



MCGILL UNIVERSITY PENSION PLAN

ANNUAL REPORT

DECEMBER 31, 2024

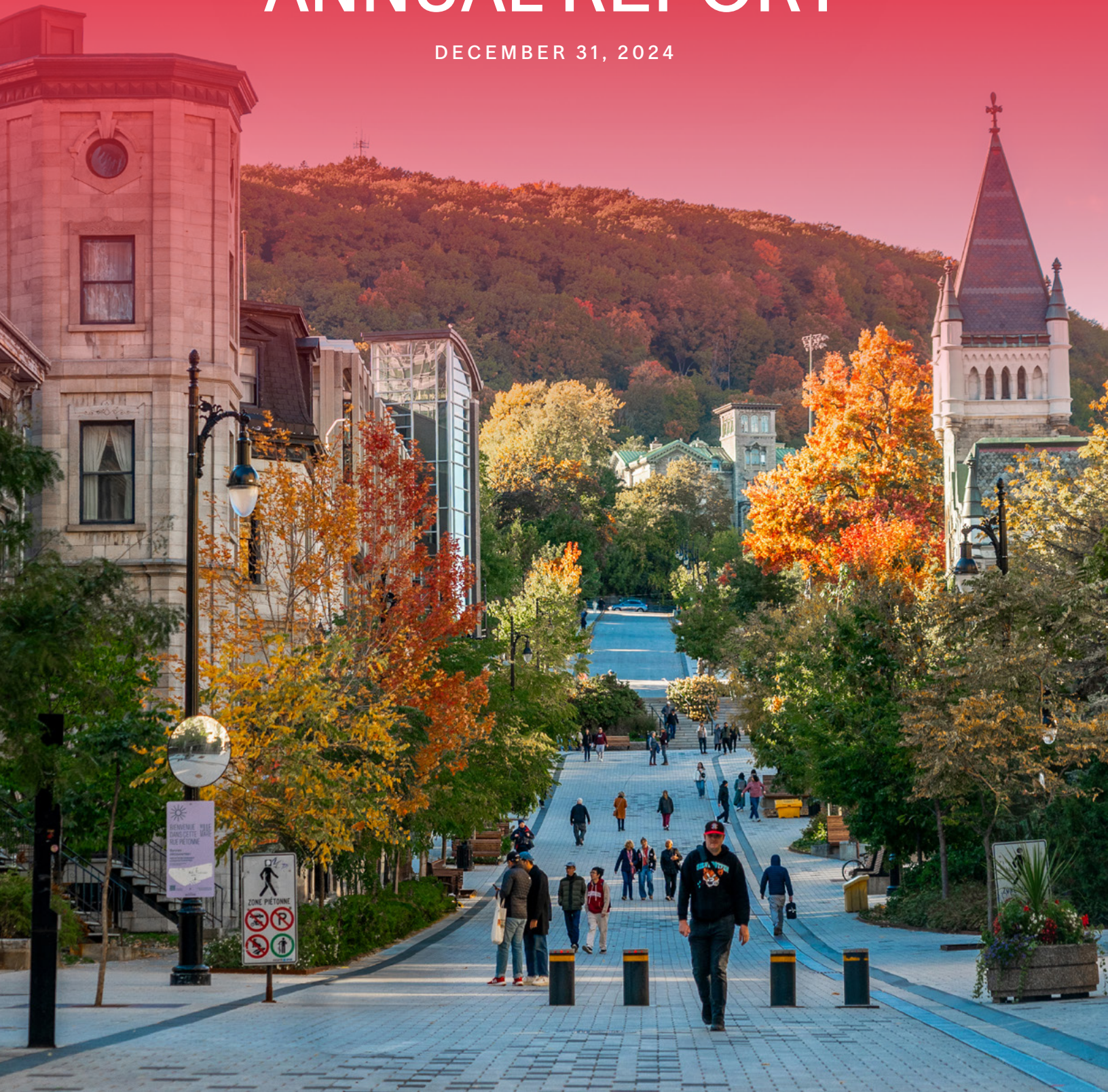




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Bolded words throughout the annual report are defined in the Glossary.

2024 HIGHLIGHTS

INVESTMENT OPTIONS

\$1.5B

OF ASSETS

12.1% RETURN IN 2024

5-YEAR ANNUALIZED RETURN: 8.1%

BALANCED ACCOUNT

\$838.5M

OF ASSETS

20.4% RETURN IN 2024

5-YEAR ANNUALIZED RETURN: 9.9%

EQUITY POOL

\$508.4M

OF ASSETS

4.1% RETURN IN 2024

5-YEAR ANNUALIZED
RETURN: 2.5%

**FIXED INCOME
POOL**

\$73.5M

OF ASSETS

18.4% RETURN IN 2024

5-YEAR ANNUALIZED
RETURN: 8.2%

**SOCIALLY RESPONSIBLE
INVESTMENT POOL**

\$5.0M

OF ASSETS

20.2% RETURN IN 2024

**FOSSIL FUEL FREE
POOL**

\$31.5M

OF ASSETS

5.2% RETURN IN 2024

5-YEAR ANNUALIZED
RETURN: 2.7%

**MONEY MARKET
POOL**

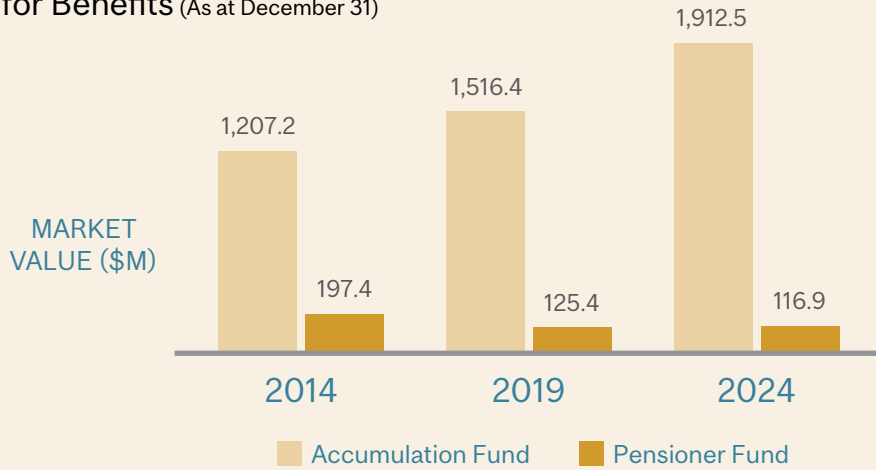
\$49.3M

OF ASSETS

RETURNS VARY ACCORDING TO
MEMBER'S PROFILE

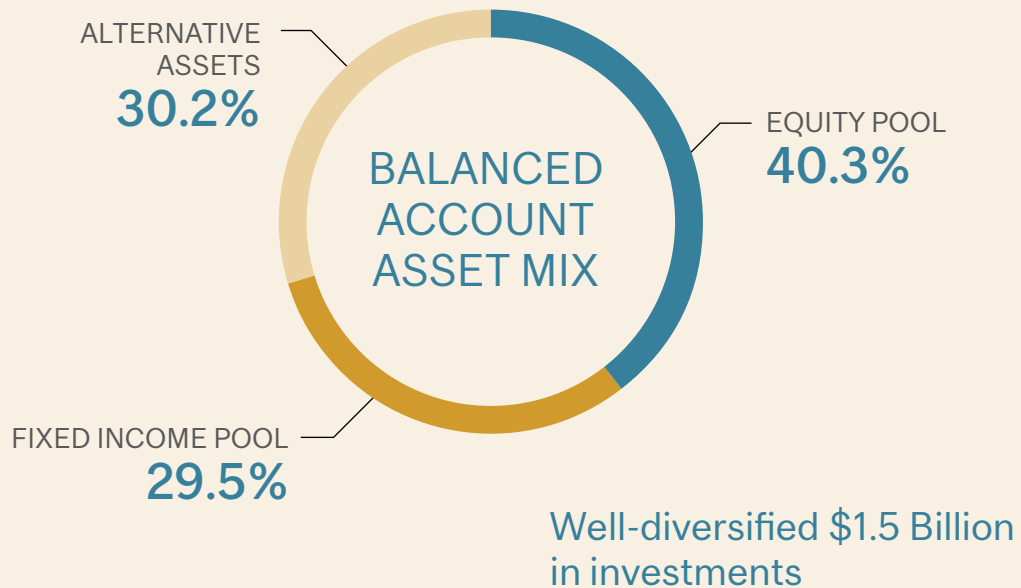
**TARGET DATE
PROFILES**

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



77.1%

OF ASSETS ARE INVESTED IN THE BALANCED ACCOUNT OPTION



2024 HIGHLIGHTS

MEMBERSHIP

AS AT DECEMBER 31, 2024

GROWTH IN PLAN MEMBERSHIP

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

Membership Statistics as of December 31

| | 2014 | 2019 | 2024 |
|-------------------|--------------|---------------|--------------|
| Active | 5,738 | 6,545 | 6,612 |
| Deferred | 2,672 | 2,823 | 2,397 |
| Pensioners | 1,202 | 963 | 725 |
| Variable Benefits | 0 | 0 | 264 |
| Total | 9,612 | 10,331 | 9,998 |

Over the last 10 years, active membership has grown by 15%

PLAN MEMBERS AND ASSETS

6



6,612

ACTIVE MEMBERS

\$1.4B in assets

48 years - members' average age

59% women

41% men



2,397

DEFERRED MEMBERS

\$247.6M in assets

53 years - members' average age

53% women

47% men

725

MEMBERS IN PENSIONER FUND

85 years - members' average age

264

VARIABLE BENEFITS MEMBERS

\$151.2M in assets

70 years - members' average age

MESSAGE

FROM THE PENSION ADMINISTRATION COMMITTEE

The Pension Administration and Investment Committees are dedicated to ensuring that our pension plan remains financially sustainable for both members and the University, the Plan sponsor. Our goal is to deliver optimal long-term returns across the investment options selected by Plan members according to their risk tolerance. With a diverse set of investment choices, we empower members to tailor their portfolios to their individual risk profiles and socially responsible investment preferences.

