

PIC report

1. 2020 PIC report

1.1. Introduction

This report provides information on the Bell Canada Pension Plan (the "Plan"), which includes a Defined Benefit (DB) arrangement and a Defined Contribution (DC) arrangement. Since 2005, new employees are covered by the DC arrangement.

It has been prepared for employees, retirees, and other beneficiaries of the following participating companies:

- Bell Canada ("Bell")
- Expertech Network Installation Inc. ("Expertech")
- Bell Mobility Inc. ("Mobility")
- Bell TV
- Bell Media ("Media")
- BCE Canco Inc. ("Canco")
- Quantrics Enterprises Inc. ("Quantrics")
- Bell MTS Inc. ("Bell MTS")
- Groupe Maskatel LP ("Maskatel") (*became a participating company on December 31, 2019*)

DB arrangement

Participating companies contribute to the Plan the amount needed to ensure that the benefits will be paid as well as assume responsibility for investing the funds; employees do not contribute to the DB arrangement. At retirement, employees receive a lifetime pension based on a predetermined pension formula that takes into account the employee's retirement age, years of pensionable service and pensionable earnings.

DC arrangement

Participating companies contribute to each employee's personal pension account, and employees also have an opportunity to contribute to their account and save for their retirement. Employees are responsible for their investment decisions. The balance of the DC account will vary over time based on contributions and investment gains/losses. Members leaving the company can remain in the plan by joining the Bell Retirement Income Option when they become eligible, or transfer the amount accumulated in their DC account to another prescribed retirement income or savings vehicle.

This report is based on official Plan reports which were approved by the Board, filed with government authorities and presented to the Pension Information Committee (PIC) by the Bell Pension Department. Of particular interest this year, page 26 expands on how the Plan has addressed the significant turbulence created by the COVID-19 pandemic in 2020.

All Plan members have electronic access to this report or may receive a paper copy. For more information on the Plan, contact the Benefits Administrator.

You can print a complete copy of the report by using the following PDF version.

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1.2. Plan membership

Membership

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Membership

Of the 74,709 Plan members as of December 31, 2019, a total of 29,964 were active members under the DB arrangement and/or the DC arrangement, 31,350 were retired members, 3,310 were receiving a survivor pension, 5,937 were terminated employees entitled to a deferred pension, 417 were members transferred out of the Plan for future benefit accrual with past service entitlements remaining in the Plan, and 3,731 were former employees with DC entitlements not yet transferred out of the Plan.

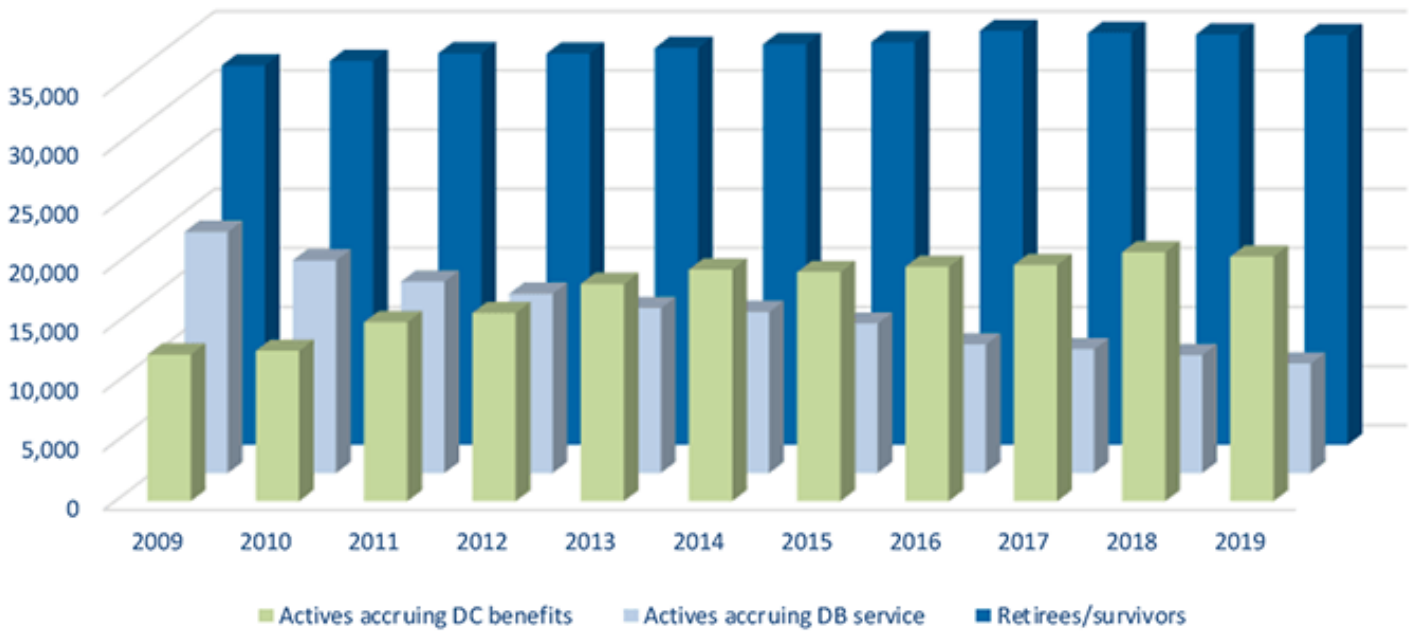
	December 31, 2019							December 31, 2018
	BELL ¹	EXPERTECH	MOBILITY	BELL TV	MEDIA	CANCO/ QUANTRICS/ MASKATEL	TOTAL	TOTAL
Active Members								
Members accruing	7,735	516	988	16	15	1	9,271	9,975
DB service	53.2	53.4	50.0	50.5	50.6	-	52.9	52.3
• Number								
• Average age								
Members accruing DC benefits (with or without past DB service)	10,211	626	3,158	174	6,344	180	20,693⁽²⁾	21,052
• Number	41.5	39.3	39.2	43.7	41.8	37.4	41.2	40.7
• Average age								
Inactive Members								
Retirees								
• Number	29,927	1,029	385	7	2	-	31,350	31,509
• Average age								

	December 31, 2019							December 31, 2018
	BELL ¹	EXPERTECH	MOBILITY	BELL TV	MEDIA	CANCO/ QUANTRICS/ MASKATEL	TOTAL	TOTAL
	72.5	66.7	67.7	63.4	62.4	-	72.2	71.8
Survivors								
• Number	3,232	61	17	-	-	-	3,310	3,199
• Average age	79.1	67.0	76.7	-	-	-	78.9	78.4
Entitled to a deferred pension								
• Number	4,739	135	1,034	26	3	-	5,937	6,064
• Average age	54.0	48.4	48.2	48.5	46.9	-	52.8	52.1
Members transferred out of the Plan (with past entitlements remaining in the Plan)								
• Number	415	-	2	-	-	-	417	456
• Average age	52.3	-	41.3	-	-	-	52.2	51.6
Former employees with DC entitlements not yet transferred out of the Plan	1,783	41	945	279	679	4	3,731	3,759
All Members								
Total membership	58,042	2,408	6,529	502	7,043	185	74,709	76,014
⁽¹⁾ Includes Bell MTS members								
⁽¹⁾ 19,434 members are covered under the DC arrangement only								

Evolution of membership

As of December 31, 2019, active members accounted for 40% of the total membership of 74,709, and retirees and survivor members receiving pensions made up 46%. The ratio of pensioners to active members was 1.16. The DC arrangement was introduced on January 1, 2005 and has since grown to cover 69% of active members.

