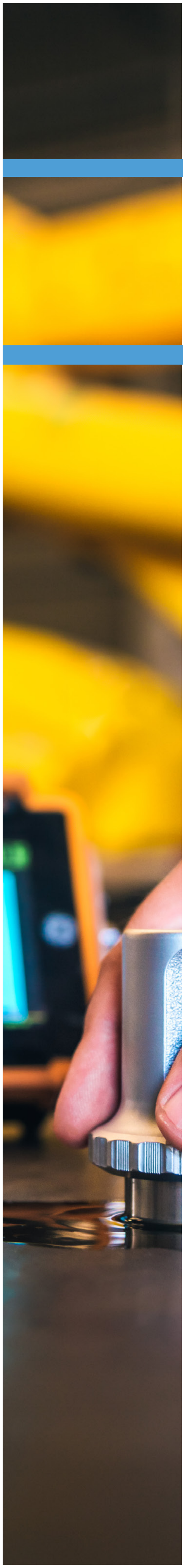


NDT Industry Pension and Benefit Plans 2021 Year in Review

www.ndtbenefits.org

Published June 2022

A message from the Chair of Board of Trustees

Dear plan member,

A year ago, we were all managing through another wave of COVID-19 and its Delta and Omicron variants.

Despite challenges such as COVID-19 variants' rising infection rates, supply chain disruptions and historically high inflation, the year 2021 proved to be another solid year for stock markets. In 2021, the economic growth was stronger than anticipated, stock market returns were higher than predicted and the market correction anticipated by many never appeared.

One of the biggest stories of the year was the rise in inflation. Inflation picked up sharply because of high consumer demand, higher commodity prices and disrupted supply chains adding pressure to consumer goods' prices. The trend continues into 2022, with annual inflation in Canada reaching highest levels since 1991. Many believe that the drivers for today's inflation, such as supply chain issues and gas prices, are transitory and the spikes in inflation will likely be shorter lived than the jumps we witnessed in the 1970s and 1980s when interest rates spun out of control.

With the pandemic and its effects lessening, the outlook for the future remains positive as Canada and the rest of the world move towards normality. However, the road may not be smooth as the beginning of 2022 has shown; this year may prove to be another challenging year as one faces the aftermath of the pandemic and geopolitical tensions such as the Russia-Ukraine war. Please rest assured that the Board of Trustees (Board) is focused on making sure your Pension Plan is well positioned to withstand these challenges. Here's how we deliver on this promise:

- We monitor the performance of the fund managers relative to the market and other criteria set in the Plan's Statement of Investment Policy.
- The Plan's investments are broadly diversified across various investment types. This provides a downside protection against market volatility.
- The Investment Committee of the Board is tasked with a comprehensive review of the Plan's investments and making adjustments, as necessary, to reduce the Plan's investment risk.

The Board continues to closely monitor the Pension Plan and its operations. Like many entities, we are working on a plan to resume our business in person. Our Plan Administrator, D.A. Townley, is currently in the process of returning to their offices. If you need assistance, please continue to contact them via email at **pensions2@datownley.com** until this transition is completed.

In closing, on behalf of the Board, I wish to thank the plan members, our advisors and service providers for their collaboration and service during these unprecedented times.

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) **0.47%**

$902M Plan Assets (Net)

Investment Earnings

2021 **$106.8M**

2020 **$54.2M**

Rate of Return **12.9%**

6,008 Total Pension Plan Members

Contributions **$39.5M**

87 Participating Employers

Benefit Payments **$42.1M**

$100.2M Net Increase in Assets

Canada Pension Plan Expansion

The foundation for an expanded Canada Pension Plan (CPP) was laid in 2016. The objective of an expanded CPP is to provide increased savings and better benefits for Canadian workers. To achieve this objective, the Federal and Provincial Ministers took a two-pronged approach:

a. the ultimate benefit would increase from 25% of pensionable earnings to 33.33% for workers aged 65 and older after a full working career; and

b. the earnings ceiling for contributions and benefits (the Year's Maximum Pensionable Earnings or YMPE) would ultimately increase by 14%.

