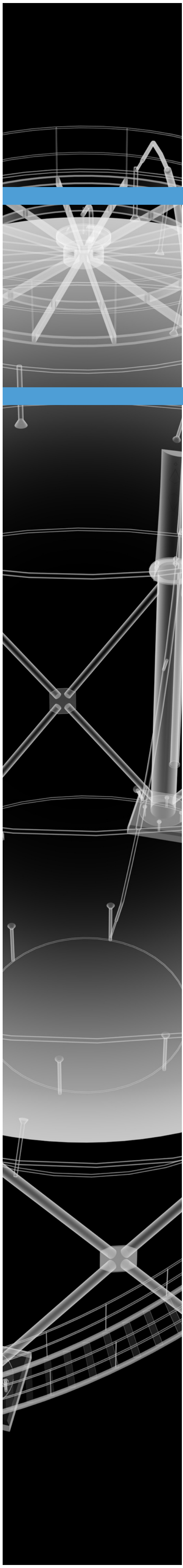

NDT Industry Pension and Benefit Plans 2020 Year in Review

www.ndtbenefits.org

Published June 2021

A message from the Chair of the Board of Trustees

Dear plan member,

It has been over a year since the World Health Organization declared that COVID-19 was a global pandemic. Although the development and roll out of effective vaccines paint a more positive outlook for the future, the pace and scale of a sustained global economic recovery remain uncertain. I offer you reassurance that the Board of Trustees (Board) has been working hard and will continue to do so in order to lead the Plan through these challenging times.

Lessons Learned

The year 2020 was unlike any other year. Despite the stock markets' swift decline at the beginning of the pandemic, the year ended with positive returns for most investments, including your Plan. The experience of financial markets in 2020 has taught us two lessons.

The first lesson is that the stock market is quite resilient, as businesses learn to adapt and make money during harsh economic times. The second lesson is that market performance is not always tied to economic performance. During the pandemic, despite a declining economy, rising unemployment rates and financial hardship faced by workers and some businesses, the stock markets surged.

Your Plan is Resilient

With the message of market resilience in mind, let's look at why your plan is well positioned to withstand the uncertainty that still looms due to the pandemic.

- **Diversification** – The Plan's investments are broadly diversified. Investments are split between a wide variety of investment types, sectors and geographies. Since not all investments react the same way to adverse market events, when one type of investment, sector or country does not perform well, the effect is offset by positive returns earned by other investments in the portfolio.
- **Long-term approach** – The Board takes a long-term approach to investing. While the Plan may or may not achieve its return objective in a given year, it is performance over a longer period that matters. After all, pension benefits are long term in nature.
- **Risk Management** – The pandemic has taught us that the worst-case scenario is possible and that we need to be prepared for it. The Board has a robust risk management process in place. In consultation with an investment specialist, the Trustees regularly conduct an asset mix study to review the Plan's investment holdings and make adjustments, as necessary, to reduce the plan's investment risk.

NDT Benefits
Career — Health — Security

Your Pension Plan

Plan Expenses (Compare to 2%-3% in Retail Market) **0.52%**

$801.7M Plan Assets (Net)

Investment Earnings

2020 $54.2M

2019 $94.2M

Rate of Return **7.8%**

5,917 Total Pension Plan Members

Contributions **$35M**

128 Participating Employers

Benefit Payments **$48M**

$37.2M Net Increase in Assets

Questions? Contact Us

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pensions2@datownley.com

We Continue to Serve You

In the past year, we all have learned to carry on with our work while staying safe. Like so many other businesses, the Plan Administrator, D.A. Townley, has closed their physical offices and the staff are working remotely. This will affect how quickly the D.A. Townley staff can respond to requests and answer calls. In-person consultations have been cancelled to protect everyone's health. If you need assistance, please contact them via email at **pensions2@datownley.com**.

The Board is also practicing physical distancing and is conducting board business through digital channels. We have been monitoring the Plan and its operations even more closely than usual and plan to do so for the foreseeable future.

We Are Committed to You

The Board is committed to keeping you updated on matters related to your pension. You can count on us to look after your pension.

