NDT Industry Pension and Benefit Plans 2022 Year in Review

www.ndtbenefits.org

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A message from the Chair of Board of Trustees

Dear plan member,

The year 2022 was a year to remember and, better yet, a year to forget.

Faced with rising inflation, central banks aggressively raised interest rates to cool down the economy. As interest rates rose, global bond markets came under pressure and delivered negative returns. China's strict pandemic policies, and geopolitical tensions such as the Russia-Ukraine war threatened global supply chains and added to the worries about economic growth. Despite a surge in the fourth quarter as inflation appeared to have peaked and global supply chain constraints eased, global equities declined for the year.

The year 2022 was an outlier. For the first time since the 1930s, both bonds and equities delivered negative returns.

The outlook for the future hinges on where inflation is heading. One expectation is that annual inflation rates will fall in 2023 but remain above the 2% targeted by central banks. Any surprises may prompt the central banks to take further aggressive action, which in turn may increase the risk of a major recession. Geopolitical events such as a nuclear escalation between Russia and Ukraine, a conflict between the U.S. and China over Taiwan, or the energy crisis in Europe, are all possibilities that can have a severe impact on the world order and economies.

While Canada's economy continues to show signs of resilience, we are not sheltered from major world events. During the first quarter, we witnessed the failure of several U.S. regional banks followed by Credit Suisse's liquidity crisis, causing pessimism among investors. As fears of a full-blown banking crisis receded, both U.S. and European stock markets recovered and had positive performance by the end of the first quarter.

We expect 2023 to be a challenging year and we are focused on making sure the Pension Plan is well positioned to withstand these challenges. Here is how we deliver on this promise:

- The Plan's investments are broadly diversified across various investment types. This provides downside protection against market volatility.
- On a regular basis, we monitor the performance of the fund managers relative to the market and other criteria set in the Plan's investment policy.
- The Plan's annual rate of return as at December 31, 2022 was -2.7% compared to a benchmark of -5.9%. The benchmark return is a standard set by the Trustees to measure the fund managers' performance relative to the market. While a negative return is never good news, the Plan outperformed the market by 3.2%.

The Board continues to closely monitor the Pension Plan and its operations. Like many entities, we conduct our business in a hybrid format through a combination of virtual and in person meetings. Our Plan Administrator, D.A. Townley, has returned to their office. If you need assistance, please contact them via email at **pensions2@datownley.com** or by calling them at 1-800-663-1356. If you prefer an in-person consultation, please contact them in advance to make an appointment.

In closing, we hope that you enjoy reading this year's newsletter. The Board is committed to keeping our lines of communication open. If you have any suggestions for future editions of the newsletter, please let us know by contacting D.A. Townley. We look forward to hearing from you.

Yours truly,

Kent R. Oliver, Chair
NDT Industry Pension Plan Board

NDT Benefits
Career — Health — Security

Your Pension Plan

Plan Expenses (Compare to 2%-3% in Retail Market) **0.48%**

$863M Plan Assets (Net)

Investment Earnings

Year	Earnings
2022	$-34.3M
2021	$106.8M

Rate of Return **-2.7%**

6,107 Total Pension Plan Members

Contributions **$44.8M**

86 Participating Employers

Benefit Payments **$44.7M**

$-38.4M Net Increase in Assets

Planning for Retirement During Turbulent Times

We all have a vision of what our retirement looks like – whether it is staying put at home and spending more time with family and friends, travelling the world, or taking up new hobbies. Given the recent period of high inflation, uneasy markets, and higher interest rates, you may be wondering if you will have to scale back on your retirement plans. Here are a few tips for you to consider:

Do Not Panic

We have seen periods of high inflation before and survived it. As for uneasy markets, short term market volatility is part and parcel of investing. Things will eventually stabilize. Do not panic, but be prepared as discussed below.

Do Not Give Up on Saving

Keep contributing to your retirement savings, even if you contribute a little less than before. This keeps you disciplined and your savings will add up to more over time.

Do Not Give Up on Investing

While the market is unpredictable, do not let inflation keep you from investing. The Pension Plan's assets are diversified, meaning the assets are allocated to a wide variety of investment types, some of which provide a protection against inflation. Make sure the investments in your personal savings are also diversified and take advantage of opportunities as they arise in the current climate. A diversified portfolio is more resilient to market risk compared to any one individual investment.

Do Not Hold onto Too Much Cash

While holding onto too much cash may sound like a good idea when markets are unstable, remember that your cash loses value at the rate of inflation. Keep three to six months' worth of expenses in an emergency fund in cash, earning interest. If you are already retired, you may want to consider keeping a higher amount, such as twelve to eighteen months' worth of expenses in cash, earning interest. Guaranteed Investment Certificates (GIC) are good short term investment vehicles for this purpose. If you hold the GIC in a TFSA, the interest income you earn is not taxable and will not reduce your income-tested benefits such as OAS.