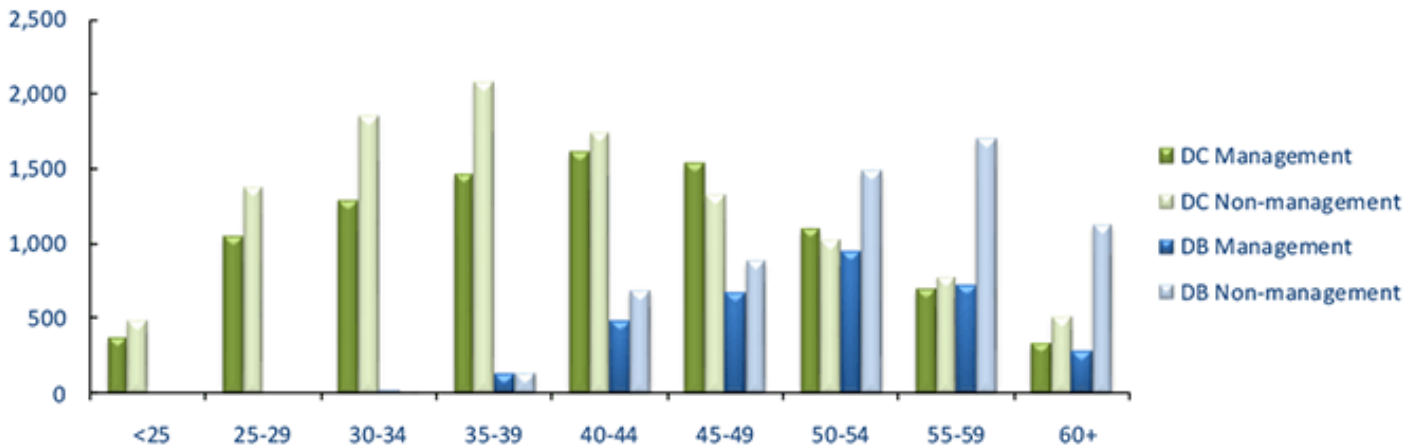
Historical Active/Inactive Membership



Active members

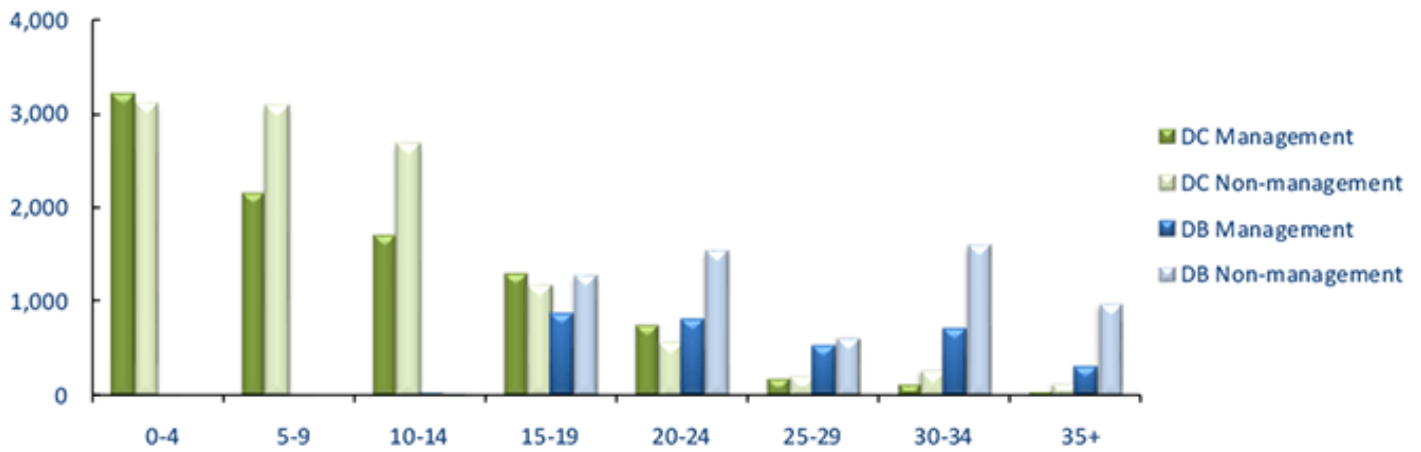
Age distribution

As of December 31, 2019, 21% of active members were under age 35 and 36% were age 50 and over. The average age of members was 44.8 years (52.9 years for members under the DB arrangement and 41.2 years for members under the DC arrangement).



Service distribution

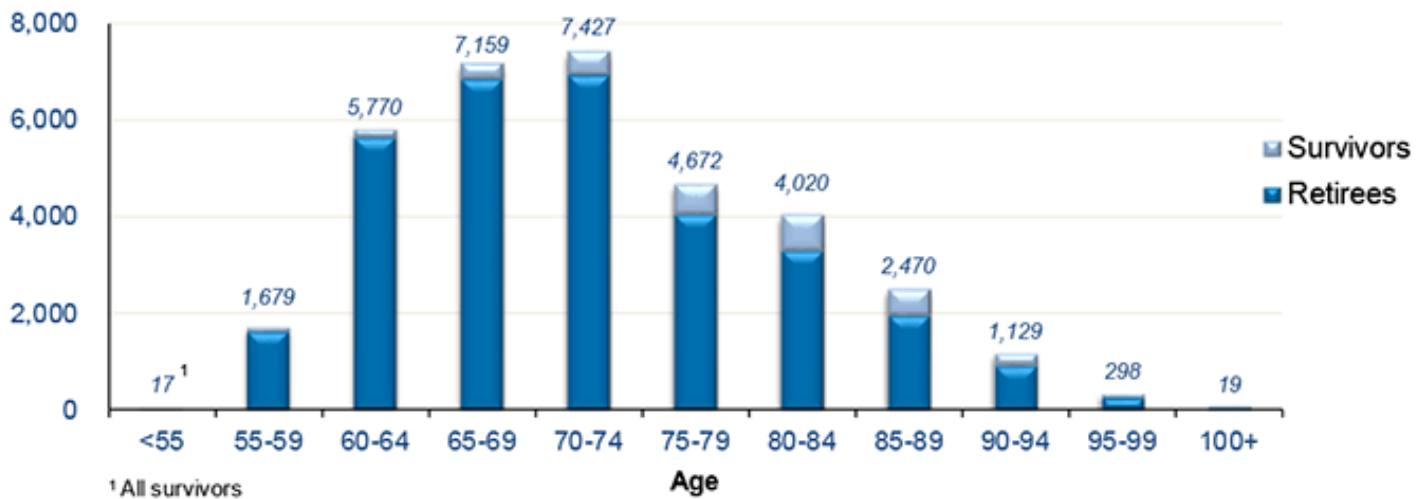
As of December 31, 2019, 39% of active members had less than 10 years of service, while 19% had 25 years or more of service. The average length of service was 15.4 years (26.7 years for members under the DB arrangement and 10.3 years for members under the DC arrangement).



Retirees and survivors - DB arrangement

Age distribution

As of December 31, 2019, the average age was 72.2 years for retirees and 78.9 years for survivors.



Retiree statistics as of December 31, 2019

	New 2019 retirees		All retirees	
	Female	Male	Female	Male
Average age of retirees	61	62	72	72
Average years of service	33	35	30	32
Age of oldest retiree	71	73	103	102
Total number of retirees	334	358	15,583	15,767

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1.3. Financial review

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Defined Benefit (DB) arrangement

DB actuarial valuation

In accordance with pension legislation, an actuary must calculate yearly the assets that are required to cover the value of accrued pensions and assess the amount of contributions needed to fund future benefits. There are two measures of a plan's financial situation: the going-concern valuation and the solvency valuation.

Going-concern valuation

The going-concern valuation assumes that the plan will continue to exist indefinitely. The actuary must make assumptions regarding future events to determine the present value of the accrued pensions (liabilities). These assumptions include:

- economic factors such as future interest rates, inflation rates and salary increases;
- decrement rates such as expected mortality, withdrawal and retirement experience; and

- margins against adverse deviation

The liabilities are compared to the fund's assets. In order not to be overly influenced by fluctuating market returns, the assets are adjusted to smooth the impact of equity returns over the last four years. This is called the actuarial value of assets.

The going-concern financial situation is the difference between the actuarial value of assets and the going-concern liabilities.

Solvency valuation

The solvency valuation assumes that the plan stops operating as of the valuation date.

Solvency liabilities are calculated based on current economic and demographic parameters and assume a settlement of all benefits at the valuation date.

The solvency financial situation is the difference between the market value of assets and the solvency liabilities, providing a measure of benefit security if the plan would have been closed at the valuation date.


Financial position

An actuarial valuation report as of December 31, 2019 was filed with the government authorities. The report indicated the presence of an actuarial surplus of \$1,832.1 million on the going-concern basis while the solvency test performed as of the same date showed a solvency surplus of \$255.5 million.