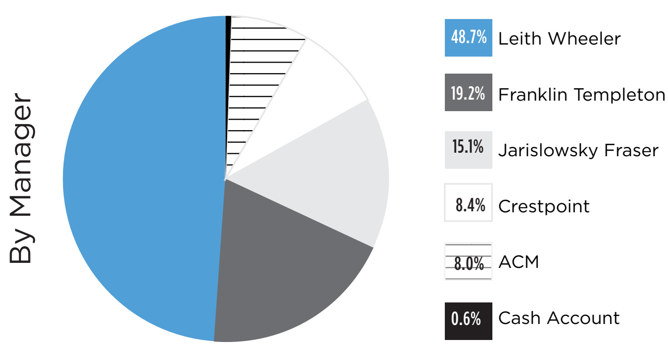
On behalf of the Board of Trustees, I want to thank the plan members for their service during these unprecedented times. Please stay safe and continue to do your part in following public health guidelines, as Canada moves towards a post-vaccine era.

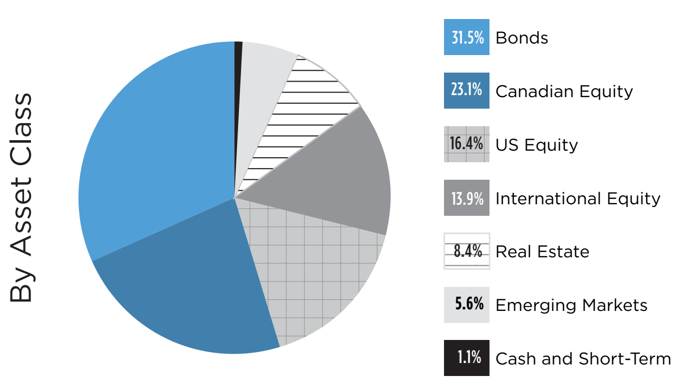
Yours truly,

Kent R. Oliver, Chair
NDT Industry Pension Plan Board

NDT Industry Pension Plan Asset Allocation

For the period ending December 31, 2020





Source: Proteus Investment Performance Report

Personal Savings – The Third Pillar

Your income during retirement will typically come from three sources, known as the "three pillars" of Canada's retirement income system:

1. Government sponsored plans such as the Canada Pension Plan and Old Age Security;
2. Workplace pension plans; and
3. Personal savings

As individuals, we need to take charge of our retirement by saving for it and that's where the third pillar comes in. Savings in the personal arena can be categorized into two main categories: registered savings, and other.

Registered Savings

These are savings in vehicles registered under the Income Tax Act (thus the name registered), such as a Registered Retirement Savings Plan (RRSP), or a Tax-Free Savings Account (TFSA). Registered savings receive preferential tax treatment compared to other types of savings.

Other Savings

All other personal savings fall into this category. An example is a regular investment account with your financial institution, where you save with after-tax money and the income you receive from your investment is taxed every year.

Let's take a quick look at each vehicle.

RRSP

In Canada, an RRSP is considered the most tax effective personal retirement savings vehicle available to individuals. There are four main advantages to saving in an RRSP account compared to saving in a regular investment account. These are:

- **Tax deduction** – Your contributions are tax deductible. That is, your taxable income is reduced by the amount you contribute, up to the allowable maximum. In effect, you save with before-tax dollars.
- **Tax deferred growth** – All investments in your RRSP account grow tax deferred. In other words, any profits made on investments in your RRSP in the form of interest, dividends or capital gains are not taxed until withdrawn. Therefore, your money grows faster.
- **Lower overall taxes** – Withdrawals from an RRSP are taxed, but if you leave such withdrawals to your retirement years, you will probably be in a lower tax bracket than compared to your working years. The funds withdrawn will benefit from this lower tax rate and you will pay less tax overall.
- **Income splitting** – Through a spousal/common law partner RRSP, the higher income partner may split income with the lower income partner, thereby benefiting from a lower tax rate at time of withdrawal.

Each year, the Canada Revenue Agency (CRA) determines your deductible RRSP contribution room and reports it on your Notice of Assessment. You can carry forward your unused RRSP contribution room until age 71. Prior to age 71, an individual can contribute to a spousal/common law partner RRSP. You may wish to seek professional advice.

In the year in which you turn age 71, you must transfer your RRSP assets to a Registered Retirement Income Fund (RRIF) and pay taxes on the periodic amounts withdrawn, or use the funds in your RRSP to buy an annuity.

TIP

Plan to use your unused RRSP contribution room in taxation years where you expect to have high income.