Reflecting on the past year, I am pleased to report strong performance across the Plan's investment options. The Balanced Account - comprising a diversified mix of assets with varying risk characteristics - remains the most popular choice among our members. It delivered a robust return of 12.1% for the year, supported by the solid performance of its underlying sub-pools, including the Fixed Income Pool, Equity Pool, and Alternative Assets. The Equity Pool, in particular, achieved an impressive return of 20.4%, primarily driven by strong performance in the U.S. market. Detailed investment results for individual pools can be found on page 18 of this report.

These results reflect the positive impact of strategic decisions made in previous years, which laid the groundwork for this year's success. Notably, the revised foreign exchange hedging strategy - eliminating USD hedging on U.S. equities - generated meaningful gains for the Equity Pool. Additionally, significant changes to the U.S. Equity structure have substantially enhanced the asset class's potential to generate added value.

Another key highlight of the year was our progress in Socially Responsible Investing (SRI). The Plan made significant strides in strengthening investment managers' ESG due diligence processes, ensuring a more rigorous evaluation of investments. Furthermore, a comprehensive review benchmarked our practices against industry peers, confirming that our ESG approach aligns with best-in-class standards. This positions the Plan as a responsible and forward-thinking pension fund for our members. Details on these initiatives can be found on pages 16 and 17.

Finally, hedging positions were strategically implemented to protect the Plan's surplus at critical moments - when interest rates peaked, and equity markets were at elevated levels. These risk management instruments will generate profits if interest rates continue to decline and if equity markets experience downturns. Both instruments are already delivering substantial gains, significantly strengthening the Plan's financial position amid the volatile start to the year.

In addition to offering monthly information sessions on a variety of subjects, Pension Administration continued issuing quarterly instalments of Pension News. These newsletters are intended to keep members informed on items related to the Plan, including year-end activities, legislative changes, highlights of the Annual Meeting and ways to learn more about the Plan including consulting the information and tools available on the Sun Life secure site.

Details of the membership of the PAC and the PIC are available on pages 9 and 10. At the Annual Meeting held in a hybrid format on June 6, 2024, Professor Sebastien Betermier and Professor Markus Poschke were elected in the two academic staff positions replacing Professor Dror Etzion who resigned in 2023 and Professor Julia Scott whose term ended in June 2024. Mr. Christopher Newman was elected in the administrative and support staff position replacing Ms. Nikoo Taghavi whose term had also ended. On behalf of the PAC, I would like to extend my sincere thanks to all the outgoing members for their outstanding service to the McGill University Pension Plan. A special thanks to Professor Scott for her outstanding leadership and dedication as Chair of the PAC since June 2018.

As well, I would like to thank the members of the PAC and the PIC as well as the staff in Pension Administration and the Office of Investments for their expertise, diligence, and consideration in delivering the kind of excellent service and performance Plan members expect and deserve.

This year's Annual Meeting of Plan Members will be held on Wednesday, June 4th at noon. I hope you can attend.



Diana Dutton, MBA
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 2024, there were five 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.

At the annual meeting held on June 6, 2024, Professors Sebastien Betermier and Markus Poschke were appointed for three-year terms in the two Academic Staff positions replacing Professor Julia Scott, whose term had ended and Professor Dror Etzion who resigned in 2023. Mr. Christopher Newman was appointed for a three-year term in one of the two Administrative & Support Staff positions replacing Ms. Nikoo Taghavi.

During 2024, Mr. Pierre Lavigne and Ms. Tina Hobday were both reappointed for new three-year terms

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 2024, 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 2024, Mr. Sebastien Betermier joined the Audit Committee, replacing Ms. Julia Scott.

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

Mr. Sebastien Betermier
Associate Professor of Finance
Desautels Faculty of Management

PENSION ADMINISTRATION COMMITTEE

| | | |
|--|---|--|
|  | Ms. Diana Dutton, MBA (Chair of the PAC) Associate Vice-President Human Resources | Appointed by the President & the Chair of the Board Term ending May 2027 |
|  | Mr. Sebastien Betermier Associate Professor of Finance Desautels Faculty of Management | Elected by the Academic Staff Term ending June 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 June 2028 |
|  | Mr. Pierre Lavigne, FSA, FCIA, CFA Pension Consultant | Appointed by the Board of Governors Term ending December 2027 |
|  | Mr. Christopher Newman Senior Analyst Facilities, Campus & IT Portfolio | Elected by the Administrative Staff & Support Staff Term ending June 2027 |
|  | 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 | Elected by the Academic Staff Term ending June 2027 |
|  | 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 2024, 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. Paul Stinis' term as Chair of the PIC was renewed for a second term. Mr. Pierre Lavigne's term was also renewed for an additional three-year term. Ms. Julia Scott's term ended in June 2024 and she was replaced by Ms. Diana Dutton. The PIC thanks Ms. Scott for her wise counsel these past years.

PENSION INVESTMENT COMMITTEE

| | |
|---|--|
| Mr. Paul Stinis (Chair of the PIC) Corporate Director | Independent external member Second term ending January 2028 |
| Ms. Catherine Janson , CFA Chief Investment Officer Samara | Independent external member First term ending January 2028 |
| 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. Pension Consultant | Independent external member First term ending January 2026 |
| Mr. Pierre Lavigne , FSA, FCIA, CFA Pension Consultant | PAC member Term ending December 2027 |
| Mr. François Quinty , CFA Director Investment Management Via Rail Canada | Independent external member Second term ending January 2026 |
| Ms. Diana Dutton , MBA (Chair of the PAC) Associate Vice-President, Human Resources | Chair of the PAC as ex-officio Term ending May 2027 |
| Ms. Dominique Vézina , CFA, MBA Vice-President, Risk - Investments Risk 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 \$5.9 million in 2024 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 to assess the amount of additional University contributions, referred to as Solvency Top-Up Contributions, that are required to ensure that Part A members can access 100% of their holdings upon the earlier of termination, retirement, or reaching age 71.

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, 2023, the degree of solvency of the Plan was 104.5%.

The table below shows the change in the degree of solvency from 2022 to 2023:

| SOLVENCY POSITION ¹ | DECEMBER 31, 2023 \$ in 000s | DECEMBER 31, 2022 \$ in 000s |
|--------------------------------|---------------------------------|---------------------------------|
| MARKET VALUE OF ASSETS | 252,279 | 238,187 |
| SOLVENCY LIABILITIES | 241,500 | 248,086 |
| SOLVENCY EXCESS (DEFICIENCY) | 10,779 | (9,899) |
| DEGREE OF SOLVENCY | 104.5% | 96.0% |

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 2024

| ACCUMULATION FUND | FROM MEMBERS \$ in 000s | FROM UNIVERSITY \$ in 000s |
|--|----------------------------|-------------------------------|
| REGULAR CONTRIBUTIONS | 35,007 | 38,521 |
| CURRENT SERVICE CONTRIBUTIONS | | 3,631 |
| SOLVENCY TOP-UP CONTRIBUTIONS | | 94 |
| DEFICIT AMORTIZATION CONTRIBUTIONS | | 2,238 |
| PART A MEMBER COST - SHARING CONTRIBUTIONS | 2,800 | |
| VOLUNTARY CONTRIBUTIONS | 1,786 | |
| TOTAL | 39,593 | 44,484 |

BENEFITS AND PENSION PAYMENTS

Accumulation Fund

During 2024, 1,646 settlements were transacted totalling \$123.0 million. The type of settlement transactions processed and the benefits paid out during the year are detailed below.

Settlements in 2024

| ACCUMULATION FUND | NUMBER OF SETTLEMENTS | TOTAL AMOUNT \$ in 000s |
|--|-----------------------|----------------------------|
| RETIREMENT BENEFITS - EXTERNAL TRANSFER | 196 | 71,729 |
| RETIREMENT BENEFITS - TRANSFER TO MCGILL UNIVERSITY LIF/LIRA | 17 | 10,311 |
| VARIABLE BENEFITS | 670 | 15,924 |
| TERMINATION BENEFITS | 751 | 23,632 |
| DEATH BENEFITS | 12 | 1,442 |
| TOTAL | 1,646 | 123,038 |

Pensioner Fund

As at December 31, 2024, there were 725 pensioners and beneficiaries receiving pensions from the Pensioner Fund. The total of such pension payments amounted to \$17.9 million in 2024.