(in \$ millions)	December 31, 2019		December 31, 2018	
	Going-Concern	Solvency	Going-Concern	Solvency
Assets:				
Market value of assets	\$16,961.4	\$16,961.4	\$15,325.3	\$15,325.3
Smoothing adjustment ¹	(271.4)	n/a	92.0	n/a
Provision for windup expenses	n/a	(16.0)	n/a	(16.0)
Total assets	\$16,690.0	\$16,945.4	\$15,417.3	\$15,309.3
Liabilities:				
Active members	\$3,227.5	\$4,175.4	\$3,061.6	\$3,748.9
Inactive members	11,630.4	12,544.5	10,788.7	11,527.5
Total liabilities	\$14,857.9 ²	\$16,719.9	\$13,850.3 ²	\$15,276.4
Surplus (Deficit)		\$255.5	\$1,567.0	\$32.9
Funded/Solvency Ratio	\$1,832.1	101%	111%	100%
	112%			

¹ Used for the going-concern valuation only, calculated over a 4-year period on the public equity portion

² Includes a margin against adverse deviation of approximately 2.9% of the liability as of December 31, 2019 and December 31, 2018

 Note: There is no direct correlation between these numbers, which conform with pension legislation, and those in the company's financial statements, which are regulated by accounting standards for corporate reporting purposes. The company's financial statements include all other pension plans within the BCE group of companies on a consolidated basis.

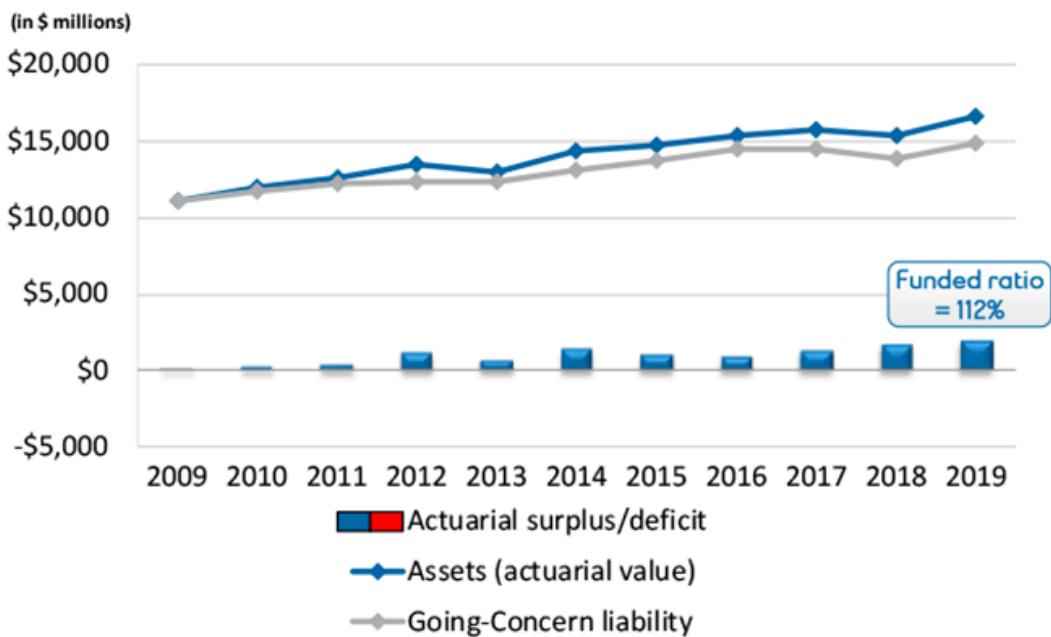
The Plan sponsor has demonstrated its commitment to the continued security of the members' pension payments

Evolution of the Plan's financial situation

Going-concern basis

The going-concern valuation looks at the plan's funded status on the basis that the plan will continue to operate indefinitely. The purpose of a going-concern valuation is to recommend the orderly funding of a plan to accumulate assets to provide for the plan's benefits in advance of their actual payment.

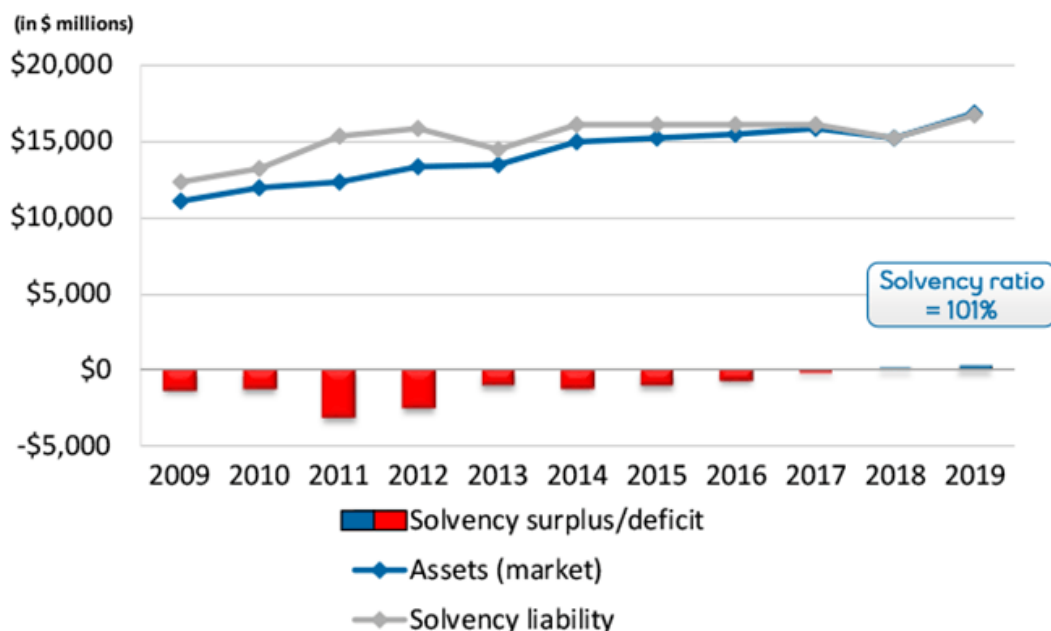
In the context of the long-term perspective of the Plan, the going-concern actuarial surplus has increased from \$1,567.0 million as of December 31, 2018, to \$1,832.1 million as of December 31, 2019.



Solvency basis

The solvency valuation assumes that the plan stops operating as of the valuation date. It is intended to test whether the plan has sufficient assets to pay all benefits that have been earned by members to that date.

In the context of the short-term measure of the Plan's financial situation, the solvency test performed as of December 31, 2019 showed a solvency surplus of \$255.5 million, compared to a solvency surplus of \$32.9 million as of December 31, 2018.



Contributions

Employee contributions

Member contributions are not required or permitted under the DB arrangement.

Company contributions

The company's annual contributions to the DB arrangement depend on the Plan's financial situation. When the Plan is in a surplus position on a going-concern basis and has a solvency ratio over 105%, the employer can take a contribution holiday. Furthermore, in accordance with the Income Tax Act, when the surplus exceeds 25% of the actuarial liabilities on a going-concern basis, a company is not even allowed to contribute to the fund. When the Plan is in deficit, the company is required to make additional contributions to eliminate the deficit over a legislated period of time.

The company remits to the Plan all required contributions in accordance with federal pension legislation (including the normal actuarial cost, which is the increase in liability due to an additional year of service). In its capacity as Plan custodian and trustee, RBC Investor and Treasury Services monitors on a monthly basis that the contributions are made within the required timeframe. The best protection plan members have is the financial ability of the plan sponsor to make its future required contributions to the plan.