TFSA

A TFSA is a flexible savings account which may be used for general purposes. It complements an RRSP. While contributions to a TFSA are not tax deductible, the investment income earned is tax-free. The term "tax-free" applies only to the investment component of your savings since the contributions are made with after-tax dollars. Withdrawals from a TFSA are not taxed.

Each year, the CRA determines your allowable TFSA contribution room and reports it on your Notice of Assessment. Any amount withdrawn from a TFSA creates additional contribution room in the next taxation year following the withdrawal. Unlike an RRSP, there is no maximum age for contributions and no mandatory withdrawal age.

The following table illustrates the annual contribution limit and the cumulative limit since inception.

Year(s)	TFSA Annual Limit	Cumulative TFSA Limit
2009-2012	$5,000	$20,000
2013-2014	$5,500	$31,000
2015	$10,000	$41,000
2016-2018	$5,500	$57,500
2019-2021	$6,000	$75,500

TIP

The optimal time to withdraw from a TFSA is late December as the withdrawal creates additional room in the taxation year that immediately follows.

RRSP or TFSA?

In deciding between an RRSP or a TFSA, you need to consider two factors: the purpose of savings and your marginal tax rate now and at the time of withdrawal.

If you are saving for the short term and you plan to withdraw the funds before retirement, then the TFSA is generally the better option. RRSP withdrawals cannot be recontributed, while TFSA withdrawals can. The only exception to this is that you can borrow from your RRSP to finance your first home or to pay for education. If you plan to do this, check out the limits and the rules first.

If you just want to maximize your retirement savings, then use both vehicles to the maximum extent you can: the RRSP first, then the TFSA.

As for your marginal tax rate, if you are in a higher tax bracket now than you expect to be in retirement, then you may prefer an RRSP. Your contributions to an RRSP are tax deductible at your current higher tax rate, and any withdrawals made at retirement will be taxed at a lower rate.

If you expect your tax rate not to change or be higher once retired, then a TFSA is probably a better option for you.

TIP

What is important is that you take advantage of one or both of the RRSP or TFSA to the maximum extent you can, and the earlier the better. The tax-free build up of investment income means that either option will outperform all other personal savings vehicles.

Non-Registered or "Other" Savings

Personal savings held in vehicles other than RRSPs or TFSAs are referred to as non-registered or "other" savings. In a non-registered environment, savings are made with after-tax dollars and the return is taxed as income. The level of taxation of income is dependent on the type of return earned.

There are three main types of return:

- **Interest** – in an interest-bearing investment, the interest earned is fully taxable as income. Examples of such investments are Guaranteed Investment Certificates (GIC), Treasury Bills, Canada Savings Bonds, term deposits, corporate bonds and interest paying saving accounts.
- **Dividends** – Canadian companies may distribute a share of their after-tax profits as eligible dividends to their shareholders. Examples of dividend paying investments are stocks and mutual funds. Dividend income receives a federal and a provincial tax credit and is taxed at lower rates compared to interest income. The preferential tax treatment does not extend to dividends paid by foreign companies.
- **Capital Gains** – A capital gain (loss) is the gain (loss) realized from the sale of an asset such as stocks, mutual funds and real estate other than your principal residence. In Canada, only 50% of capital gains is taxed. Similarly, only 50% of a capital loss may be used to offset taxable capital gains. Because only 50% of the gain is taxable, less tax is paid on capital gains than on income such as interest.

TIP

Invest in interest bearing instruments inside your RRSP or TFSA since interest income is fully taxable.

Final Thoughts

This article discusses the types of personal savings vehicles available and their tax treatment. Once you decide on the vehicle, you need to figure out how to invest your money inside that vehicle. Depending on your level of investment knowledge and your interest in managing your money, you may wish to engage a professional advisor, do it yourself, or a combination of both.

Mental Health During COVID-19

Throughout the pandemic, we have practiced physical distancing, washed our hands and sanitized, wore masks and followed the public health guidelines in order to safeguard our own and our family's physical health. But let's not forget that COVID-19 has also taken a toll on our collective mental health.