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 2024.

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 2024, users collectively logged into the mobile app over 39 thousand times, an increase of 24% from 2023. The retirement planner, another popular tool for members, was used 1,063 times.

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 2024, 907 members attended the 57 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**. The assets of the Supplemental Fund increased from \$116.2 million at December 31, 2023, to \$129.6 million at December 31, 2024. These assets are invested in the Balanced Account and are included in the financial statements of the Accumulation Fund.

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

The Balanced Account earned a robust return of 12.1% 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 respectable year generating 4.1%. In 2024, the Canadian bond market experienced volatility amid fluctuating interest rates and economic uncertainties. Despite initial challenges, mid- and long-term bond yields remained relatively stable, supported by a resilient economy and easing of central bank short term policy rates. The short end of the interest rate curve delivered the strongest results, driven by an initial steepening of the curve and higher short-term rates. Additionally, corporate bonds outperformed government bonds due to credit spreads compression.

The Equity Pool delivered a strong return of 20.4%, driven by the U.S. market performance. The country's dominance was supported by the strong performance of several large technology companies, robust corporate earnings, and the continued momentum of artificial intelligence. This marks the second consecutive year in which the U.S. has achieved impressive performance, exceeding 20%. Outside the U.S., returns remained strong but were lower, with international stocks returning 13.2% and emerging markets 17.3%. These markets faced some relative challenges versus the U.S. such as slowing economies, weaker investor sentiment, periods of heightened geopolitical risks, and a lagging Chinese consumer, all of which impacted demand for these assets.

Alternative Assets are privately traded assets and typically respond to public market trends with a delay. Alternative Assets consist of both private equity, real estate, infrastructure, hedge funds and private debt investments and serves to enhance diversification, expand the investment opportunity set, and provide direct exposure to specific themes. During 2024, Alternative Assets lagged public equities, which had a particularly strong year. However, performance is expected to improve as market conditions become more favourable and deal-making activity accelerates. In addition to reducing the volatility of the balanced account returns, the Alternative Assets' long-term performance has been compelling, contributing positively to the returns of the Balanced Account and Target Date Fund participants. Over the past 10 years, Alternative Assets have generated an annualized return of 8.6% (after management fees).

In 2024, geopolitical risks escalated, yet investment performance remained strong. Looking ahead to 2025, a wave of new national leaders will assume office, potentially introducing shifts in taxation, regulation, government spending, and trade policies. Given the uncertainty surrounding these developments, their exact impact remains difficult to predict. This reinforces the importance of diversification to better manage risk across regions, asset classes, and investment themes. We anticipate higher volatility in 2025 due to the increased uncertainty and a wider range of potential outcomes.

Although inflation has eased, especially in Canada, we expect greater long-term volatility compared to the past two decades. Economies may face periods of higher inflation rather than the sustained low-inflation environment seen in the 2000s. Deglobalization, the sustainability transition, increased protectionist policies and geopolitical risks such as tariffs and conflicts are all ongoing trends that could act as inflationary forces. In this environment, portfolio resilience and diversification are paramount. Investing in Private Debt, Real Estate and Infrastructure will help mitigate inflation risk. At the same time, we are paying special attention to trends in artificial intelligence, which could drive long-term productivity gains, reduce inflation risks and drive innovation. We are seeing early signs of its applicability in certain business settings, but the multi-year infrastructure development required to affect an entire economy is still being built.

It is important to highlight that just eight technology stocks contributed to approximately half of the total gains in the U.S. equity market in 2024, building on their role in driving over 50% of the market's total return in 2023. As a result, we recognize that both the U.S. equity market and corporate bonds are currently experiencing elevated valuations. In combination with this, there is increased economic uncertainty, driven in part by global trade tensions and geopolitical risks. In response, priority is being given to liquidity and diversification to help manage risk and position the portfolio to benefit from potential shifts in market conditions.

Despite uncertainties and potential volatility, we remain confident in the long-term potential of a diversified portfolio to deliver positive outcomes.

THE PLAN & SOCIALLY RESPONSIBLE INVESTING

The Plan is managed in accordance with the Socially Responsible Investment (“SRI”) Policy, approved in 2023, which outlines its approach to integrating environmental, social, and governance (“ESG”) factors into investment decision-making and engagement activities. This complements traditional financial analysis to support the long-term financial wellbeing of the Plan’s members. The Policy’s founding principles highlight the importance of selecting investment managers with strong SRI practices that promote responsible corporate behaviour with companies, while offering a diverse range of investment options that suit a wide range of beneficiaries' financial needs, risk tolerance and preferences.

BENCHMARKING EXERCISE

After implementing the SRI Policy in 2023, the Office of Investments assessed the Plan’s ESG practices against industry best practices and peers. This began with studying the newly released Guideline for Risk Management for Plan Administrators by the Canadian Association of Pension Supervisory Authorities (CAPSA). The guideline outlines key risk management considerations, including ESG risks, to help plan administrators fulfill their duties.

The Office of Investments developed a framework of 14 ESG recommendations from this guideline to evaluate the Plan’s practices, finding that most were already adopted. A survey of similar Canadian university pension plans was conducted for benchmarking, revealing the Plan as a leader in ESG integration. New procedures are being implemented to further align with CAPSA guidelines and enhance risk management.

SRI POLICY

In 2024, the SRI Policy was amended to clarify the specific ESG factors deemed material to the Plan’s investment strategy. This additional language formalizes and emphasizes areas of focus:

- Climate Change
- Health and Safety
- Diversity, Equity, and Inclusion (“DEI”)
- Indigenous Rights
- Labour Practices
- Effective Governance Practices

ACTIVE OWNERSHIP

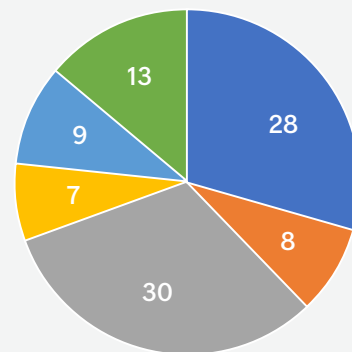
The Plan uses its ownership positions to influence companies on risk and opportunity management through engagement and proxy voting, aiming to maximize long-term value.

Engagement is carried out via two channels: investment managers meeting with executives to encourage responsible corporate behavior and through SHARE, a leading engagement service provider. As an extension of the new amendment to the SRI Policy, SHARE is now engaging on social and governance issues, on top of their existing climate-related coverage. During 2024, SHARE engaged with 68 companies included within the Plan’s portfolio and tracked 35 cases of positive progress.

Proxy voting influences corporate governance, board structures, and ESG initiatives. The Office of Investments audited proxy voting ballots between July 2023 and June 2024, showing increased support for environmental and social proposals since the last audit in 2022.

These activities aim to improve the sustainability and financial well-being of the Plan’s investments for long-term capital appreciation and income.

NUMBER OF SHARE ENGAGEMENTS BY TOPIC



- Climate Action Plans
- Sustainable Finance
- Decent Work
- Investing in the Indigenous Economy
- Diversity, Equity, and Inclusion
- Technology & Digital Rights

ESG DUE DILIGENCE QUESTIONNAIRE

An annual due diligence questionnaire is circulated to the Plan’s third-party investment managers to assess their integration of environmental and social considerations into their financial analysis, risk management, and governance. This helps evaluate ESG performance, track year-over-year improvements, and determine the level of engagement needed with managers to encourage further ESG integration. It is a key component of the overall manager performance assessment.

The questionnaire was recently updated to reflect market best practices and includes asset-class-specific surveys. The results showed generally satisfactory practices, with some areas identified for improvement, prompting discussions with managers.

Starting in 2024, prospective managers are now exposed to a hiring questionnaire to ensure new investment managers have a sufficient level of ESG integration.

SUSTAINABLE INVESTMENTS

The Plan has previously committed capital to investment strategies designed to benefit from the global transition to a sustainable economy. Capital from these commitments is actively being deployed.

The Plan committed U.S. \$20 million to a private equity impact fund. Examples of recent investments within the fund include a company that reduces food waste and a financial services provider that expands access to homeownership through affordable loans for first-time and self-employed buyers in under-served communities.

The Plan committed U.S. \$15 million to a renewable infrastructure fund actively investing in renewable energy assets globally. One of its recent projects involves a large-scale solar power installation increasing the availability of sustainable and affordable energy in regions previously dependent on fossil fuels.

These investments provide environmental and social benefits, alongside financial returns, positioning the Plan’s assets to benefit from growth in the sustainable economy.



CARBON FOOTPRINT

The Plan calculates the carbon footprint of its listed equities and corporate fixed income investment portfolios annually. The carbon footprint is measured using tons of carbon dioxide equivalent emitted (“tCO₂e”) divided by its Enterprise Value Including Cash (“EVIC”). This produces the tons of CO₂e per USD 1 million invested (“tCO₂e/\$M”). Data is sourced from MSCI ESG Research LLC as of December 31st, 2024. MSCI is a global provider of market indices and Environment, Social, and Governance (“ESG”) solutions with expertise in ESG analysis and carbon footprint measurement.