These enhancements would be funded by increased employer and worker contributions.

To implement these enhancements, the government also introduced a seven-year phase-in period, commencing in 2019. Now that six years has passed since the foundation was laid, let's review where we are at with the plans for an expanded CPP.

Status to-date

Prior to January 1, 2019, the employer and worker contribution rates were set at 4.95% each. Effective January 1, 2019, the contribution rates gradually increased to reach 5.70% in 2022. The last increase is scheduled for 2023; the contribution rates will reach 5.95%; and the planned rate increase will be fully phased in.

What's coming

Starting on January 1, 2024, a new tier of earnings called the Yearly Additional Maximum Pensionable Earnings (YAMPE) will be introduced.

As things currently stand, you and your employer make contributions on your earnings up to the old limit of YMPE (2022 YMPE is $64,900) and you earn benefits on your earnings up to the old limit of YMPE. Once the new tier of earnings or the YAMPE is introduced, if your earnings exceed the old limit of YMPE, you will be able to earn benefits on your earnings up to the new and higher limit of YAMPE.

To offset the impact of higher CPP contributions on low-income workers, the Working Income Tax Benefit has been increased.

The ultimate YAMPE will be 14% higher than the YMPE. This is done in two steps: an increase of 7% in 2024 and an increase of 14% in 2025. To earn benefits on this new tier, you and your employer must each contribute 4% of your earnings between the YMPE and the YAMPE.

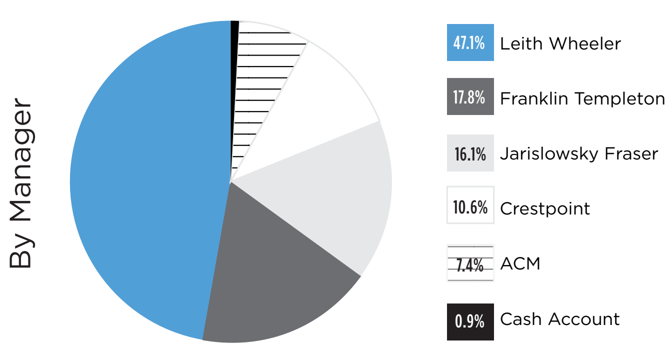
Putting it all together

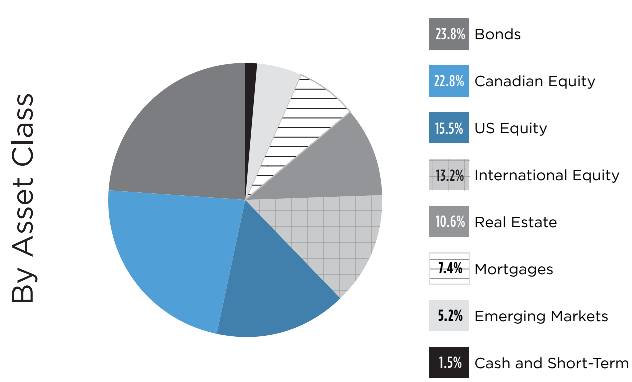
- In 2023, the contribution rates will increase to 5.95% of earnings up to the YMPE. Your contributions continue to qualify for a CPP tax credit.
- Commencing in 2024, if your earnings are higher than the YMPE, you and your employer will be required to contribute an additional 4% of earnings between YMPE and the new limit of YAMPE. Your enhanced contributions are tax deductible.
- The CPP enhancements benefit all workers through increased savings and increased employer provided benefits. The impact is strongest for those workers without a workplace pension plan.
- The enhancements to CPP are for future service only and will not impact current retirees.
- The benefits will gradually reach 33% of pensionable earnings by the time expanded CPP is fully matured.
- The expanded CPP will fully mature in 2065-2070 (seven years of phase-in starting in 2019 plus 40 years of service). Today's young workers are the first generation that will realize the full benefits of these enhancements. The mid career generation will reap partial benefits and the late career generation will benefit the least. Remember that those without a workplace plan stand to gain the most.

