expenses (Note 7)	4,623	4,111
Investment management fees	4,365	4,292
Transaction costs	251	198
Transfer from Supplemental Fund to Pensioner Fund	72,500	-
SRB transfers (Note 1(C))	2,133	952
Retirement benefits	59,658	68,841
Variable benefits	12,612	7,878
Retirement benefits - McGill University LIF/RIF	7,157	10,477
Termination benefits	14,031	24,927
Death benefits	3,716	3,385
Total decrease in net assets	181,046	125,061
Change in unrealized fair value of investments (unrealized gains (losses))	41,497	(174,441)
Change in net assets available for benefits	**70,854**	**(159,575)**
Net assets available for benefits, December 31	**$1,749,934**	**$1,679,080**

Pensioner Fund

	2023	2022
Net assets available for benefits, January 1	$70,807	$103,142
INCREASE		
Investment income (Note 5)	606	1,867
Realized gains	21,319	1,706
Transfer from Supplemental Fund	72,500	-
SRB transfers (Note 1(C))	2,133	952
Total increase in net assets	96,558	4,525
DECREASE		
Administration expenses (Note 7)	315	201
Investment management fees	20	96
Pension payments	11,108	20,388
Pension payments - annuity contract	7,901	-
Total decrease in net assets	19,344	20,685
Change in unrealized fair value of investments (unrealized losses)	(13,180)	(16,175)
Change in net assets available for benefits	**64,034**	**(32,335)**
Net assets available for benefits, December 31	**$134,841**	**$70,807**
Total net assets available for benefits, December 31	**$1,884,775**	**$1,749,887**

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

NOTES TO THE FINANCIAL REPORT

December 31, 2023
(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 September 2023, following the results of the valuation exercise performed as at December 31, 2022, members' cost sharing contributions, which offset the University's regular contributions in the Defined Contribution Component, was reduced from 1.9% to 1.4% 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, 2023
(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, 2023, 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, 2023
(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) Fixed income investments are valued using price or yield equivalent quotations supplied by third-party vendors.

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

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

(e) 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.

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

(g) The annuity contract's fair value is determined by the Plan actuaries using a proxy for the fair value of similar annuities.

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 46 days in the Accumulation Fund (2022 - 52 days) and 68 days in the Pensioner Fund (2022 - 94 days).

Fixed Income

In the Accumulation Fund, bonds, 43.6% of which are guaranteed by the federal or provincial governments (2022 - 37.0%), have a weighted average yield to maturity of 4.9% (2022 - 5.3%) and an average duration of 7.5 years (2022 - 6.9 years). In the Pensioner Fund there are no remaining bonds (2022 - 73.8% were guaranteed by the federal or provincial governments). The weighted average yield to maturity is not applicable (2022 - 4.7%) nor is the average duration (2022 - 5.9 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, 2023
(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 and 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.

Annuity Contract

In the Pensioner Fund, the annuity contract is a buy-in contract with an insurer. See Note 9 for more details.

(B) COMMITMENTS

In the Accumulation Fund, there are unfunded commitments in the amount of $162.7 million (2022 - $220.0 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 assets and 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, 2023 and 2022.

(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, 2023 and 2022.

(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 and a total return swap is used to manage this risk.

NOTES TO THE FINANCIAL REPORT

December 31, 2023

3. Investments and Financial Instruments (continued)

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

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 $38.1 million (2022 - $33.2 million)	N/A (2022 - $2.0 million)
	1% increase (decrease) Annuity contract	N/A	An increase results in a decrease of the annuity contract fair value by $6.9 million (2022 - N/A) and a decrease results in an increase of $7.8 million (2022 - N/A)
Foreign currency risk on investments	$0.01 appreciation (depreciation) of the United States dollar versus the Canadian dollar	Increase (decrease) the fair value of investments of approximately $4.4 million (2022 - $4.2 million)	N/A (2022 - $290 thousand)
	$0.01 appreciation (depreciation) of Euro dollar versus Canadian dollar	Increase (decrease) the fair value of investments of approximately $1.1 million (2022 - $945 thousand)	N/A
Foreign currency risk on forward contracts	$0.01 appreciation (depreciation) of United States dollar versus Canadian dollar	Decrease (increase) the fair value of forward contracts of approximately $611 thousand (2022 - $2.0 million)	N/A
	$0.01 appreciation (depreciation) of Euro dollar versus Canadian dollar	Decrease (increase) the fair value of forward contracts of approximately $341 thousand (2022 - $527 thousand)	N/A
Equity price risk	10% change in equity prices	$78.8 million change in the fair value of the equity investments (2022 - $77.9 million)	N/A (2022 - $3.7 million)

NOTES TO THE FINANCIAL REPORT

December 31, 2023
(Tabular amounts expressed in thousands of dollars)

3. Investments and Financial Instruments (continued)

(H) INVESTMENT DETAIL

	Accumulation Fund		Pensioner Fund	
	2023	2022	2023	2022
Cash equivalents				
Canadian	$62,578	$35,964	$1,970	$2,200
Foreign	15,610	17,044	1	1
	78,188	53,008	1,971	2,201
Fixed income investments				
Canadian	388,592	336,504	88	30,141
Foreign	119,981	141,189	-	2,933
	508,573	477,693	88	33,074
Equity investments				
Canadian	406,277	346,378	1	93
Foreign	337,860	414,393	-	36,968
	744,137	760,771	1	37,061
Alternative Assets*				
Real assets	161,003	154,498	262	263
Listed real assets	8,508	6,914	-	-
Private investments	167,921	161,324	-	-
Diversifying assets	58,746	56,438	-	-
	396,178	379,174	262	263
Annuity contract	-	-	131,234	-
Total Investments	**$1,727,076**	**$1,670,646**	**$133,556**	**$72,599**

* In the Accumulation Fund, 80.3% (2022 - 75.5%) of Alternative Assets are held in foreign currencies. There are no Alternative Assets held in foreign currencies in the Pensioner Fund in 2023 and 2022.