The Equity Pool’s carbon footprint has consistently been significantly below the benchmark partly due to its broader global opportunity set and sector diversity. By contrast, the Fixed Income Pool is mostly invested in Canadian issuers, including some from higher-emission sectors—such as aviation, energy, and utility infrastructure. The Office of Investments closely monitors corporate issuers on their environmental progress, balancing financial performance with climate risk oversight.

Carbon Footprint (Tons CO₂e / \$M invested)¹

| | Listed Equities | | Corporate Fixed Income | |
|-------------------|-----------------|-----------|------------------------|-----------|
| | The Plan | Benchmark | The Plan | Benchmark |
| Equity Pool | 41.5 | 54.0 | - | - |
| Fixed Income Pool | - | - | 92.1 | 39.4 |
| SRI Pool | 43.9 | 46.5 | 74.6 | 39.4 |
| FFF Pool | 18.4 | 39.6 | 30.3 | 39.4 |

Types of greenhouse gas emissions according to the GHG Protocol Corporate Accounting and Reporting Standard

| | |
|---------|---|
| Scope 1 | All direct emissions from sources owned or controlled by the company |
| Scope 2 | Indirect greenhouse gas emissions from consumption of energy |
| Scope 3 | Other indirect emissions that occur in the value chain of the company |

¹ Scope 1 & 2 emissions, listed equities and corporate fixed income only

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, 2024 (gross of fees)

| ASSET CLASSES | BENCHMARKS | ASSETS (\$ Millions) | 2024 RETURNS | BENCHMARK'S RETURNS | VALUE ADDED |
|---------------------------------------|---|----------------------|---------------|---------------------|----------------|
| BALANCED INVESTMENT STRATEGIES | | | | | |
| Balanced Account | 40% Equity Pool Benchmark 25% Alternative Assets Benchmark 35% Fixed Income Pool Benchmark | 1,473.8 | 12.1% | 14.3% | -2.2% |
| Socially Responsible Investment Pool | 20% S&P/TSX Capped Composite 40% MSCI World Total Return Net (C\$) 40% FTSE Canada Universe Bond | 73.5 | 18.4% | 17.4% | 1.0% |
| 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 | 5.0 | 20.2% | 18.2% | 2.0% |
| Target Date profiles | | 49.3 | 8.5% to 17.0% | 9.8% to 20.0% | -3.0% to -1.3% |
| SPECIFIC INVESTMENT STRATEGIES | | | | | |
| Equity Pool | 20% S&P/TSX Composite 30% S&P 500 10% Russell 2000 29% MSCI EAFE 11% MSCI Emerging Markets | 838.5 | 20.4% | 23.2% | -2.8% |
| Fixed Income Pool | FTSE Canada Bond Universe | 508.4 | 4.1% | 4.2% | -0.1% |
| Alternative Assets ¹ | 40% Real Assets Benchmark 20% Private Equity Benchmark 20% Private Debt Benchmark 20% Diversifying Assets Benchmark | 451.9 | 7.1% | 15.2% | -8.1% |
| Money Market Pool | FTSE Canada 30-Day T-Bill | 31.5 | 5.2% | 4.7% | 0.5% |

¹ Net of fees

ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

BALANCED ACCOUNT

3 ASSET CLASSES

| | DECEMBER 31, 2024 | ACTUAL TARGET | MIN - MAX |
|--------------------|-------------------|---------------|-----------|
| Equity Pool | 40.3% | 40% | 30% - 63% |
| Fixed Income Pool | 29.5% | 35% | 25% - 55% |
| Alternative Assets | 30.2% | 25% | 10% - 40% |

INVESTMENT OBJECTIVE

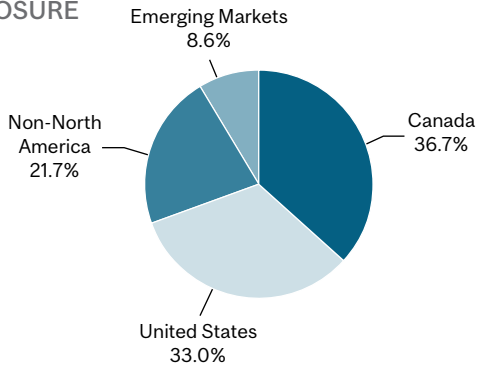
The Balanced Account’s investment objective is to optimize capital accumulation over the long-term through allocations to the Equity Pool, Fixed Income Pool and Alternative Assets, as determined by the Pension Administration Committee.

The annualized long-term objective measured over a 10-year period is the annual change in the Canadian CPI + 3.5%, being 6.1%. The long-term objective was achieved with a 10-year annualized performance of 7.8% at December 31, 2024.

\$1,473.8M

77.1% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



2024 PERFORMANCE HIGHLIGHTS

The Balanced Account earned a robust return of 12.1% (gross of fees) for the year, driven by strong performance across its sub-pools. The Fixed Income Pool generated a 4.1% return despite market volatility, supported by stable mid- and long-term bond yields and strong corporate bond performance. The Equity Pool excelled with a 20.4% return, led by the U.S. market’s tech sector and artificial intelligence momentum. Alternative Assets lagged public equities but provided a boost compared to fixed income returns.

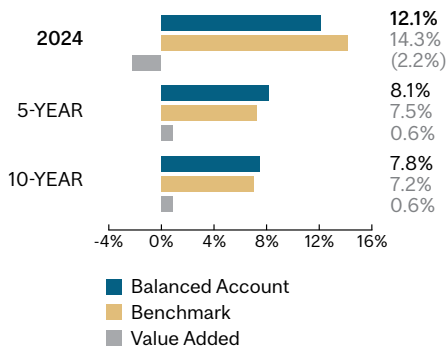
PORTFOLIO CHANGES

Any changes made to the Fixed Income, Equity Pool and Alternative Assets impacted the Balanced Account.

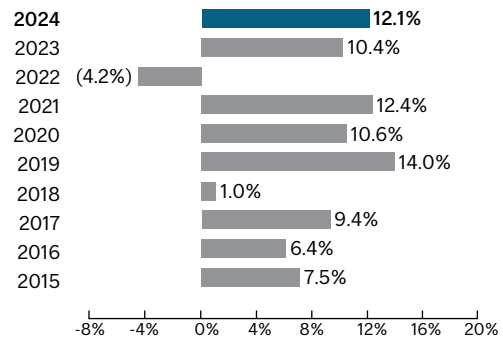
FEES in basis points

| | |
|---------------------|------------|
| Management fees | 85 |
| Administration fees | 27 |
| TOTAL | 112 |

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

| FUNDS | DECEMBER 31, 2024 | ACTUAL TARGET |
|----------------------|-------------------|---------------|
| Canadian Equity Fund | 20.2% | 20% |
| Global Equity Fund | 40.2% | 40% |
| Canadian Bond Fund | 39.6% | 40% |

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%. The long-term objective was achieved with a 10-year annualized performance of 8.5% at December 31, 2024.

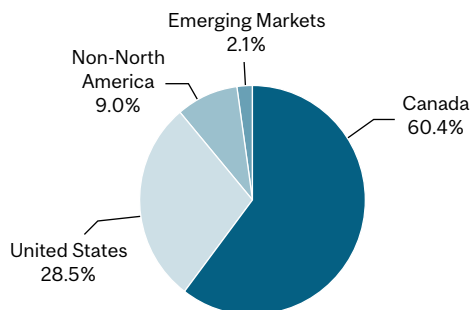
\$73.5M

3.8% OF ACCUMULATION FUND ASSETS

2024 PERFORMANCE HIGHLIGHTS

The SRI Pool had strong absolute returns of 18.4% (gross of fees) during the year. The main driver of this performance was a higher weight to U.S. equities that performed very well compared to other regions as well as strong performance by the fund manager.

GEOGRAPHIC EXPOSURE



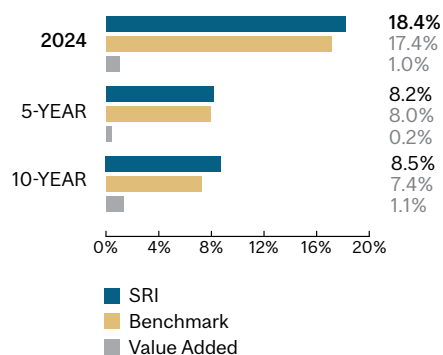
PORTFOLIO CHANGES

No material changes occurred during 2024.

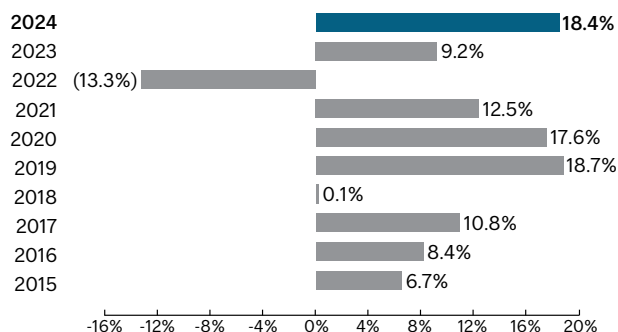
FEES in basis points

| | |
|---------------------|-----------|
| Management fees | 18 |
| Administration fees | 10 |
| TOTAL | 28 |

ANNUALIZED RETURNS vs BENCHMARK (gross of fees)



HISTORICAL ANNUAL RETURNS (gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

FOSSIL FUEL FREE POOL

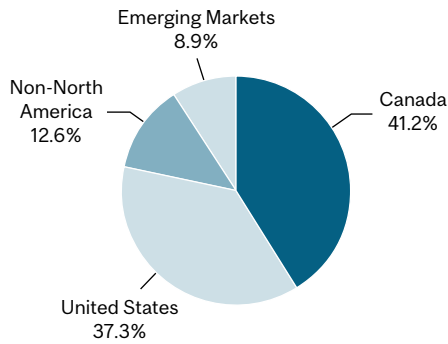
2 RBC VISION FUNDS

| FUNDS | DECEMBER 31, 2024 | ACTUAL TARGET |
|--------------------|-------------------|---------------|
| Global Equity Fund | 59.2% | 60% |
| Canadian Bond Fund | 40.8% | 40% |

\$5.0M

0.3% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

| | |
|---------------------|-----------|
| Management fees | 18 |
| Administration fees | 9 |
| TOTAL | 27 |

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%.