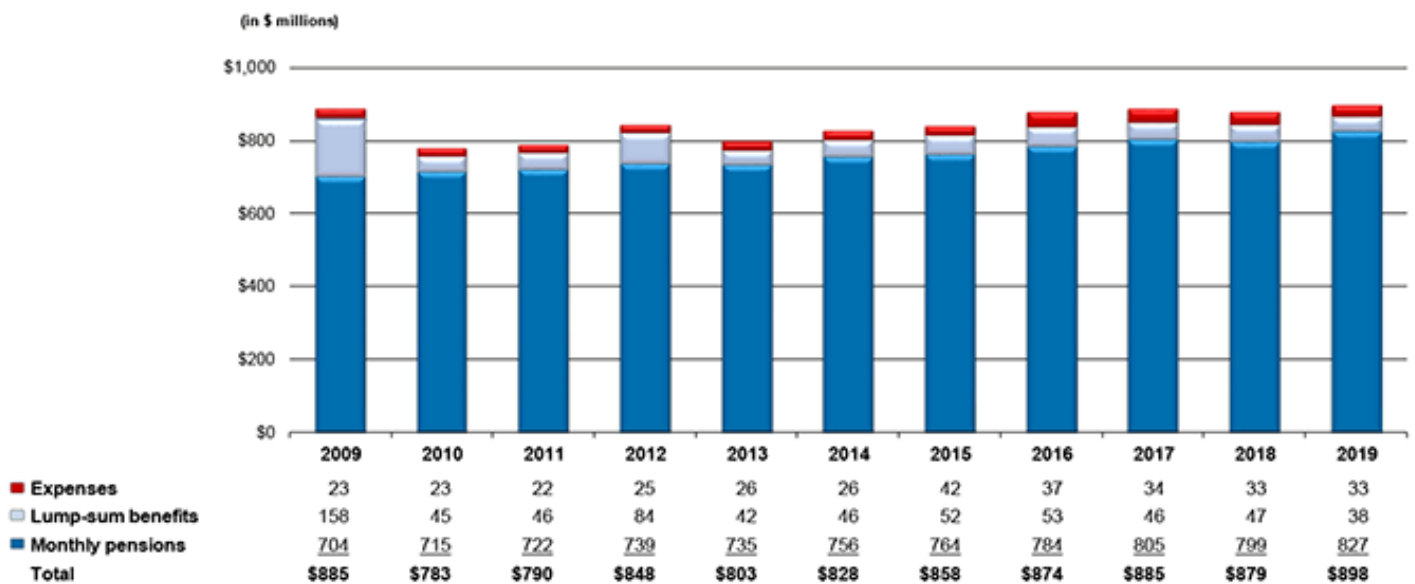
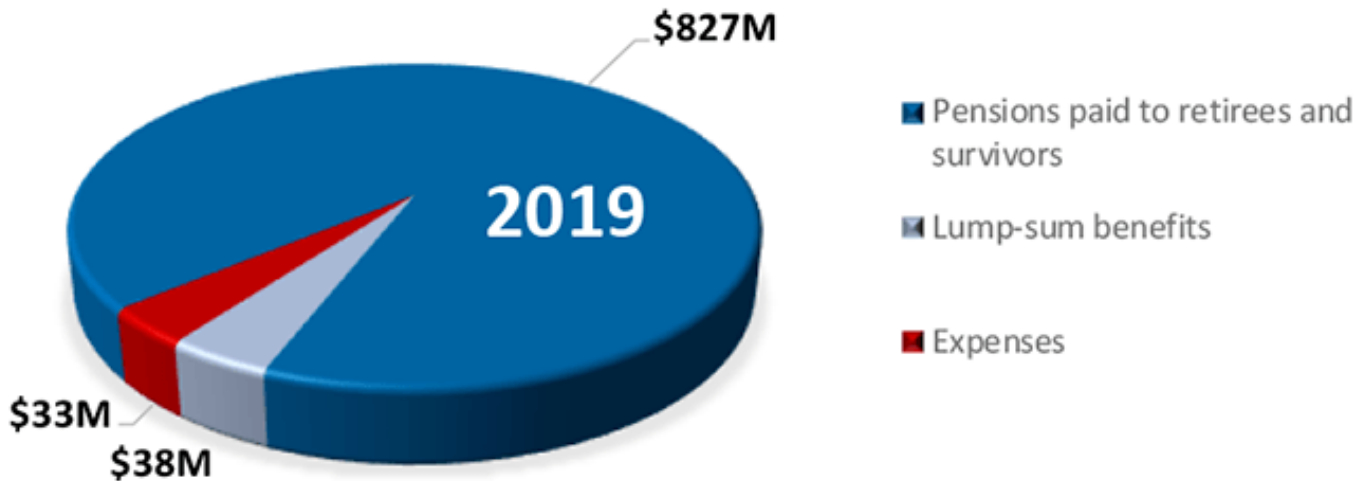
In 2019, the company contributed a total of \$96.4 million to the DB arrangement.

As of December 31, 2019, the Plan had \$83.2 million of unused advance contributions, which can be used to reduce required amortization payments.

(in \$ millions)	2019
Company contributions	
• Normal actuarial cost	\$96.4
Reconciliation of unused advance contributions	
• Unused advance contributions at Dec 31, 2018	\$147.4
• Used to satisfy 2019 deficit funding requirements	(64.2)
• Unused advance contributions at Dec 31, 2019	\$83.2

Disbursements

In 2019, \$898 million was paid out of the Plan in total disbursements, including \$865 million of benefits and \$33 million of allowable Plan expenses (investment management fees, service fees, trustee fees, audit fees, pension authority fees and longevity swap management fees).



Cost-of-living adjustments

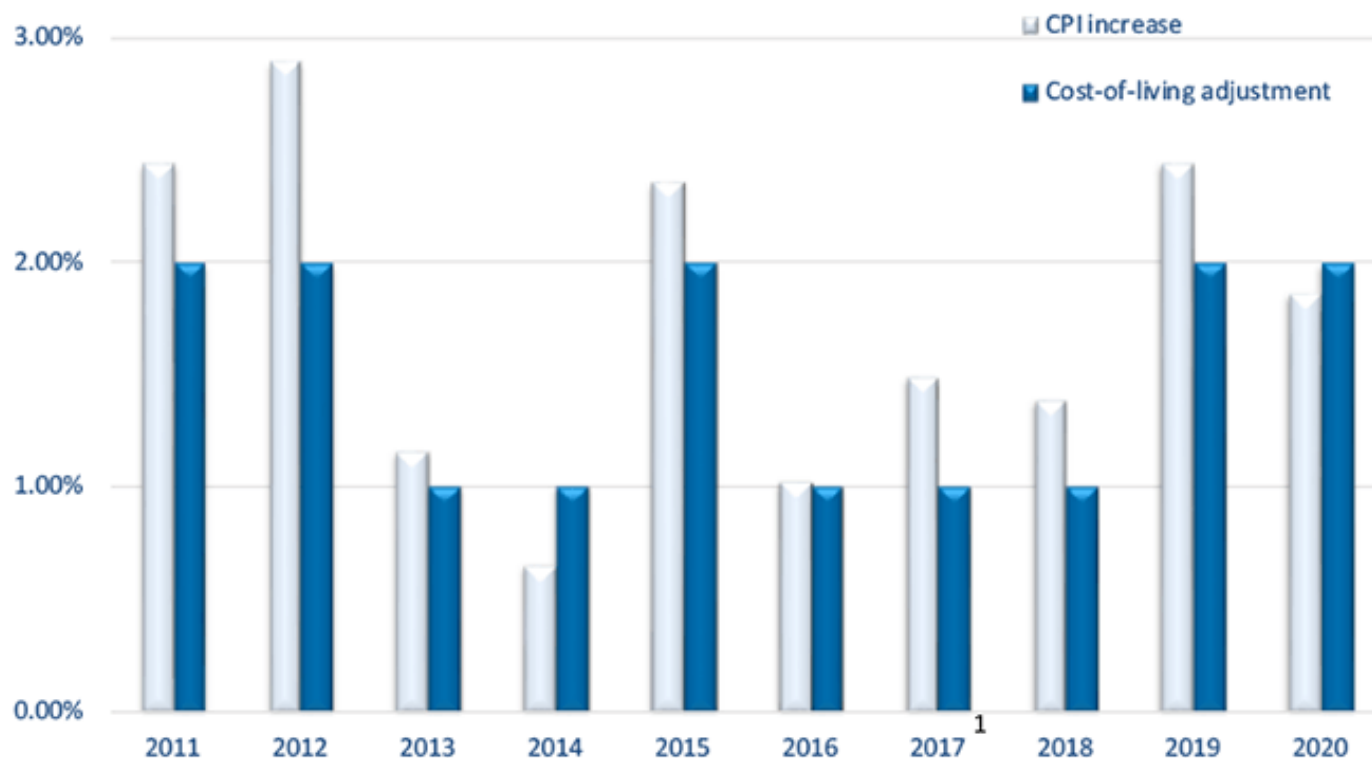
The Plan provides for pension indexing each January 1 to partially compensate for cost-of-living increases. This formula takes into account the retiree's age on January 1 and the increase in the Consumer Price Index (CPI) over a 12-month period running from November 1 of one year to October 31 of the next. Here's how it works:

- Under age 65 - The increase in the CPI (rounded to the nearest whole number), up to a maximum of 2%
- Age 65 and over - The greater of:
 - 100% of the increase in the CPI (rounded to the nearest whole number), up to a maximum of 2% or
 - 60% of the increase in the CPI (rounded to the nearest 2 decimal points), up to a maximum of 4%

In the year of retirement, the applicable indexation rate is prorated based on the number of months since the retirement date.