Do Review Your Budget and Build in Inflation

We have had such long periods of low inflation that people have ignored the impact of inflation on their future cost of living. It is time that we relearn why inflation needs to be incorporated into our budget and planning for retirement.

Look at your budget now to see what trade-offs, if any, you can make to stretch your dollar further in today's inflationary environment. Dividing the items in your budget into essential and non-essential expenses makes it easier for you to know where the trade-offs, if any, need to be. Essential expenses are the type of expenses that are necessary for you and your family to meet basic needs. Non-essential expenses are the type of expenses that are not necessary but they enhance your life and provide comfort.

Once you have done a budget of your current expenses and have determined where you may need to adjust your spending to account for the declining power of the dollar, then look at your expenses in a slightly different way to help you estimate how these expenses will change after retirement. Prepare a budget in anticipation of your retirement and build inflation into your future living expenses. You can use history to help you estimate your future cost of living, or seek advice from a certified professional financial advisor on what is an appropriate assumption for inflation. This will help you determine how much you need to save today to afford the life you want in retirement.

Do look at your sources of income in retirement

While the investments of your workplace pension plan are diversified to guard against inflation and volatile markets, the income you receive from your workplace pension plan may not go up with inflation. However, the good news is that your pension from Canada Pension Plan and from Old Age Security are both indexed to inflation.

The Canada Pension Plan (CPP) adjusts pensions in pay for inflation on an annual basis. The Old Age Security (OAS) adjusts pensions in pay on a quarterly basis. Your pension from these two sources will keep up with inflation.

You can start your CPP pension as early as age 60, and your OAS pension as early as age 65. Both CPP and OAS pensions can be deferred to age 70 and each month of deferral results in a higher pension payment for your lifetime.

Given the recent spike in the cost of living, deferring CPP and OAS to age 70 can serve as a powerful hedge against inflation.

The Bottom Line

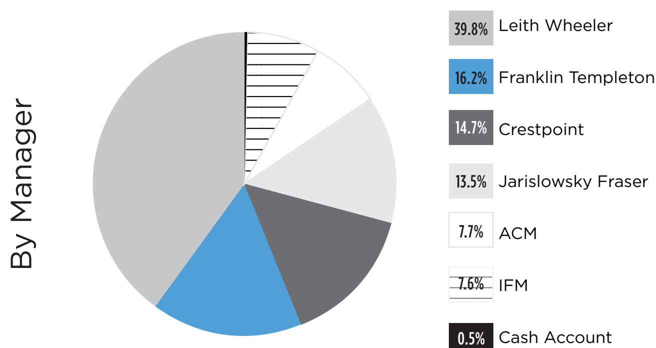
The turbulent times we live in can make the prospect of retirement scary. But remember, society has seen high inflation in the 1970s and 1980s and we managed through it. Do not let your emotions take charge, and do not act impulsively out of fear to change your investment strategy or retirement plans. Instead, take stock of where you are now, and with the right mindset and proper planning, you can enjoy your retirement.

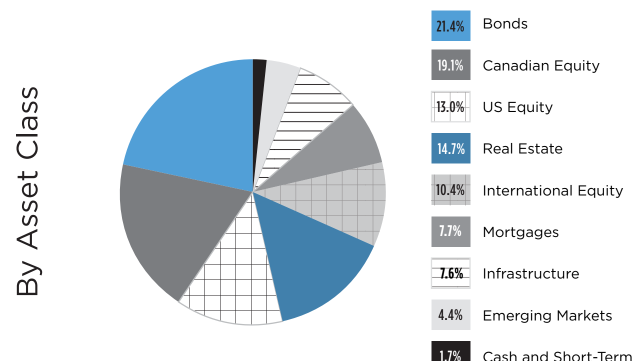
This article is purely educational. To ensure that your own circumstances have been properly considered, you should obtain professional advice from a financial advisor before acting on any of the information in this article.

NDT Industry Pension Plan Asset Allocation

For the period ending December 31, 2022

Source: Proteus Investment Performance Report





Frequently Asked Questions

Throughout the years, D.A. Townley as the Plan Administrator has come across a host of questions from the plan members they serve. Here is a list of the most popular questions and the answers to them. You may find the answer to a question you always had but never asked.

Question 1 — I retired this month. Why have I not received my retirement income from the Pension Plan?

Answer: Your final benefit is calculated to the last day you worked. If you worked to the end of the month and retired on the first day of the following month, there will be a lag between your actual retirement date and the date you will receive payment of your benefit. But fear not, your payment will be back dated to your retirement date and you will receive any amount owed to you.