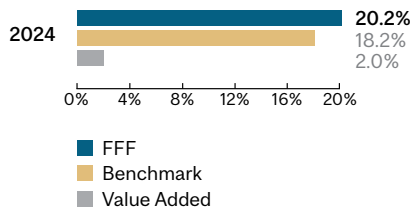
2024 PERFORMANCE HIGHLIGHTS

The FFF Pool returned 20.2% (gross of fees) for 2024. The main driver of this performance was a higher weight to U.S. equities that performed very well compared to other regions as well as strong performance by the fund manager.

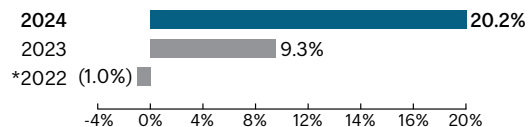
PORTFOLIO CHANGES

No material changes occurred during 2024.

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

\$49.3M
2.6% 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.

2024 PERFORMANCE HIGHLIGHTS

For the 12-month period ending on December 31, 2024, the Target Date Profiles generated returns ranging from 8.5% to 17.0% (gross of fees) depending on the target retirement date and the risk profile of the funds. The performance is impacted by the relative weight of the various Pools.

PORTFOLIO CHANGES

In 2024, a change in the structure of the Target Date Profiles resulted in the creation of the Retirement Fund, which remains at the final asset allocation of each Target Date risk profile. As a result, members that are still part of a given Target Date Profile beyond its expiration will be transferred to its respective risk profile's Retirement Fund. This change was made for simplification of the Target Date Profiles structure and does not result in any change of investment allocation for members.

Any changes made to the Fixed Income Pool, Equity Pool, and Alternative Assets impacted the Target Date Profiles.

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

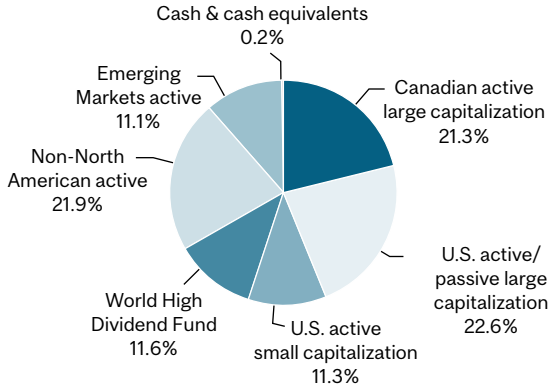
| | | Target Date | Ret. Fund | 2025 | 2030 | 2035 | 2040 | 2045 | 2050 | 2055 | 2060 | 2065 | 2070 |
|---------------------------|----------------------------|---------------------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| CONSERVATIVE RISK PROFILE | Annual Return ¹ | 2024 | 8.5% | 8.5% | 10.3% | 10.3% | 12.0% | 12.0% | 13.6% | 13.6% | 15.3% | 15.3% | 15.3% |
| | Fees in basis points | Management Fees | 50 | 50 | 62 | 62 | 66 | 66 | 71 | 71 | 76 | 76 | 76 |
| | | Administration Fees | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 |
| | | Target Date | Ret. Fund | 2025 | 2030 | 2035 | 2040 | 2045 | 2050 | 2055 | 2060 | 2065 | 2070 |
| MODERATE RISK PROFILE | Annual Return ¹ | 2024 | 8.5% | 10.3% | 12.0% | 12.0% | 13.6% | 13.6% | 15.3% | 15.3% | 17.0% | 17.0% | 17.0% |
| | Fees in basis points | Management Fees | 50 | 62 | 66 | 66 | 71 | 71 | 76 | 76 | 80 | 80 | 80 |
| | | Administration Fees | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 |
| | | Target Date | Ret. Fund | 2025 | 2030 | 2035 | 2040 | 2045 | 2050 | 2055 | 2060 | 2065 | 2070 |
| AGGRESSIVE RISK PROFILE | Annual Return ¹ | 2024 | 10.3% | 12.0% | 13.6% | 13.6% | 15.3% | 15.3% | 17.0% | 17.0% | 17.0% | 17.0% | 17.0% |
| | Fees in basis points | Management Fees | 62 | 66 | 71 | 71 | 76 | 76 | 80 | 80 | 80 | 80 | 80 |
| | | Administration Fees | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 |

¹ Returns are approximate and internally calculated. They are provided for informational purposes only.

ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

EQUITY POOL

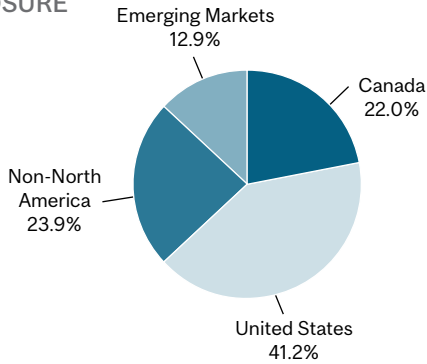
7 SUB-ASSET CLASSES



\$838.5M

43.8% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

| | |
|---------------------|-----------|
| Management fees | 70 |
| Administration fees | 27 |
| TOTAL | 97 |

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%. The long-term objective was achieved with a 10-year annualized performance of 9.4% at December 31, 2024.

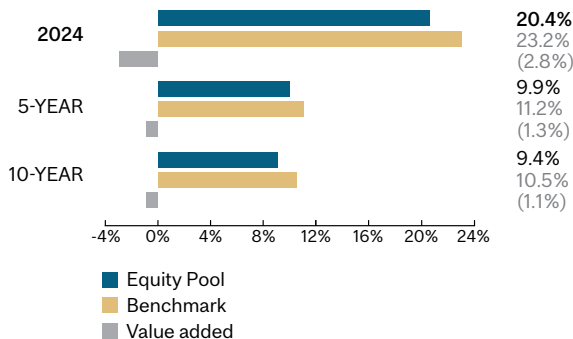
2024 PERFORMANCE HIGHLIGHTS

The Equity Pool achieved a strong return of 20.4%, driven by the U.S. market for the second consecutive year. This performance was supported by large technology companies, robust corporate earnings, and the momentum of artificial intelligence. International and emerging market stocks had strong absolute performance but lagged the U.S.

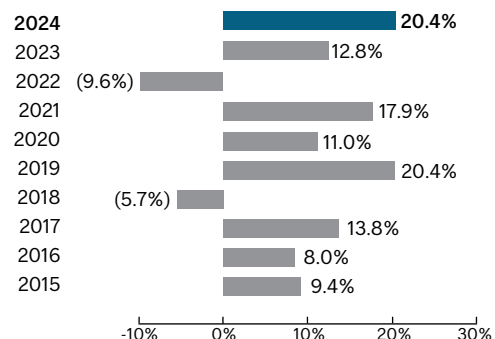
PORTFOLIO CHANGES

The portfolio allocation was revised, and a rebalancing was conducted to enhance performance consistency over the long term. This led to the reduction of an active U.S. large capitalization strategy. USD currency hedging was implemented at the end of 2024 in alignment with the Statement of Investment Policy.

ANNUALIZED RETURNS vs BENCHMARK (gross of fees)



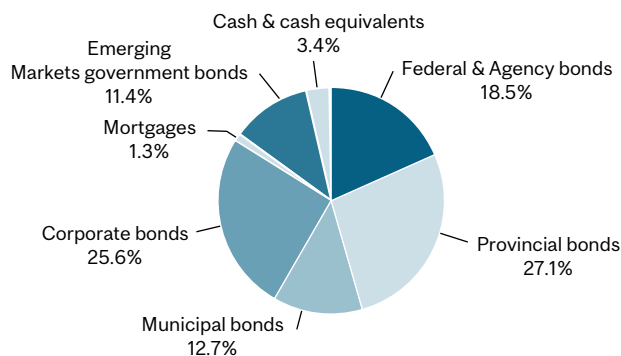
HISTORICAL ANNUAL RETURNS (gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

FIXED INCOME POOL

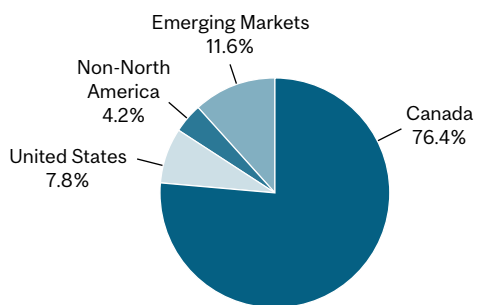
7 SUB-ASSET CLASSES



\$508.4M

26.6% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



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%. The 10-year annualized return is slightly below target due to the high inflation over the past several years.