Over the 12-month period ending in October 2019, the CPI increased by 1.86%. Therefore, the January 2020 adjustment applicable to all Bell retirees was 2%.

Cost-of-living adjustments over the last 10 years



¹ Excluding ruling in class action lawsuit

As at January 1, 2020, the compounded cost-of-living adjustments for pensioners over the last 10 years have totalled 16% (average 1.5% per year), representing 84% of inflation.

Investments

Investment policy and guidelines

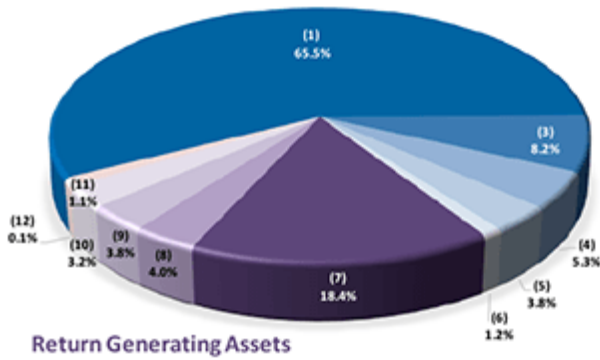
The Plan's assets are invested according to an investment policy established by the Pension Fund Committee ("PFC"), which is a standing committee of the Board of Directors.

The policy provides for an investment approach that balances financial risk and return. The investment policy includes guidelines that define the acceptable level of risk by establishing the minimum and maximum percentages of assets that may be invested in each of the various asset classes. The guidelines also set out specific investment conditions for each of the asset classes. At its discretion, the fund's investment manager, Bimcor, determines the asset selection within these guidelines.

The minimum and maximum limits as well as the actual investment levels as of December 31, 2019, are:

In addition to the chart below, the asset mix includes a negative Financial Leverage value of (14.6%)

Low Risk Assets



	Minimum	Actual allocation ⁽¹⁾	Maximum
Low Risk Assets	60%	69.4%	80%
(1) Nominal Bonds	45%	65.5%	n/a
(2) Financial Leverage	(25%)	(14.6%)	(15%)
(3) Real Return Bonds	5%	8.2%	15%
(4) Infrastructure Equity	-	5.3%	10%
(5) Real Estate	-	3.8%	10%
(6) Cash and Money Market	(5%)	1.2%	10%
Return Generating Assets	20%	30.6%	40%
(7) Non-Canadian Equities	-	18.4%	30%
(8) Hedge Funds	-	4.0%	10%
(9) Canadian Equities	-	3.8%	12%
(10) Private Equity	-	3.2%	10%
(11) High Yield Credit	-	1.1%	10%
(12) Currency Hedging	n/a	0.1%	n/a

⁽¹⁾ There may be periods during which the proportion of an investment class may fall outside the above ranges as a result of market conditions, cash inflows or outflows. In such circumstances, the investment manager will take actions to rebalance the allocation within the limits as per the Plan's investment policy directives.

The Plan's investments are well diversified. The assets are currently invested in several hundred different securities, which ensures a broad diversification and a reduction in risk. The pension fund posted a one-year return of 16.1% in 2019 and an average annual rate of return of 7.6% for the 10-year period ending on December 31, 2019. The return for the first six months of 2020 was 6.5% (all returns are net of investment expenses).

As of June 30, 2020, holdings in the equity and fixed income securities of BCE represented 0.8% of the pension fund's investments.

Pension plan risk management

The Plan adopted a Financial Risk Management framework in 2009 to reduce risk and volatility while maintaining or improving the funded status of the plan.

This framework "de-risks" the Plan in a disciplined and systematic manner by dividing the fund into 2 components:

- The Low Risk Assets (LRA), where the objective is to mimic the return of the liability
- The Return Generating Assets (RGA), where the objective is to generate returns exceeding the liability while assuming an acceptable level of risk.

Subject to the PFC's approval, assets are moved gradually from the RGA to the LRA as the Plan matures.

At the end of 2017, the "de-risking" strategy was enhanced by targeting a fixed income overlay of 20% of the Plan assets over the target 70% LRA / 30% RGA asset allocation. The objective of this strategy, commonly used by large pension plans and approved by the PFC, is to reduce the volatility of the solvency ratio due to interest rate movements.

About the investment manager

Bimcor is a wholly-owned subsidiary of Bell Canada and oversees management of the pension assets on behalf of the pension funds of Bell Canada and its various subsidiaries and affiliates.

Bimcor manages pooled fund products in equities and fixed income securities. Bimcor selects and directs external firms, both domestically and abroad, to manage specialty mandates on behalf of Bell's pension funds.

Defined Contribution (DC) arrangement

Financial position

The concept of a surplus or deficit does not exist for the DC arrangement. Under a DC arrangement, the members' account vary over time through contributions and investment gains/losses.

The change in the market value of assets of the DC arrangement over the last two years can be summarized as follows:

(in \$ millions)	2019	2018
Market value of assets as at January 1	\$1,223.5	\$1,180.5
Contributions		
Employer contributions	92.6	88.4
Member contributions	48.6	45.0
Investment returns		
Net investment income	76.1	102.7
Increase/(Decrease) in value of investments	173.2	(125.7)
Other		
Lump sum withdrawals	(84.3)	(72.9)
Net transfers from/to other pension plans	16.1	5.7
Non-investment expenses	(1.0)	(0.2)
Market value of assets as at December 31	\$1,544.8	\$1,223.5

As of December 31, 2019, members' account balances totalled \$1,539.9 million (\$1,544.8 million less \$3.7 million of outstanding payments for terminated employees and \$1.2 million of employer contributions not yet invested as of December 31, 2019).

Contributions

Employee contributions

The maximum voluntary employee contribution to the Plan is 12% of pensionable earnings.

All regular and temporary employees join the DC arrangement after completing a term of employment of three months. The default contribution rate is 0%. However, for employees not contributing at least 2%, voluntary contributions are automatically set to 2% after 2 years of service, unless otherwise specified by the employee. Employees can change their contribution rate or stop contributing at any time during their employment.

As of December 31, 2019, the voluntary contribution rates are distributed as follows:

Employee voluntary	Contribution rate				Total
	0%	1%	2%	3% - 12% ⁽¹⁾	
Employer	4%	5%	6%	6%	
# of active DC members	1,988	238	10,488	7,795	20,509 ⁽²⁾
%	10%	1%	51%	38%	100%
- average pensionable earnings ⁽³⁾	\$60,000	\$64,000	\$80,000	\$83,000	\$79,000
- average age	35.8	40.7	40.1	43.3	40.9
- average continuous service	5.1	11.4	9.6	11.7	10.0

⁽¹⁾ The average contribution level is 5.2% for members contributing between 3% and 12% of their pensionable earnings

⁽²⁾ Excluding 543 members in the 3-month waiting period

⁽³⁾ Including bonus payable at target

As of December 31, 2019, 91% of members are voluntarily contributing at least 2%, maximizing the company's contribution of 6%. In 2019, members contributed \$48.6 million to the DC arrangement.

Company contributions

The company contributes an automatic 4% of pensionable earnings in all active members' accounts. If the employee contributes voluntarily, the company will match at 100% the employee voluntary contributions up to a maximum of 2%, maximizing the company contribution at 6%.

In 2019, the company contributed a total of \$92.6 million to the DC arrangement.