Question 2 — Why have I not received my annual statement?

Answer: Please note that annual statements are sent out in June of each year for the previous plan year. If you have moved and have not updated your address on file with D.A. Townley, your annual statement has been sent to your old address. Please make sure that your personal information is up to date, and contact D.A. Townley for any changes to your address, marital status, or beneficiary designation.

Question 3 — I have a spouse. Why can't I name my children as my beneficiaries?

Answer: Your workplace pension plan is governed by the pension legislation of the province in which you reside. Although we do not have uniform pension legislation across Canada, all the provinces recognize that a pension plan member's spouse has first right to the survivor benefits from a registered pension plan. This means that your spouse is entitled to certain benefits under the pension plan, regardless of any other beneficiaries you have named. The spouse may waive their right by signing the applicable waiver form as prescribed by each pension jurisdiction.

Question 4 — Can I change my beneficiary on record after I have retired?

Answer: Your ability to change your beneficiary after you have retired depends on the pension option you selected when you retired. You can contact D.A. Townley, the Plan Administrator, to find out if you are eligible to change your beneficiary.

Your Health Benefit Plan — Filing Claims

As a Member of the NDT Industry Health Benefit Plan (Health Benefit Plan), you are eligible to receive certain benefits as outlined in your Health Benefit Booklet. You can file claims in a few ways:

Pay-Direct — As an Active Member covered by the Health Benefit Plan, you can use your D.A. Townley Member ID card for processing your prescription drugs at the pharmacy and your dental claims right from your dentist's office. By using your card, these service providers will submit claims on your behalf and receive reimbursement directly.

You can now also use your card when you visit participating paramedical practitioner offices (e.g., physiotherapists, chiropractors, and registered massage therapists) and vision care providers (e.g., optometrists and participating optical stores) who are part of the D.A. Townley Pay Direct Provider Network. By using your card, these providers can file claims electronically on your behalf and receive reimbursement directly.

Online Claims Submission — As an Active Member or Retired Member covered by the Health Benefit Plan, you can submit your health and drug claims online to the Plan Administrator, D.A. Townley., using the D.A. Townley *My Claims* web portal or mobile app.

To register, go to **https://www.ndtbenefits.org/health-benefits** and click on the Plan Member Login tab. Click on the blue box that reads: Click Here to Login or Register. Follow the prompts. A registration guide is included for your reference.

Claim forms — You can also submit your claim to the Plan by fax at (604) 299-8136 or by email to **health@datownley.com**. Please include your completed claim form and copies of all receipts.

Ready to Retire?

The long-anticipated date to retire and celebrate your working lifetime approaches. It is time to access your retirement nest egg and finance this new chapter in your life. As for your income from the Pension Plan, the process is as follows:

1. You initiate your retirement application by contacting D.A. Townley at pensions2@datownley.com. Please send D.A. Townley an email stating your name, the Pension Plan you are a member of, and your retirement date. It is advisable to do so at least 90 days before your anticipated retirement date. Alternatively, you can contact them by telephone at 1-800-663-1356. Before submitting your application, you may wish to review the Retirement Consideration Member Guide posted on the plan website **https://www.ndtbenefits.org/pension-plan/**
2. D.A. Townley will send you a retirement package within 30 days of your initial contact. The package will contain an estimate of your retirement benefit under various options, an explanation of these options, an option election form, and various prescribed forms you need to complete to receive your retirement benefit.
3. Review the package carefully. If you have any questions, you can contact D.A. Townley by email, by calling them at 1-800-663-1356, or by making an appointment to drop-in for an in-person consultation.
4. Complete your retirement package and send it to D.A. Townley within 30 days prior to your retirement date.
5. D.A. Townley will review your completed package and notify you if anything is missing.
6. D.A. Townley will update their original estimate for contributions made to your last day worked, and process payment of your benefit based on the instructions you provided.

Please note that D.A. Townley will make their best effort to expedite payment of your retirement benefit so that it coincides with your first month of retirement. But since your final retirement benefit is dependent on the contributions made to your last day worked, there may be a delay. But fear not, any amounts owed to you will be back dated to your retirement date.

Did you know?

When your coverage under the Plan terminates, you have the option to convert your group life insurance to an individual life insurance policy without evidence of insurability, as long as:

- **your coverage is not terminating because of your age; and**
- **you apply in writing before your 65th birthday, and within 31 days of your group life insurance coverage terminating.**

Contact the NDT Industry Health Benefit Plan Administrator if you wish to discuss this option further.

Tax-Free First Home Savings Account

Are you saving to purchase your first home? Do you have children or other family members who are saving towards buying their first home? If so, you need to know about the First Home Savings Account (FHSA) – A new initiative by the federal government to help first time homebuyers.