NDT Industry Pension Plan Asset Allocation

For the period ending December 31, 2021

Source: Proteus Investment Performance Report





Income Splitting — A Tax Strategy

What is Income Splitting?

Income Splitting is a tax strategy used to reduce the amount of income tax that a family pays, by shifting income from a high-income earner to a lower income earner. For it to be effective, family members need to be in different tax brackets.

Who Can I Split Income With?

The answer depends on the type of income eligible for splitting. For example, eligible pension income can be split only with your spouse. There are, however, opportunities available to shift income to other members of your family, such as your children.

How Do I Split Income with My Spouse?

The most common type of income splitting is between spouses. Here are the types of opportunities available for spouses or common-law partners:

- Sharing of your pension from Canada Pension Plan (CPP)

  If you are receiving your CPP pension or are eligible to begin receiving it, you can apply to Service Canada and request that your CPP pension be shared with your spouse. Sharing of CPP pension between spouses will be done at source by Service Canada.

- Spousal RRSPs

  This is the oldest and most common method of income splitting between spouses. A Spousal RRSP is a special type of RRSP. Here's how it works:

CONTRIBUTOR	**Higher Income Spouse**
ANNUITANT	**Lower Income Spouse**
TAX DEDUCTION	**Claimed By Higher Income Spouse**
TAX ON INCOME	**Paid by lower income spouse, subject to certain conditions (3 year attribution rule)**
IMPACT	**Income splitting at source and lower overall taxes**

- Eligible Pension Income

  Income that is eligible for a pension income tax credit may be split between you and your spouse. Unlike CPP pension sharing, where your CPP pension is first shared and then paid out, eligible pension income is split with your spouse at the time of filing your respective income tax returns, after you have received the income.

The following rules apply:

1. If you transfer your savings under the Pension Plan to a Life Income Fund or use them towards a purchase of an annuity, the income you receive from the Life Income Fund or the annuity may be split with your spouse after you attain age 65.
2. Other eligible pension income such as payments from a Registered Retirement Income Fund or annuity payments from an RRSP may be split with your spouse after you attain age 65.
3. You can allocate up to 50% of your eligible pension income to your spouse.
4. You and your spouse must jointly complete Form T1032 Joint Election to Split Pension Income and submit it to Canada Revenue Agency along with your respective income tax returns.

Splitting your eligible pension income with your spouse allows each of you to claim the $2,000 pension income tax credit. Income splitting may also eliminate or reduce the claw back on your Old Age Security pension, if one of you is subject to the claw back.

How Do I Split Income with My Children?

There are certain types of income which may be shifted from parent to child. You may already be doing this without realizing that it is called "income splitting."

- Registered Education Savings Plans (RESPs)

  This is the most common type of income splitting between parents and children. RESPs are used to finance the higher education of children. The parent makes contributions to the RESP and government grants (within a limit) are paid to the RESP. Contributions are not tax deductible and as long as the investment income earned stays in the RESP, it is not taxable. Once withdrawn however, the investment income earned is taxed at the student's tax rate which is much lower than the parent's tax rate.

- Monetary gifts to children under 18 years of age

  If you invest an amount on behalf of a child and it generates future capital gains, the capital gains are considered taxable income for the child. If the investment earns interest or dividends, it is considered taxable income for you.

- Monetary gifts to children over 18 years of age

  Any return generated by a gift to an adult child is taxable for the adult child.

- Tax Free Savings Accounts (TFSAs)

  Contributions to a TFSA are made with after-tax income and the investment returns earned are not taxable. Therefore, it doesn't matter who earned the income — you can give your lower income spouse or adult children money to invest in their TFSA.

Income splitting strategies should be carefully considered. Speak to your financial advisor or a tax specialist to determine if income splitting is right for you.