Investments

Investment options

Members' DC accounts are invested in accordance with their choices from among the investment options approved by the PFC. Members have the choice between two investments approaches:

- **Lifecycle Option: a simple, automatic investment solution approach**

The Lifecycle Option is a set of 7 multi-asset class investment funds with various levels of risk. As members get older and their expected retirement date approaches, their accumulated assets under the Lifecycle Option are automatically transferred into more conservative funds. The Lifecycle Option is a sophisticated investment option that should meet the needs of most members who lack the experience or knowledge to manage their investments, or who don't want to actively monitor their investments.

- **À la carte investment options: a customized approach**

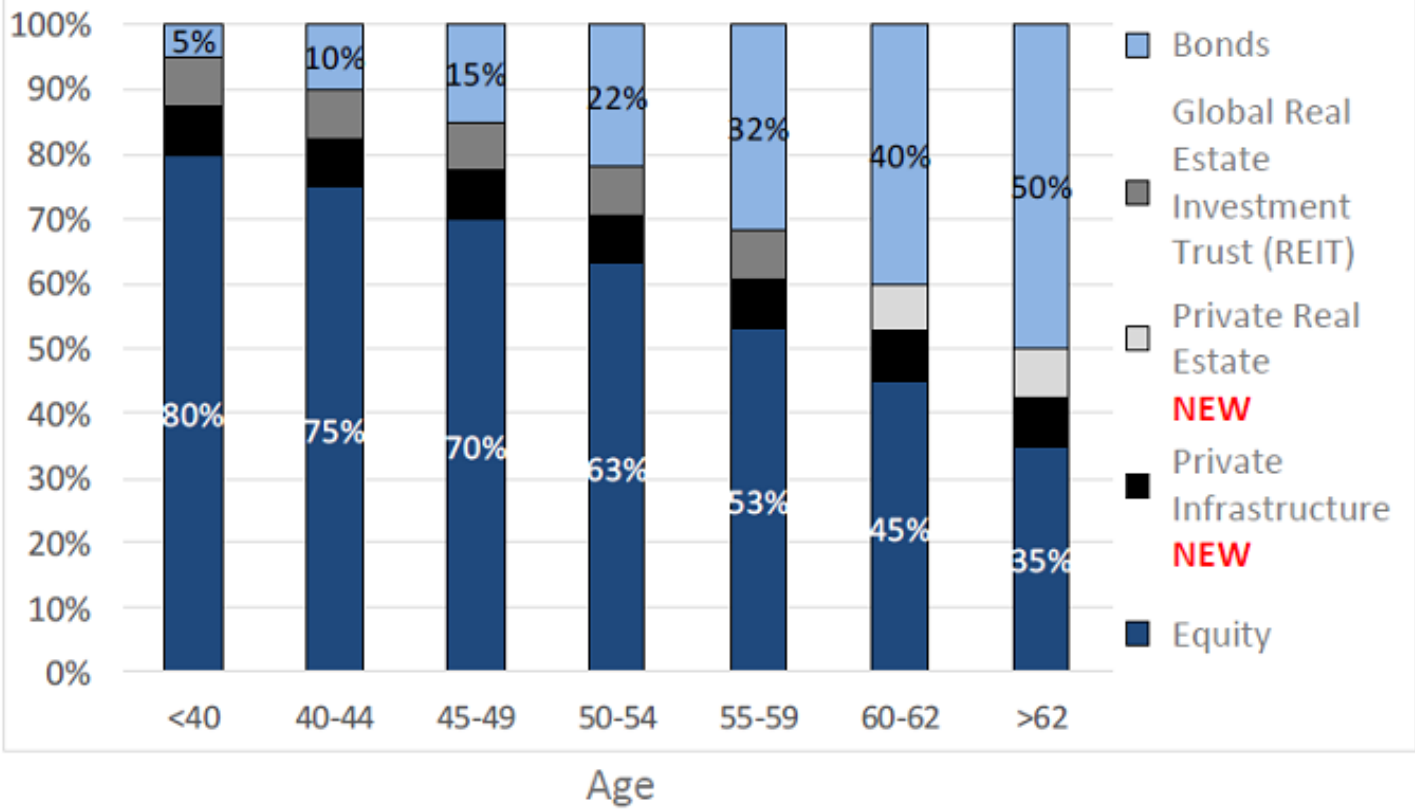
This flexible approach allows members to choose from among the 13 available à la carte investment options and decide on their own fund allocation based on their personal objectives and investment risk tolerance. Generally, the customized approach is best suited for members who have investment knowledge and experience.

If a member does not indicate an investment choice upon joining the DC arrangement, all new contributions are automatically invested in the default option, which is the Lifecycle fund corresponding to the member's age, until the member provides instructions.

DC members have access to fact sheets for each fund, providing current information on the investment options. These fact sheets are updated quarterly and include information on:

- Fund objective
- Strategy and style
- Annual historical return
- Top 10 holdings
- Comparative benchmark

Asset mix of Lifecycle Funds



Asset allocation & rates of return as of December 31, 2019

Asset allocation & rates of return as of December 31, 2019

(in \$ millions)

Investment Option	Investment as of December 31, 2019		Net Fund Returns for the 1-year period ending Dec. 31, 2019		Net Fund Returns for the 4-year period ending Dec. 31, 2019	
	\$	%	Fund	Benchmark ¹	Fund	Benchmark ¹
<u>Lifecycle</u>						
Aggressive Growth Fund (<40)	319.4	20.7%	21.9%	19.5%	n.a.	n.a.
Growth Fund (40-44)	280.3	18.2%	21.0%	18.7%	n.a.	n.a.
Moderate Growth Fund (45-49)	238.3	15.5%	20.2%	17.9%	n.a.	n.a.
Balanced Fund (50-54)	234.1	15.2%	19.2%	17.1%	n.a.	n.a.
Moderate Conservative Fund (55-59)	123.9	8.0%	17.5%	15.6%	n.a.	n.a.
Conservative Fund (60-62)	43.7	2.8%	16.3%	14.2%	n.a.	n.a.
Income Fund (>63)	<u>46.8</u>	<u>3.0%</u>	14.9%	13.1%	n.a.	n.a.
	\$1,286.5	83.4%				
<u>À la carte (Active)</u>						
Money Market Fund	18.2	1.2%	1.9%	1.6%	1.3%	1.0%
Bond Fund	18.9	1.2%	6.8%	6.9%	3.2%	3.1%
Canadian Equity Fund	25.6	1.7%	24.1%	22.9%	9.4%	10.3%
U.S. Equity Fund	45.5	3.0%	26.1%	24.8%	12.6%	12.5%
Global Equity Pooled Fund	29.6	1.9%	23.2%	20.2%	10.0%	9.4%
Global Dividend Equity Fund	24.2	1.6%	17.4%	16.9%	8.8%	8.2%
Global Small Cap Equity Fund	<u>7.3</u>	<u>0.5%</u>	17.9%	20.6%	5.7%	8.4%
	\$169.3	11.1%				
<u>À la carte (Passive TDAM)</u>						
Canadian Bond Index Fund	16.9	1.1%	6.7%	6.9%	3.0%	3.1%
Canadian Equity Index Fund	22.4	1.5%	22.9%	22.9%	10.3%	10.3%
U.S. Equity Index Fund	<u>44.8</u>	<u>2.9%</u>	24.8%	24.8%	12.4%	12.5%
	\$84.1	5.5%				
Total	\$1,539.9	100.0%				

¹ A benchmark represents the size-weighted market for a particular asset class. For example, for the Canadian equities, the S&P/TSX Composite index is considered a representative benchmark index. Therefore, a manager's active investment decisions can be judged relative to the benchmark. Passively managed funds attempt to mirror the performance of its benchmark.

Average annualized return as of December 31, 2019 (net of fees)	1-year period		4-year
	2019	2018	average
<u>Members invested in:</u>			
• Lifecycle Option	20.6%	-2.5%	10.4%
• À la carte options	19.5%	-0.6%	9.1%

About the investment managers

Bimcor

Bimcor is a wholly-owned subsidiary of Bell Canada and oversees management of the pension assets on behalf of the pension funds of Bell Canada and its various subsidiaries and affiliates.

Bimcor manages pooled fund products in equities and fixed income securities and the Lifecycle fund options for the DC arrangement. Bimcor selects and directs external firms, both domestically and abroad, to manage specialty mandates on behalf of Bell's pension funds.