2024 PERFORMANCE HIGHLIGHTS

The Fixed Income Pool achieved a 4.1% return for the year. In 2024, the Canadian bond market faced significant volatility due to fluctuating interest rates and economic uncertainties. Despite these initial challenges, mid- to long-term bond yields remained relatively stable, bolstered by a resilient economy and the easing of central bank short-term policy rates.

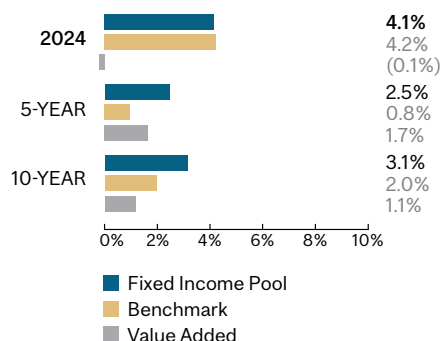
PORTFOLIO CHANGES

The global bond mandate was significantly reduced in 2024.

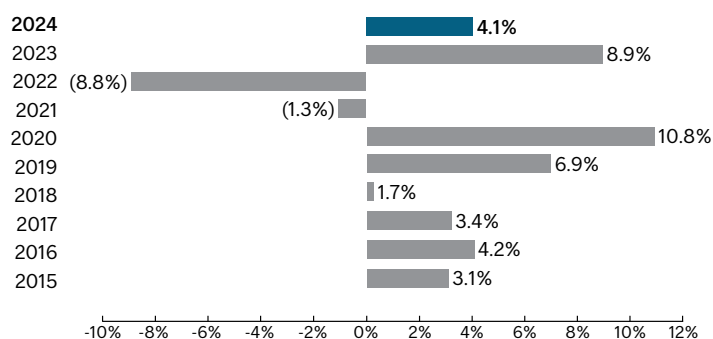
FEES in basis points

| | |
|---------------------|-----------|
| Management fees | 23 |
| Administration fees | 27 |
| TOTAL | 50 |

ANNUALIZED RETURNS vs BENCHMARK (gross of fees)



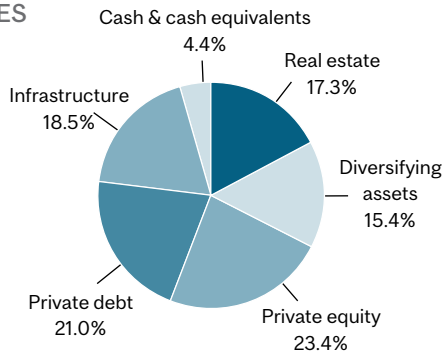
HISTORICAL ANNUAL RETURNS (gross of fees)



ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

ALTERNATIVE ASSETS

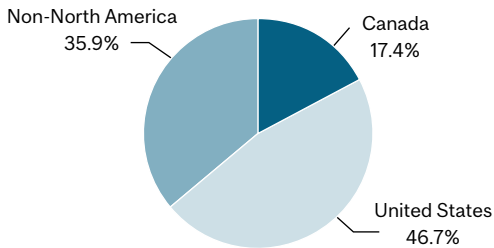
6 SUB-ASSET CLASSES



\$451.9M

23.6% OF ACCUMULATION FUND ASSETS

GEOGRAPHIC EXPOSURE



FEES in basis points

| | |
|---------------------|------------|
| Management fees | 171 |
| Administration fees | 27 |
| TOTAL | 198 |

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%. The long-term objective was achieved with a 10-year annualized performance of 8.6% at December 31, 2024.

2024 PERFORMANCE HIGHLIGHTS

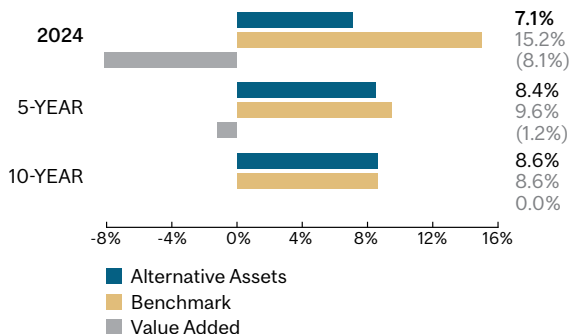
Alternative Assets generated a net of fee return of 7.1% in 2024. Alternative Assets are privately traded assets and typically respond to public market trends with a delay. In 2024, Alternative Assets underperformed compared to public equities but did better than fixed income. Over the past 10 years, Alternative Assets have generated a strong annualized return of 8.6% after management fees.

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.

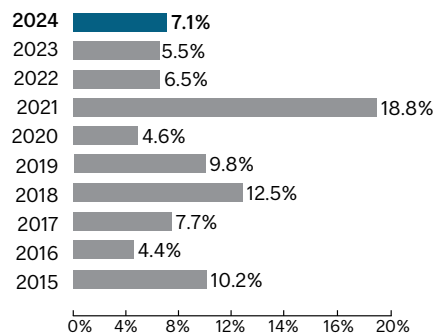
PORTFOLIO CHANGES

In 2024, further commitments were made to two real estate and two private debt funds. The Listed Real Asset fund was terminated.

ANNUALIZED RETURNS vs BENCHMARK (net of fees)*



HISTORICAL ANNUAL RETURNS (net of fees)*

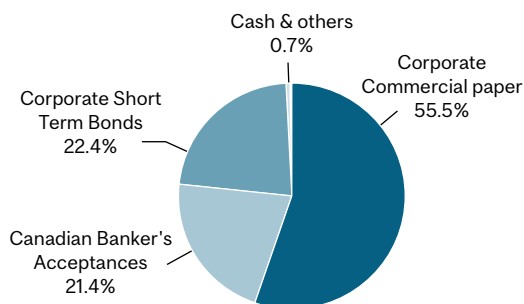


*net of fees, per industry standards

ANALYSIS OF PERFORMANCE BY INVESTMENT OPTION

MONEY MARKET POOL

3 TYPES OF SECURITIES



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, being 3.7%. The long-term objective was achieved with a 3-year annualized performance of 4.1% at December 31, 2024.

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

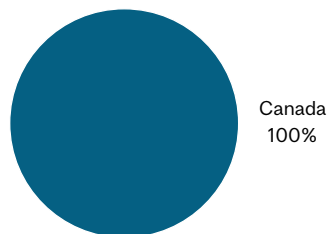
\$31.5M

1.6% OF ACCUMULATION FUND ASSETS

2024 PERFORMANCE HIGHLIGHTS

For the 12-month period ending December 31, 2024, the Money Market Pool generated a return of 5.2% (gross of fees). The Bank of Canada began to reduce interest rates as inflation moderated throughout the year. As of December 31, 2024, the current yield of the Money Market Pool is 3.5%, which represents the expected return over the next year, assuming no subsequent changes to interest rates.

GEOGRAPHIC EXPOSURE



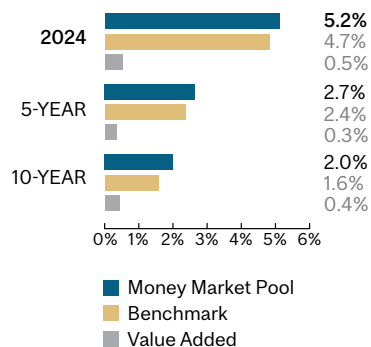
PORTFOLIO CHANGES

No material changes occurred during 2024.

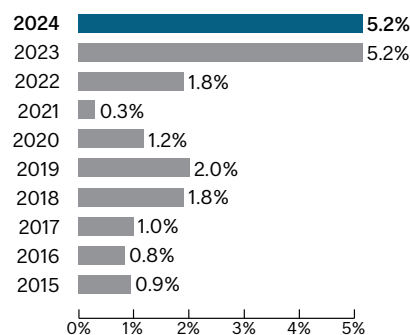
FEES in basis points

| | |
|---------------------|-----------|
| Management fees | 9 |
| Administration fees | 11 |
| TOTAL | 20 |

ANNUALIZED RETURNS vs BENCHMARK (gross of fees)



HISTORICAL ANNUAL RETURNS (gross of fees)



PENSIONER FUND

4 ASSET CLASSES

| | DECEMBER, 31 2024 |
|-------------------------|----------------------|
| Annuity Contract | 97.9% |
| Cash & Cash Equivalents | 1.9% |
| Fixed Income | 0.1% |
| Real Estate | 0.1% |

\$116.9M
OF ASSETS

FEES in basis points

| | |
|---------------------|-----------|
| Management fees | <1 |
| Administration fees | 20 |
| TOTAL | 20 |

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. To reduce investment, interest rate and/or longevity risks from the Pensioner Fund, the Plan is authorized to use derisking 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.

All supplemental retirement benefit transfers into the Pensioner Fund made after the annuity contract date are currently invested in a money market fund. Once a critical mass of assets has been accumulated, the funds will be reallocated to enable broader diversification across asset classes.