The Pandemic: Lessons Learned

With most of the COVID-19 restrictions lifted, we are gradually moving towards life as we knew it before the pandemic. It may be some time before we can understand the full extent of the pandemic's impact on our lives as individuals and on our society as a whole. What we do know, however, is that crisis drives change. Let's look at some of the positive changes the pandemic has brought so far.

Automation and Technology

The pandemic has kickstarted a new wave towards use of technology and automation. Some call it the fourth industrial revolution. Through technological advances, automation and digitization, businesses have restructured so that they can deliver goods and services to their customers' safely at reduced costs, while enabling their employees to work remotely. This will bear economic benefits through higher productivity and eventually higher wages in the labour market.

Remote Work

The pandemic led to a massive increase in remote work. As a result, many employers have become more flexible about work arrangements and many workers are delighted to save time and money by giving up a long daily commute.

The shift towards remote work can prove to be a win-win situation for workers and employers. Remote work addresses the challenges posed by geography, reduces the cost of conducting business, and improves matching between workers and employers. The result can be a stronger labour market and higher productivity.

Increased call for Sustainability

The pandemic has reinforced the importance of taking environmental, social and governance (ESG) issues into investment decision making. Investors are taking a closer look at how companies pay and treat their workers, and what their environmental and governance policies are.

The pandemic has presented the opportunity for governments, businesses and investors alike to re-examine the needs of their society and build back better.

Personal Well Being

To manage their well being, many Canadians are focusing on "self-care," physical activity, meditation, and other wellness practices, while some are choosing to live more minimally.

The combination of remote working, physical distancing and lack of indoor entertainment has led to a newfound appreciation for nature among many Canadians. People seek to incorporate more nature time into their lives.

Take a moment to reflect on your own experience and what might be a positive takeaway for you.

Questions? Contact Us

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NEW Hour Bank – May 1, 2022 (QCCC Members only)

As of May 1, 2022, the NDT Industry Health Benefit Plan officially moved to an Hour Bank method for determining Plan eligibility. Hours worked from May 1, 2022 onward will be reported to the Plan Administrator and $2.80 per hour worked will be remitted by the employers to fund Plan Benefits. In a nutshell, the hours a Member works accumulate in their own Hour Bank and those hours are spent (90 hours per month) to fund their coverage under the Plan. Members can accumulate a maximum balance of 540 hours (6 months of coverage) in their Hour Bank. These hours can be used to continue coverage during times when there is low employment or if a Member opts to take extended vacation.

Members who do not have full plan coverage for the month of April 2022 must requalify for coverage by accumulating 180 worked hours in their Hour Bank within a 12-month period. Coverage will commence on the 1st day of the month following the month (lag) in which sufficient hours are reported and paid to the Plan by the participating employer(s).

	Member A	Member B	Member C	Member D
May	200 hours	120 hours	70 hours	25 hours
June	Lag month	120 hours	100 hours	80 hours
July	Covered	Lag month	120 hours	50 hours
August		Covered	Lag month	80 hours
September			Covered	Lag month
October				Covered

In times of low employment or extended vacation, provided there are sufficient hours in a Member's Hour Bank, coverage will be continued for each month 90 hours can be withdrawn from their Hour Bank. If the balance in a Member's Hour Bank falls below 90 hours, they will receive a self-pay notice. As with the former Plan rules, Members in good standing may self-pay for a maximum of 6 consecutive months. Dormant hours will expire after 12 consecutive months. If a Member's coverage lapses, they must requalify for coverage with 180 worked hours reported and paid to the Plan within a 12-month period. New Members must also accumulate 180 worked hours in their Hour Bank in order to qualify for coverage (same as example outlined above).

The Hour Bank does not apply to Office Staff or to Probationary Members. Hours will not accumulate in an Hour Bank until a Probationary Member becomes initiated. Refer to the Plan booklet for more details.

Trustees

The Board of Trustees meet formally at least twice a year. In 2021 they met on May 19 and November 16.