TD Asset Management Inc.

As one of Canada's largest money managers, TD Asset Management Inc. (TDAM) and its affiliates currently manage over \$300 billion in assets, with leading market positions in passive, quantitative and active portfolio management.

The institutional division of TDAM is a Canadian leader in providing indexed, quantitative and active management solutions, managing portfolios on behalf of pension funds, endowments and foundations, group RRSPs, corporations and high net worth individuals.

2020 Employer Contribution Requirements

In accordance with the actuarial valuation as of December 31, 2019 filed with government authorities, the company is contributing to the DB arrangement and the DC arrangement of the Plan.

In light of the Plan's financial situation as of December 31, 2019, the minimum required and maximum eligible funding for 2020 is as follows:

(in \$ millions)	2020 Contribution Requirements	
	Minimum Contributions Requirements	Maximum Eligible Contributions
<u>DB arrangement</u>		
Normal Cost	\$101.2	\$101.2
Amortization Payments ¹	—	—

(in \$ millions)	2020 Contribution Requirements	
	Minimum Contributions Requirements	Maximum Eligible Contributions
Total	\$101.2	\$101.2
<u>DC arrangement²</u>	<u>\$96.7</u>	<u>\$96.7</u>
Total	\$197.9	\$197.9

(1) Assuming amortization payments of \$3.3 million are reduced by unused advanced contributions made in prior years (\$83.2 million as of December 31, 2019)
(2) The estimated amounts are based on Members' contribution rates as at the valuation date, including bonuses at target levels

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1.4. Take a closer look

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Financial market perspective

After a notable decline in the 4th quarter of 2018, global markets rebounded in 2019 and almost all asset classes provided positive returns. 2019 was punctuated by fears that ultimately did not materialize. Trade tensions between the United States and its North American economic partners ended with the signing of the United States-Mexico-Canada Agreement (USMCA), the successor to NAFTA. The trade war between the United States and China was also appeased in the 4th quarter with the announcement of Phase 1 of the United States/China trade agreement. For its part, the US Federal Reserve changed its tune in 2019 by lowering its benchmark interest rate three times in an attempt to stimulate the US economy.

The global stock indices performed well in 2019, driven by the interest rate cuts and attractive multiples caused by the bear market of the end of 2018. US markets were up 29%, hitting new highs in 2019. The Canadian market ended the year up 22%; the information technology and utilities sectors were market leaders with respective returns of 64% and 37%. On the fixed-income side, 10-year bond yield in Canada ended the year at 1.5%, down 0.3% from the start of 2019.

The start of 2020 was marked by the rapid spread of the COVID-19 virus across the planet, causing a marked slowdown across almost all economic sectors and a lot of volatility in the financial markets. The markets ended up stabilizing due to government and central bank actions, easing of lockdown restrictions, and the anticipation of the development of a vaccine.

Certification of identity – Pension Audit

In order to maintain strong administrative processes and as part of good governance, in the spring of every year, the Bell Pension Department performs an audit on a large sample of the Bell Canada Pension Plan pensioners. Selected pensioners and eligible survivors are asked to complete, sign and return to the Benefits Administrator a short form confirming their personal information such as their current mailing address. Some pensioners may be audited every year.

This process confirms the accuracy of personal information in the Benefits Administrator's files, ensuring the financial security of pensioners by upholding the integrity of the management of the Plan's pension payments. A rigorous management of the pension fund assets and corporate financial affairs works to protect this key asset.

Pension audits are not unique to Bell - many financial institutions and insurance companies have similar verification programs in place.

Note that due to the pandemic situation, there will be no pension audit in 2020. The next pension audit will be performed in 2021.

COVID-19 update

The COVID-19 pandemic has had significant effects on the financial and economic environment in 2020, which have been addressed by various means.

For Plan management and administration, the Company has a robust business continuity plan in place and has remained in constant contact with service providers to ensure that pensioner payments and employer contributions have continued to be made as scheduled and that investment and administration operations are not adversely impacted.

Pension authorities have also implemented a series of measures to address the pandemic's effects on the economy and to support plan sponsors and administrators:

- the federal government introduced a moratorium on solvency payment requirements for 9 months, from April to December 2020;
- OSFI extended various administrative timelines from June 30, 2020 to September 30, 2020, including production of annual member statements and filing of actuarial valuation reports; and
- OSFI implemented a temporary freeze on lump-sum benefit transfers (with limited exceptions) from defined benefit plans in late March. The freeze was lifted at the end of August, with OSFI noting that while market volatility remained elevated, recovery from market lows of mid-March had generally been well sustained and solvency ratios had improved.

The DB arrangement's investment policy allocates 70% of assets to low-risk, predominantly fixed income, investments, effectively de-risking the Plan by linking investment values to the value of the pension obligations. Indeed, despite the tumultuous market movements of the first half of 2020 (including some days with drops and recoveries of over 5%), the diversified investment strategy has significantly reduced the impact of this market volatility on the Plan, with the daily estimated solvency ratio showing minimal movement, consistently remaining in a range of 98%-101%.

Regarding the DC arrangement, the majority of members invest in the Bell Lifecycle Option, which is designed for investing over the longer term, taking into account many economic scenarios including periods of market volatility and downturns. Upon retirement, the Bell Retirement Income Option allows members to remain invested in the Company's DC arrangement, providing an efficient manner to remain invested through periods of volatility, as their investing time horizon is still considered longer-term, given life expectancies in Canada.

Overall, the Plan is in a solid position to weather this year's challenges and continues to be in a strong place for the long-term security of Plan benefits.

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1.5. Plan governance

[Who's who](#)

[Pension Information Committee \(PIC\)](#)

[Meet the PIC members](#)

Who's who

Administrator	Roles
Bell Canada Board of Directors	<ul style="list-style-type: none">• Responsible for sound administration of Plan and fund• Adopt Plan changes• Appoint investment managers and custodian/trustees

Administrator	Roles
	<ul style="list-style-type: none"> • Receive Pension Fund Committee reports on activities • Adopt overall governance policy (including control systems)
Pension Fund Committee (PFC)	<ul style="list-style-type: none"> • Approve funding and investment policies, including investment options offered in the DC arrangement • Approve fund's financial statements • Appoint fund auditors and actuary • Oversee administration and investment of Plan and fund • Review any change to the Plan, as proposed by management, and recommend for approval any change requiring Board action
Senior Management	<ul style="list-style-type: none"> • Advise Pension Fund Committee on policy with respect to administration, funding and investment of fund • Oversee fund investment and administration, including employee communication • Monitor administration and fund management performance
Employer/Plan sponsor	<ul style="list-style-type: none"> • Deduct and remit contributions to the fund • Provide accurate information required by administrator/agents • Act through Board of Directors • Report to regulators and Plan members
Employees' Benefit Committee	<ul style="list-style-type: none"> • Interpret Plan provisions • Authorize disbursements

For more information, go to www.bce.ca/governance and select **Board Members and Committees**.

Agents	Roles
Morneau Shepell [Benefits Administrator]	<ul style="list-style-type: none"> • Handle daily Plan pension administration • Provide Plan information and decision-making tools to members through the Benefits website
BCE Inc. [Actuary]	<ul style="list-style-type: none"> • Develop and recommend funding policy to senior management • Prepare actuarial valuation reports • Process government filings
Bimcor and TDAM [Investment Manager]	<ul style="list-style-type: none"> • Invest Plan assets • Develop and implement an investment strategy
RBC Investor and Treasury Services [Custodian and Trustee]	<ul style="list-style-type: none"> • Maintain fund assets in trust • Settle and maintain records of all investment transactions
Deloitte LLP [Auditors]	<ul style="list-style-type: none"> • Audit fund's financial statements • Review accounting systems, internal controls, and related data • Advise management of opportunities to improve Plan's accounting operations

Governments	Roles
Canada Revenue Agency [Income Tax Act]	<ul style="list-style-type: none"> • Set requirements for Plan registration • Establish limits on pensions paid out and contributions • Provide tax framework for retirement savings
Office of Superintendent of Financial Institutions [Pension Benefits Standards Act, 1985]	<ul style="list-style-type: none"> • Protect members' rights • Promote fairness and ensure security and viability of employer's pension promise • Verify that information is being provided to members in accordance with legislation

Members	Roles
Pension Information Committee	<ul style="list-style-type: none"> • Promote awareness and understanding of Plan among members • Review, for information purposes, Plan's financial, actuarial, and administrative aspects

Members	Roles
DC Plan Members	<ul style="list-style-type: none"> • Select contribution level and choose investment funds from amongst those offered in the Plan
DB and DC Plan Members	<ul style="list-style-type: none"> • Review personal pension statements and ensure employer/plan sponsor has accurate personal information • Respond to annual pension audit and other requests for information

The company adheres to Canada's Personal Information Protection and Electronic Documents Act, known as the privacy legislation. To ensure your personal information is treated in a secure and confidential manner, the company has established standards for all parties involved in the administration of the Plan.