MANAGEMENT FEES

Total investment management fees incurred by the Pensioner Fund represent less than one basis point of the Fund's total assets.

INVESTMENT OBJECTIVE

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

PORTFOLIO CHANGES

No material changes occurred during 2024.

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 the Alternatives asset class)

| | | |
|---|--|--|
| Equity Pool | Canadian Equity | Fidelity Investments |
| | U.S. Equity | Wellington Management State Street Global Advisors Van Berkomp & Associates Pzena Investment Management Portable Alpha Strategy on S&P 500 index |
| | Non-North American Equity | William Blair & Company RBC Global Asset Management Mawer Investment Management Ninety One |
| Fixed Income Pool | Global Dividend Equity | State Street Global Advisors |
| | 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 |
| Money Market Pool | Emerging Market Government Bonds | Colchester Global Investors |
| | 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 |
| | Canadian Short-term Investments | TD Asset Management |

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. The last interim valuation to report on the solvency financial position of the Plan was prepared as at December 31, 2023 and filed with Retraite Québec on April 29, 2024.

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 2024 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.

April 30, 2025



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, 2024, 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, 2024, 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

Montreal, Quebec
April 30, 2025

¹CPA Auditor, public accountancy permit No. A130874

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31, 2024
(Tabular amounts expressed in thousands of dollars)

Accumulation Fund

| ASSETS | 2024 | 2023 |
|--|--------------------|--------------------|
| Investments (Note 3) | \$1,903,427 | \$1,727,076 |
| Cash | 9,888 | 8,360 |
| Derivative financial instruments (Note 4) | 9,351 | 17,075 |
| Accrued investment income | 3,923 | 3,807 |
| Accounts receivable | 3,581 | 1,019 |
| McGill University contributions receivable | 731 | 589 |
| | 1,930,901 | 1,757,926 |
| LIABILITIES | | |
| Derivative financial instruments (Note 4) | 4,130 | 1,077 |
| Accounts payable and accruals | 7,927 | 3,162 |
| Due to Pensioner Fund (Note 6) | 13 | 7 |
| Owing to former members | 6,363 | 3,746 |
| | 18,433 | 7,992 |
| Net assets available for benefits | \$1,912,468 | \$1,749,934 |

34

Pensioner Fund

| ASSETS | 2024 | 2023 |
|--|--------------------|--------------------|
| Investments (Note 3) | \$116,454 | \$132,830 |
| Cash | 3,198 | 1,223 |
| Accounts receivable | 1 | 2,969 |
| Receivable from Accumulation Fund (Note 6) | 13 | 7 |
| | 119,666 | 137,029 |
| LIABILITIES | | |
| Accounts payable and accruals | 46 | 44 |
| Due to McGill University | 1,260 | 2,144 |
| Deferred annuity receipt | 1,443 | - |
| | 2,749 | 2,188 |
| Net assets available for benefits | \$116,917 | \$134,841 |
| Total net assets available for benefits | \$2,029,385 | \$1,884,775 |

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

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31, 2024
(Tabular amounts expressed in thousands of dollars)

| Accumulation Fund | 2024 | 2023 |
|---|--------------------|--------------------|
| Net assets available for benefits, January 1 | \$1,749,934 | \$1,679,080 |
| INCREASE | | |
| Investment income (Note 5) | 52,739 | 44,553 |
| Realized gains | 74,616 | 79,876 |
| Members' regular contributions | 35,007 | 34,586 |
| Members' cost-sharing contributions | 2,800 | 3,712 |
| Members' voluntary contributions | 1,786 | 1,723 |
| McGill University's regular contributions | 38,521 | 36,979 |
| McGill University's current service contributions | 3,631 | 4,538 |
| McGill University's special contributions | 2,332 | 3,801 |
| Transfer to Supplemental Fund from Pensioner Fund | 3,011 | - |
| Transfers from other registered plans | 1,790 | 635 |
| Total increase in net assets | 216,233 | 210,403 |
| DECREASE | | |
| Administration expenses (Note 7) | 4,784 | 4,623 |
| Investment management fees | 5,747 | 4,365 |
| Transaction costs | 198 | 251 |
| Transfer from Supplemental Fund to Pensioner Fund | - | 72,500 |
| SRB transfers (Note 1(C)) | 463 | 2,133 |
| Retirement benefits | 71,729 | 59,658 |
| Variable benefits | 15,924 | 12,612 |
| Retirement benefits - McGill University LIF/RIF | 10,311 | 7,157 |
| Termination benefits | 23,632 | 14,031 |
| Death benefits | 1,442 | 3,716 |
| Total decrease in net assets | 134,230 | 181,046 |
| Change in unrealized fair value of investments | 80,531 | 41,497 |
| Change in net assets available for benefits | 162,534 | 70,854 |
| Net assets available for benefits, December 31 | \$1,912,468 | \$1,749,934 |
| | | |
| Pensioner Fund | 2024 | 2023 |
| Net assets available for benefits, January 1 | \$134,841 | \$70,807 |
| INCREASE | | |
| Investment income (Note 5) | 139 | 606 |
| Realized gains | 211 | 21,319 |
| Transfer from Supplemental Fund | - | 72,500 |
| SRB transfers (Note 1(C)) | 463 | 2,133 |
| Total increase in net assets | 813 | 96,558 |
| DECREASE | | |
| Administration expenses (Note 7) | 263 | 315 |
| Investment management fees | 4 | 20 |
| Transfer to Supplemental Fund | 3,011 | - |
| Pension payments | 95 | 11,108 |
| Pension payments - annuity contract | 17,833 | 7,901 |
| Total decrease in net assets | 21,206 | 19,344 |
| Change in unrealized fair value of investments | 2,469 | (13,180) |
| Change in net assets available for benefits | (17,924) | 64,034 |
| Net assets available for benefits, December 31 | \$116,917 | \$134,841 |
| | | |
| Total net assets available for benefits, December 31 | \$2,029,385 | \$1,884,775 |

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

NOTES TO THE FINANCIAL REPORT

December 31, 2024

(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 Québec 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, 2024

(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

CHANGE IN ACCOUNTING POLICY

Effective January 1, 2024, the Plan has adopted the amendments to Section 4600, Pension Plans, of Part IV of the *CPA Canada Handbook - Accounting*, which provide additional guidance to:

- Clarify that a statement of changes in pension obligations is not required for defined contribution pension plans;
- Determine the split or amalgamation date for pension plans;
- Recognize, measure and disclose guidance on the accounting for guaranteed annuity contracts (commonly referred to as "buy-in" or "buy-out" annuity contracts);
- Clarify the presentation requirements for combination plans; and
- Enhance risk disclosure required for interests in master trusts.

The adoption of these amendments did not impact the Plan's financial report, with the exception that the Plan has applied the new requirements for disclosure relevant to the annuity contract.

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.

NOTES TO THE FINANCIAL REPORT

December 31, 2024

(Tabular amounts expressed in thousands of dollars)

2. Significant Accounting Policies
(continued)

Investments as at December 31, 2024, 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.

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 59 days in the Accumulation Fund (2023 - 46 days) and 32 days in the Pensioner Fund (2023 - 68 days).

Fixed Income

In the Accumulation Fund, bonds, 43.2% of which are guaranteed by the federal or provincial governments (2023 - 43.6%), have a weighted average yield to maturity of 4.6% (2023 - 4.9%) and an average duration of 7.4 years (2023 - 7.5 years). In the Pensioner Fund there were no bonds as at December 31, 2024 and December 31, 2023.

Equity Investments

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

NOTES TO THE FINANCIAL REPORT

December 31, 2024

(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 funds investing directly in Canadian, U.S. and European properties and infrastructure investments consist of funds that invest directly in European and U.S. infrastructure assets.

As at year-end, the Pensioner Fund no longer had exposure to real estate investments. The remaining balance represents residual cash held by the external real estate fund manager pending the final liquidation of the fund.

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 private equity funds.

Diversifying Assets

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

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 \$213.5 million (2023 - \$162.7 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 or insurance company 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, 2024 and 2023.

(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, 2024 and 2023.

(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, equity options and a total return swap are used to manage this risk. Note 4 quantifies the equity derivatives outstanding as at December 31, 2024 and 2023.