It is important that you look after your mental well being as well as your physical health. Here are some of the things you can do to shake off the COVID-19 blues:

- **Avoid burn out** – The volume, environment and the manner in which we work have all changed. Make sure this does not lead to a burn out. Set boundaries at work and take a mental health day every now and then to unwind.
- **Limit your screen time** – Every day, we face an array of bad news delivered through our TVs, laptops and smartphones. Unplug and give your brain some much needed down-time and instead engage with other people in your circle.
- **Get outdoors** – Spending time outdoors and connecting with nature, even if it is for 15 minutes, will improve your mood. Did you know that the Japanese practice of forest-bathing, or *shinrin-yoku*, is proven to reduce stress, anxiety and feelings of depression? Forest bathing involves simply going into the nature and being present with all five senses (cell phones, of course, are to be turned off!).
- **Eat healthy** – A healthy and balanced diet supports good mood, focus and better productivity.
- **Get enough sleep** – Sleep is the foundation for physical and mental well being; without it you will not be productive at work and may experience mood swings. If you struggle to get a good night's sleep, consider talking to your doctor before you resort to over-the-counter sleep medication.
- **Stay connected** – If you feel isolated, find new and safe ways to connect with friends and family. Build a circle of support, and reach out to those who may need your support.

Seek Help If You Need It!

If you can't shake off feeling isolated and depressed or are not sleeping and eating well, you may need extra support. There are a number of government sponsored resources available to you, such as:

Wellness Together Canada: **https://wellnesstogether.ca/en-CA/**

Government of Canada: Taking care of your mental and physical health during the pandemic **https://www.canada.ca/en/public-health/services/diseases/2019-novel-coronavirus-infection/mental-health.html**

You may also contact your EFAP provider for confidential support. You can access **https://www.workhealthlife.com** 24 hours a day, 7 days a week.

Debunking the Myths

Throughout the years, you may have come across certain misbeliefs about your retirement savings. Let's debunk some of these myths:

Myth 1: I can transfer my funds out of my workplace pension plan while still employed.

Fact: You cannot receive benefits from your workplace pension plan while still employed. To receive benefits, including any lump sum benefits you may be entitled to, you must be retired or have terminated your employment as deemed by the rules of your workplace pension plan.

Myth 2: I can use the lump sum benefit I receive from my workplace pension plan to pay off my mortgage, or other debt.

Fact: All or a portion of the funds transferred from your workplace pension plan are locked-in and may not be taken as cash. This means that any funds that are locked-in must be used to provide you with a periodic income at retirement. If a portion of your funds is not locked-in, you may then receive that portion as cash, less applicable withholding taxes. You may use the cash towards any purpose you like.

Myth 3: My employer can dip into my workplace pension plan if and when faced with financial hardship.

Fact: The funds in your workplace pension plan are held by a custodian in a trust, separate and apart from your employer's assets. The trust cannot be used for any purpose other than for the benefit of the plan members and their beneficiaries.

Myth 4: Canada Pension Plan (CPP) may not be there by the time I retire.

Fact: CPP is funded by equal employer and employee contributions. By contributing to CPP, you have earned an entitlement to your CPP benefits and therefore you can expect to enjoy these benefits upon retirement. This is in contrast to Old Age Security (OAS) that is funded out of general government revenues, and its future is dependent on the government's ability and willingness to continue to pay OAS benefits.

Myth 5: My CPP benefits are clawed back if my income in retirement is above a threshold.

Fact: OAS benefits are clawed back if your individual net income is above a certain threshold ($79,845 in 2021). CPP benefits are not clawed back.

Myth 6: There is no advantage in saving in an RRSP if I have to pay taxes when I withdraw my money.

Fact: An RRSP is a tax-deferred vehicle. The contributions you make to an RRSP are tax deductible, and your investments grow on a tax-deferred basis. It is true that you have to pay taxes on any withdrawals. But if you leave such withdrawals to your retirement years, you will probably be in a lower tax bracket than during your working years. The effect is lower overall taxes, plus your money grows faster in an RRSP since you do not have to pay any tax on the investment return you earn inside the RRSP.

Myth 7: I can do better investing on my own than saving in my workplace pension plan.

Fact: Perhaps you can, but in order for you to succeed over the long run, you must accomplish the following:

- Consistently beat the performance of professional fund managers who are hired to manage the assets of your workplace pension plan and who have access to investments that are not readily available in the retail market;
- Pay the lower investment costs that are paid by your workplace pension plan and is attributable to the economies of scale realized by pooling the assets of other plan members;
- Monitor your investments with the same rigour and discipline as provided by the plan's board of trustees; and
- Have access to bias-free support as provided by the staff of D.A. Townley and other service providers engaged by the plan's Board of Trustees.

Trustees

The Board of Trustees meet formally at least twice a year. In 2020 they met on May 5, July 20, September 25 and October 28.