Pension Information Committee (PIC)

Pension plans can be complex and difficult to understand. In addition, with constant changes in pension legislation, it is sometimes a challenge to keep up with what's happening in your Plan.

The PIC was therefore created in 1988 to promote better communication with Plan members. The PIC achieves its objectives through various efforts, such as:

- Providing this report to members
- Holding a yearly meeting to review various matters related to the Plan

The latest annual meeting was held in September 2020. The PIC's mandate, as defined by the Pension Benefits Standards Act, 1985, also includes reviewing, for information purposes, the financial, actuarial, and administrative aspects of the Plan.

Please note that the PIC does not have the power to change or modify any provisions of the Plan, or to make representations with this purpose in mind. In addition, policies with respect to benefit plans other than the Bell Canada Pension Plan are not the PIC's responsibility.

For any information on your personal file, you should contact the Benefits Administrator.

	Expertech	Others
Active members	1-866-828-3539	1-888-391-0005
Retirees and Survivors	1-866-828-3539	1-888-400-0661
Deferred members	1-877-878-7960	
Benefits Website	Bell.ca/mybenefits	

Meet the PIC members

The PIC consists of six members representing various groups to ensure that all Plan members are adequately informed about the Plan.

Members representing pensioners and management are elected by their peers to serve on the PIC. Following an election process held during the summer of 2018, new members were elected for a three-year term starting January 1, 2019. Union representatives are appointed by Unifor.

The PIC members are:

	Ontario & Western Canada	Québec & Atlantic Region
Pensioners Representatives		

	Ontario & Western Canada	Québec & Atlantic Region
	Peter Dilworth substitute: Denis Henry	Jean-Luc Taschereau substitute: Daniel McDonald
Management Representatives		
	Jonathan Emmanuel substitute: Jeannette Wiens	Jean-François Drouin substitute: Cindy Hudon
Union Representatives		
	Mike Nicoloff	Jean-Stéphane Mayer

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1.6. Information on government plans

CPP and OAS: Call 1-800-277-9914

Visit the web site at www.canada.ca

QPP: Montréal: 514-873-2433

Québec City: 418-643-5185

Toll-free: 1-800-463-5185

Visit www.rrq.gouv.qc.ca

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1.7. Glossary

General

Accrued pension

The actual pensions earned as of December 31, 2019. For active members, it is the pension they would be entitled to receive at retirement age, based on current average pensionable earnings and years of service. For retirees and survivors, it is the pension they are currently receiving. For members entitled to a deferred pension, it is the pension they are entitled to receive at retirement age, based on average pensionable earning and years of service at their termination date.

Active members

An employee who receives a basic pay from the company.

Actuarial surplus (deficit)

The difference between the value of the Plan's assets and its liabilities. It can be either positive (surplus) or negative (deficit).

Adverse deviation

A deterioration in the Plan's experience or in the financial markets that modifies the long-term expected results based on the assumptions and produces an increase in the pension costs.

Benefits Administrator

The agent that performs the daily administration of the Bell Canada Pension Plan, including record keeping and employee and retiree contact.

Defined Benefit (DB) arrangement

A pension plan arrangement where the retirement income is calculated using a predetermined formula that takes into account pensionable earnings and years of pensionable service.

Defined Contribution (DC) arrangement

A pension plan arrangement where the company and employee contributions are defined. The contributions are deposited into the employee's personal DC account and invested among the available investment options according to the employee's instructions. The DC account will vary over time through contributions and investment gains/losses. At retirement or termination, the accumulated sums in the DC account are transferred to a prescribed retirement income or savings vehicle. Employees also have the option to remain in the Plan and participate in the Bell Retirement Income Option, allowing them to receive a retirement income while continuing to benefit from very low administration and investment management fees.

Fixed Income Overlay

Strategy using financial leverage to increase exposure to fixed income investments, with an objective to reduce the volatility of the solvency ratio due to interest rate movements.

Market value of assets

The value of the pension fund assets determined as the price at which the assets sell in a given market at a given time.

Participating company

Any affiliated company that is federally regulated for pension purposes and designated as a participating company by one of the applicable officers of Bell Canada as authorized by the Bell Canada Board of Directors for this purpose.

DC Investment Options

Bond Fund

A portfolio invested in fixed income securities issued mainly by Canadian governments and corporations, with an emphasis on stability of income and longer term capital preservation.

Canadian Equity Fund

A portfolio invested in stocks issued by Canadian corporations, designed to provide long-term capital appreciation.

Default option

The fund in which employee and employer contributions are automatically invested if the employee did not submit their investment choices. Currently, the default option is the Lifecycle fund corresponding to the member's age.

Global Dividend Equity Fund

A portfolio invested primarily in equity securities issuers across developed international markets with dividend yields higher than average, designed to provide the investor with a stable source of dividend income while seeking long-term capital appreciation. Returns can be affected by fluctuations in foreign currency exchange rates.

Global Equity Fund

A portfolio invested in equity securities issuers across developed international markets, designed to provide long-term capital appreciation. Returns can be affected by fluctuations in foreign currency exchange rates.

Global Small Cap Equity Fund

A portfolio invested in equity securities of small capitalization issuers across developed international markets, designed to provide long-term capital appreciation. Returns can be affected by fluctuations in foreign currency exchange rates.

Lifecycle Funds

Set of seven diversified funds invested in 12 asset classes with various levels of risk; member's assets are invested in the Lifecycle fund corresponding to age and are automatically transferred into a more conservative fund as the member ages.

Money Market Fund

A portfolio invested in high quality, short-term instruments maturing within one year, designed to provide liquidity, income and capital preservation over the short term.

US Equity Fund

A portfolio invested in stocks issued by U.S. corporations, designed to provide long-term capital growth. Returns can be affected by fluctuations in the US / Canadian dollar exchange rate.

DB Investment Classes

Canadian Equities

A portfolio invested in stocks issued by Canadian corporations, designed to provide long-term capital appreciation.

Currency Hedging

Strategy based on an agreement between two parties to exchange two designated currencies at a specific time in the future to manage currency risk on foreign currency.

Financial Leverage

Technique involving the use of borrowed funds in the purchase of an asset.

Hedge Funds

Funds using a range of investment techniques and investing in a wide array of assets. Hedge funds are designed to reduce risk, to generate a higher return for a given level of risk or to generate a consistent level of return, regardless of what the market does.

High Yield Credit

Private credit such as direct lending to primarily privately-held companies or entities as well as more liquid investments in bank loans and bonds rated below investment grade.

Infrastructure Equity

A portfolio invested in ownership interest in facilities and structures essential for the orderly operations of an economy, e.g. transportation networks, health and education facilities, communications networks, water and energy distribution systems.

Money Market

A portfolio invested in high quality, short-term instruments maturing within one year, designed to provide liquidity, income and capital preservation over the short term.

Nominal Bonds

Bonds whose value does not adjust to compensate for the impact of inflation.

Non-Canadian Equities

A portfolio invested in stocks issued by corporations whose head office is located outside Canada, designed to provide long-term capital appreciation. Returns can be affected by fluctuations in foreign currency exchange rates.

Private Equity

A portfolio invested in equity capital that is not quoted on a public stock exchange. Private equity consists of investments made directly into private companies.

Real Estate

A portfolio invested in real estate investment trusts dedicated to the ownership and operation of income properties such as apartments, shopping centers, offices and warehouses.

Real Return Bonds

A portfolio invested in bonds where the return is indexed to inflation. They are thus designed to remove the inflation risk of an investment.

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