NOTES TO THE FINANCIAL REPORT

December 31, 2023
(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, 2023			
Accumulation Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$78,188	$-	$-	$78,188
Fixed income investments	-	493,689	14,884	508,573
Equity investments	483,488	260,649	-	744,137
Alternative Assets	8,508	-	387,670	396,178
Total Investments	**$570,184**	**$754,338**	**$402,554**	**$1,727,076**
Other Financial Assets				
Evaluated at fair value	-	$17,075	-	$17,075
Other Financial Liabilities				
Evaluated at fair value	-	$1,077	-	$1,077

	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

NOTES TO THE FINANCIAL REPORT

December 31, 2023
(Tabular amounts expressed in thousands of dollars)

3. Investments and Financial Instruments (continued)

(I) FAIR VALUE HIERARCHY (continued)

	Fair Value as at December 31, 2023			
Pensioner Fund	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$1,971	$-	$-	$1,971
Fixed income investments	-	88	-	88
Equity investments	1	-	-	1
Alternative Assets	-	-	262	262
Annuity contact	-	-	131,234	131,234
Total Investments	**$1,972**	**$88**	**$131,496**	**$133,556**
Other Financial Assets				
Evaluated at fair value	-	-	-	-

	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	93	36,968	-	37,061
Alternative Assets	-	-	263	263
Total Investments	**$2,294**	**$70,042**	**$263**	**$72,599**
Other Financial Assets				
Evaluated at fair value	-	$4	-	$4

NOTES TO THE FINANCIAL REPORT

December 31, 2023
(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, 2022	$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
Purchases	76,396	134,291
Sales	(78,296)	(115)
Change in fair value	11,941	(2,943)
Fair value, December 31, 2023	**$402,554**	**$131,496**

During 2023 and 2022, 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, 2023
(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, interest rate swaps and a total return swap.

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 and a total return swap to mitigate the Plan's equity 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	2023			2022		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives Fowards	$187,181	$5,077	$692	$445,831	$2,181	$5,730
Interest Rate derivatives Swaps	300,000	11,998	-	300,000	-	2,109
Total Return Swap	93,358	-	385	-	-	-
Total	$580,539	$17,075	$1,077	$745,831	$2,181	$7,839

Pensioner Fund	2023			2022		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency derivatives Fowards	$ -	$ -	$ -	$2,451	$ 4	$ -
Total	$ -	$ -	$ -	$2,451	$ 4	$ -

* In the Accumulation Fund, the largest foreign currency exposure is to the United States dollar and the Euro in 2023 and 2022. In the Pensioner Fund, there was no foreign currency exposure in 2023 (2022 - Largest foreign currency exposure is to the United States dollar).

NOTES TO THE FINANCIAL REPORT

December 31, 2023
(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	
	2023	2022	2023	2022
Under 1 year	$580,539	$745,831	$ -	$2,451
1 to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Total	$580,539	$745,831	$ -	$2,451

5. Investment Income

	Accumulation Fund		Pensioner Fund	
	2023	2022	2023	2022
Cash and cash equivalents	$8,320	$1,067	$278	$30
Fixed income	15,280	13,367	327	1,644
Equity	11,872	16,999	1	187
Alternative Assets	8,948	8,528	-	-
Securities lending	133	197	-	6
Total	**$44,553**	**$40,158**	**$606**	**$1,867**

6. Receivable from/due to Accumulation and Pensioner Fund

As at December 31, 2023, $7 thousand (2022 - $10 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, 2023
(Tabular amounts expressed in thousands of dollars)

7. Administration Expenses

Administration expenses include the following:

	Accumulation Fund		Pensioner Fund	
	2023	2022	2023	2022
Service provider record keeping fees	$1,496	$1,471	$117	$65
Salaries and benefits	1,362	1,134	103	56
Custodial	261	280	17	19
Liability insurance	240	193	20	9
GST/QST charge	177	151	7	8
Actuarial	176	122	4	5
Performance measurement fees	133	115	9	12
Financial data providers	126	113	-	-
Retraite Québec fees	114	114	10	6
Trustee	101	114	8	5
Audit	85	83	9	4
Other expenses	352	221	11	12
Total	**$4,623**	**$4,111**	**$315**	**$201**

8. Credit Line

During the year, the Plan had an authorized credit line of $40 million (2022 - $40 million). While different drawdown options are available, the Plan's preferred option is to draw on the credit line through banker's acceptances for periods of up to ninety days. The banker's acceptance rate in effect as at December 31, 2023 was 5.6% (2022 – 4.8%). As at December 31, 2023, the credit line was unused.

9. Annuity Contract

On March 31, 2023, the Plan invested in an annuity contract with an insurer to cover the annuities of all retired participants as of that date. The initial premium amounted to $137.2 million. As per the clauses of the contract and following a review of the data, the Plan was entitled to a premium reimbursement of $2.9 million. The insurer pays the Plan a monthly amount equivalent to the total benefit covered by the contract, enabling the Plan to pay annuities to retirees. This annuity contract subscription, which corresponds precisely in terms of amount and maturity to a section of the payable benefits of the Plan, is considered an investment.

10. 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.

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.

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

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.

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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

McGill

mcgill.ca/hr/pensions/mupp