What is a First Home Savings Account?

An FHSA is a savings vehicle registered under the tax rules, and designed to help individuals contribute up to $40,000 on a tax-free basis to save towards the purchase of their first home in Canada.

An FHSA is the only registered savings vehicle in Canada where **both** contributions and withdrawals are tax-free. Effective April 1, 2023, a qualifying individual can open an FHSA and start contributing to it.

Who can open an FHSA?

To open an FHSA, you must be a qualifying individual. You are a qualifying individual if you meet all of the following requirements at the time the account is opened:

- 18 years of age or older
- a resident of Canada
- a first-time home buyer

Who is considered a first-time home buyer?

To be a first-time home buyer, you and your spouse or partner must not have owned a principal residence where you lived during the calendar year before the account is opened or in the preceding four calendar years.

How much can I contribute to an FHSA?

You can contribute up to $8,000 per calendar year, subject to a lifetime limit of $40,000.

Any unused contribution room, subject to a maximum of $8,000, can be carried forward to the following year and added to the annual contribution limit for that year. For example, if you contribute $1,000 to your FHSA in 2023, you can carry forward $7,000 of unused contribution room to 2024. In 2024, you can contribute up to $15,000 ($8,000 for 2024 plus the carry forward of $7,000 from 2023).

Remember, you can carry forward only up to $8,000 from one year to the next. In the example given, if you do not make any contributions to your FHSA in 2024, your contribution room for 2025 will be $16,000 ($8,000 for 2025 plus $8,000 of carry forward from 2024). The carry forward of $7,000 from 2023 will be lost.

How long can I contribute to an FHSA?

Your participation period begins when you open your first FHSA and ends on December 31 of the year in which the earliest of the following events occur:

- the 15th anniversary of opening your first FHSA; or
- your 71st birthday; or
- the year after you make a withdrawal to buy a qualifying home

How does an FHSA compare to an RRSP or a TFSA?

An FHSA is a tax-free savings vehicle at both ends – money going in is tax-free and money coming out is tax-free. Like an RRSP, the contributions to an FHSA are tax deductible. Like a TFSA, the withdrawals including the investment growth inside the account are not taxable.

Just like RRSP contributions, you do not have to claim the FHSA deduction in the year you make the contribution. If you expect to be in a higher tax bracket in the future, you can carry forward the deduction and claim it in a future year.

Unlike an RRSP, contributions you make to your FHSA within the first 60 days of a given calendar year cannot be claimed in the previous tax year.

What is the interaction between an FHSA and the Home Buyers' Plan (HBP)?

Under the HBP, you can borrow up to $35,000 from your RRSP to buy a first home. The funds borrowed must be paid back to your RRSP within 15 years. With an FHSA, you do not repay the funds withdrawn to purchase your first home.

The good news is that you can use your savings under both HBP and FHSA towards the purchase of the same qualifying home – something that was not allowed when the government first released the FHSA rules in the 2022 Budget. This gives first time home buyers the potential to access a total of $75,000 in capital plus any investment growth in the FHSA towards purchase of a home.

What happens if I open an FHSA but never buy a home?

If you do not purchase a home before your participation period expires (earlier of: December 31 of the year in which you turn age 71, or December 31 following the 15th anniversary of opening your first account), you can transfer your FHSA savings to your RRSP or RRIF. The transfer will not attract tax, nor will it reduce or be limited by your RRSP contribution room, but the withdrawals from your RRSP or RRIF will be taxable.

If you do not purchase a home within the permissible participation period and choose not to transfer your FHSA savings to an RRSP or RRIF before your maximum participation period expires, then your FHSA will lose its tax advantage status and you will have to include the market value of the FHSA as income and pay tax on it.

The Bottom Line

If you are saving towards the purchase of your first home, an FHSA is the most tax effective savings vehicle.

If you do not end up buying a qualifying home, you can direct the funds towards your retirement by transferring your FHSA savings to an RRSP or a RRIF.

Parents can consider gifting money to their adult children and the gift can be used towards contributions to the adult child's FHSA. As contributions to an FHSA, the gift will be tax deductible by the adult child and any income earned inside the FHSA will be tax free.

This article is purely educational. To ensure that your own circumstances have been properly considered, you should obtain professional advice from a financial advisor or a tax specialist before acting on any of the information in this article.

Trustees

The Board of Trustees meet formally at least twice a year. In 2022 they met on May 17th and October 18th.

2022 Trustees

Mr. Kent R. Oliver (Chair)
Mr. Garon Robb
Mr. George Hoytema
Mr. Brent Hunt
Mr. Richard MacIntosh
Mr. Adam Stasuk
Mr. Phil Tetzlaff
Mr. Gerry Sieben

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