NOTES TO THE FINANCIAL REPORT

December 31, 2024

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 approximately \$38.5 million (2023 - \$38.1 million) | N/A |
| | 1% increase (decrease) Annuity contract | N/A | An increase results in a decrease of the valuation of the annuity contract by \$6.0 million (2023 - \$6.9 million) and a decrease results in an increase of \$6.6 million (2023 - \$7.8 million) |
| 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 \$4.8 million (2023 - \$4.4 million) | N/A |
| | \$0.01 appreciation (depreciation) of Euro versus Canadian dollar | Increase (decrease) the fair value of investments of approximately \$990 thousand (2023 - \$1.1 million) | 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 \$1.3 million (2023 - \$611 thousand) | N/A |
| | \$0.01 appreciation (depreciation) of Euro versus Canadian dollar | Decrease (increase) the fair value of forward contracts of approximately \$295 thousand (2023 - \$341 thousand) | N/A |
| Equity price risk | 10% change in equity prices | Change of approximately \$88.3 million in the fair value of the equity investments (2023 - \$78.8 million) | N/A |

NOTES TO THE FINANCIAL REPORT

December 31, 2024

(Tabular amounts expressed in thousands of dollars)

3. Investments and Financial Instruments (continued)**(H) INVESTMENT DETAIL**

| | Accumulation Fund | | Pensioner Fund | |
|--------------------------|--------------------|--------------------|------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Cash equivalents | | | | |
| Canadian | \$93,659 | \$62,578 | \$443 | \$1,244 |
| Foreign | 12,468 | 15,610 | 1 | 1 |
| | 106,127 | 78,188 | 444 | 1,245 |
| Fixed income investments | | | | |
| Canadian | 408,045 | 388,592 | 91 | 88 |
| Foreign | 112,905 | 119,981 | - | - |
| | 520,950 | 508,573 | 91 | 88 |
| Equity investments | | | | |
| Canadian | 456,681 | 406,277 | 1 | 1 |
| Foreign | 388,109 | 337,860 | - | - |
| | 844,790 | 744,137 | 1 | 1 |
| Alternative Assets* | | | | |
| Real assets | 161,790 | 161,003 | 58 | 262 |
| Listed real assets | - | 8,508 | - | - |
| Private investments | 200,186 | 167,921 | - | - |
| Diversifying assets | 69,584 | 58,746 | - | - |
| | 431,560 | 396,178 | 58 | 262 |
| Annuity contract | - | - | 115,860 | 131,234 |
| Total Investments | \$1,903,427 | \$1,727,076 | \$116,454 | \$132,830 |

* In the Accumulation Fund, 83.3% (2023 - 80.3%) of Alternative Assets are held in foreign currencies. There are no Alternative Assets held in foreign currencies in the Pensioner Fund in 2024 and 2023.

NOTES TO THE FINANCIAL REPORT

December 31, 2024

(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.

| Accumulation Fund | Fair Value as at December 31, 2024 | | | |
|------------------------------------|------------------------------------|------------------|------------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents | \$9,995 | \$96,132 | \$- | \$106,127 |
| Fixed income investments | - | 509,009 | 11,941 | 520,950 |
| Equity investments | 516,056 | 328,734 | - | 844,790 |
| Alternative Assets | - | - | 431,560 | 431,560 |
| Total Investments | \$526,051 | \$933,875 | \$443,501 | \$1,903,427 |
| Other Financial Assets | | | | |
| Evaluated at fair value | - | \$9,351 | - | \$9,351 |
| Other Financial Liabilities | | | | |
| Evaluated at fair value | - | \$4,130 | - | \$4,130 |

| Accumulation Fund | Fair Value as at December 31, 2023 | | | |
|------------------------------------|------------------------------------|------------------|------------------|--------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash equivalents | \$12,496 | \$65,692 | \$- | \$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 | \$504,492 | \$820,030 | \$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 |

NOTES TO THE FINANCIAL REPORT

December 31, 2024

(Tabular amounts expressed in thousands of dollars)

3. Investments and Financial Instruments (continued)**(I) FAIR VALUE HIERARCHY (continued)**

| Pensioner Fund | Fair Value as at December 31, 2024 | | | Total |
|--------------------------|------------------------------------|--------------|-------------|--------------|
| | Level 1 | Level 2 | Level 3 | |
| Cash equivalents | \$1 | \$443 | \$- | \$444 |
| Fixed income investments | - | 91 | - | 91 |
| Equity investments | 1 | - | - | 1 |
| Alternative Assets | - | - | 58 | 58 |
| Total Investments | \$2 | \$534 | \$58 | \$594 |

| Pensioner Fund | Fair Value as at December 31, 2023 | | | Total |
|--------------------------|------------------------------------|----------------|--------------|----------------|
| | Level 1 | Level 2 | Level 3 | |
| Cash equivalents | \$1 | \$1,244 | \$- | \$1,245 |
| Fixed income investments | - | 88 | - | 88 |
| Equity investments | 1 | - | - | 1 |
| Alternative Assets | - | - | 262 | 262 |
| Total Investments | \$2 | \$1,332 | \$262 | \$1,596 |

* The annuity contract is no longer presented in the fair value hierarchy table following the adoption of the amendments to Section 4600, Pension Plans, of Part IV of the *CPA Canada Handbook - Accounting*.

NOTES TO THE FINANCIAL REPORT

December 31, 2024

(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 classified as Level 3 from the beginning balance to the ending balance:

| | Accumulation Fund | Pensioner Fund |
|--------------------------------------|-------------------|----------------|
| Fair value, January 1, 2023 | \$392,513 | \$263 |
| Purchases | 76,396 | - |
| Sales | (78,296) | - |
| Change in fair value | 11,941 | (1) |
| Fair value, December 31, 2023 | \$402,554 | \$262 |
| Purchases | 94,669 | - |
| Sales | (76,051) | (203) |
| Change in fair value | 22,329 | (1) |
| Fair value, December 31, 2024 | \$443,501 | \$58 |

During 2024 and 2023, 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, 2024

(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, 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 uses derivatives to manage financial risk and to gain synthetic exposure to a specific equity market. Instruments used include currency forwards, a total return swap, interest rate options (swaptions) and equity options.

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 a total return swap to gain exposure to the U.S. Equity market.

Options

Options are contractual agreements between two parties that give the holder the right, but not the obligation, to buy or sell an asset at a predetermined price, within a specified time frame. There are two types: call options (right to buy) and put options (right to sell). The Plan uses interest rate options (swaptions) and equity options to partially hedge its exposure to interest rate and equity market risks.

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.

(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 | 2024 | | | 2023 | | |
|--|------------------|----------------|----------------|------------------|-----------------|----------------|
| | Notional Value | Fair Value | | Notional Value | Fair Value | |
| | | Assets | Liabilities | | Assets | Liabilities |
| Currency derivatives Forwards | \$305,701 | \$1,046 | \$3,851 | \$187,181 | \$5,077 | \$692 |
| Interest Rate derivatives Swaptions | 200,000 | 3,564 | - | 300,000 | 11,998 | - |
| Total Return Swap | 114,016 | - | 279 | 93,358 | - | 385 |
| Equity Options | 186,966 | 4,741 | - | - | - | - |
| Total | \$806,683 | \$9,351 | \$4,130 | \$580,539 | \$17,075 | \$1,077 |

* In the Accumulation Fund, the largest foreign currency exposure is to the United States dollar and the Euro in 2024 and 2023. In the Pensioner Fund, there was no foreign currency exposure in 2024 and 2023.

NOTES TO THE FINANCIAL REPORT

December 31, 2024

(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 | |
|------------------|-------------------|------------------|
| | 2024 | 2023 |
| Under 1 year | \$806,683 | \$580,539 |
| 1 to 5 years | - | - |
| Over 5 years | - | - |
| Total | \$806,683 | \$580,539 |

5. Investment Income

| | Accumulation Fund | | Pensioner Fund | |
|---------------------------|-------------------|-----------------|----------------|--------------|
| | 2024 | 2023 | 2024 | 2023 |
| Cash and cash equivalents | \$13,801 | \$8,320 | \$134 | \$278 |
| Fixed income | 14,183 | 15,280 | - | 327 |
| Equity | 10,478 | 11,872 | - | 1 |
| Alternative Assets | 14,145 | 8,948 | 5 | - |
| Securities lending | 132 | 133 | - | - |
| Total | \$52,739 | \$44,553 | \$139 | \$606 |

6. Receivable from/due to Accumulation and Pensioner Fund

As at December 31, 2024, \$13 thousand (2023 - \$7 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, 2024

(Tabular amounts expressed in thousands of dollars)

7. Administration Expenses

Administration expenses include the following:

| | Accumulation Fund | | Pensioner Fund | |
|--------------------------------------|-------------------|----------------|----------------|--------------|
| | 2024 | 2023 | 2024 | 2023 |
| Salaries and benefits | \$1,728 | \$1,362 | \$124 | \$103 |
| Service provider record keeping fees | 1,467 | 1,496 | 67 | 117 |
| Custodial | 294 | 261 | 12 | 17 |
| GST/QST charge | 257 | 177 | 19 | 7 |
| Liability insurance | 183 | 240 | 12 | 20 |
| Performance measurement fees | 156 | 133 | 1 | 9 |
| Financial data providers | 127 | 126 | - | - |
| Retraite Québec fees | 119 | 114 | 9 | 10 |
| Trustee | 100 | 101 | 7 | 8 |
| Audit | 89 | 85 | 5 | 9 |
| Actuarial | 24 | 176 | 2 | 4 |
| Other expenses | 240 | 352 | 5 | 11 |
| Total | \$4,784 | \$4,623 | \$263 | \$315 |

8. Credit Line

During the year, the Plan had an authorized credit line of \$40 million (2023 - \$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, 2024 was 3.95% (2023 - 5.60%). As at December 31, 2024, 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.

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

CONTACTS

The offices of the PAC, Pension Administration and the Office of Investments are located at:

680 Sherbrooke Street West, Suite 1420
Montreal, Quebec H3A 2M7

Tel: (514) 398-6250

Fax: (514) 398-6889

Email: pensions.hr@mcgill.ca

www.mcgill.ca/hr/pensions/mupp

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

NOTES



mcgill.ca/hr/pensions/mupp