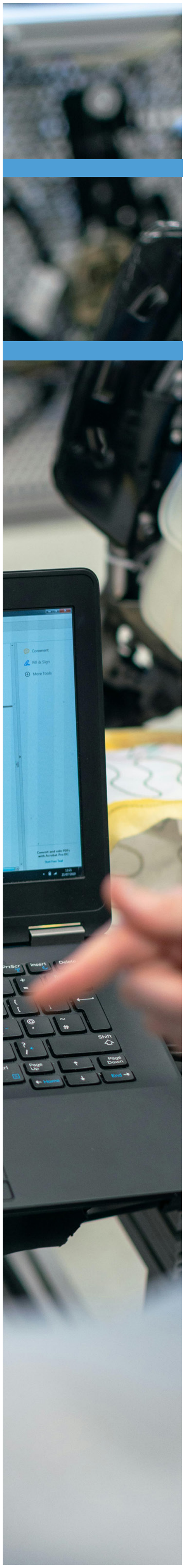
NDT Industry Pension and Benefit Plans 2024 Year in Review



www.ndtbenefits.org

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A message from the Chair of the Board of Trustees

Dear plan member,

The year 2024 started with the expectation that financial conditions would continue to ease. The central banks of major world economies signalled their intention to reduce their benchmark rates of interest, but all fell short of bringing inflation down to a target rate of around 2.0%, except for one country – Canada.

Canada was the first G7 country that announced easing its monetary policy to stimulate a rebound in growth. We celebrated a notable milestone when inflation finally cooled to the Bank of Canada's target rate of 2% in August – driven in large part by declining gasoline prices. In November, year-over-year inflation declined to 1.9%, decelerating from the 3.4% increase in December 2023.

As we approached the end of the year, markets became more volatile, given the uncertainty about the outcome of the U.S. presidential election. In the U.S., stock markets advanced in anticipation of more favourable reforms under President-elect Trump. The rest of the world remained cautious, waiting to see what trade policies and tariffs the new U.S. presidential administration might impose.

Today, as the second quarter of 2025 comes to a close, we are in unprecedented times. The U.S. equity markets and the U.S. dollar have lost ground relative to other developed markets. The tariff landscape changes on a nearly daily basis, making it impossible to forecast what lies ahead.

While the global economy faces significant trade uncertainty and we see volatility in investment markets, we, as trustees of your Pension Plan, 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. To further enhance diversification, we added two investments in the private markets: private credit and private equity.
- 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 four-year average return as at December 31, 2024 was 7.9%, outperforming its benchmark return of 7.7%. When incorporating the Plan's additional performance objective, the total target return rises to 8.2%. While the Plan slightly lags behind this higher target, it continues to deliver strong long-term results. Its four-year return ranks in the top 50% of all Canadian pension plans over the same period, and was achieved with significantly lower volatility, 6.7% versus a median of 8.7%, offering stronger downside protection and a more stable investment experience for members. The addition of two new private market investments further enhances the Plan's risk-return profile, in line with the disciplined investment approach in place since inception.
- To raise awareness of the Plan and answer questions, we held member education sessions throughout the country. We amended the Plan to allow for payment of variable benefits once a member retires and is ready to draw on their retirement

NDT Benefits
Career — Health — Security

Your Pension Plan

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

$1,032M Plan Assets (Net)

Investment Earnings

2024	$106M
2023	$87.4M

6,191 Total Pension Plan Members

Contributions **$42.8M**

95 Participating Employers

Benefit Payments **$67.6M**

$86.5M Net Increase in Assets

savings. Effective January 1, 2025, you no longer have to take your money out of the Plan to turn it into an income in retirement. To find out more, please read the article in the newsletter entitled **Ready to Retire?** Also, note that due to provincial pension legislation, this option is not available to members in New Brunswick, Prince Edward Island, or Newfoundland and Labrador.

In closing, I wish to advise you that effective May 1, 2025, the McAteer Group will assume the role of Plan Administrator. The Board thanks the staff of D.A. Townley for their partnership over the years and wish them success in their future endeavours.

Yours truly,
Brent Hunt, Chair
NDT Industry Pension Plan Board

Ready to Retire?

Are you ready to retire and draw an income from your workplace pension plan? What are your options? How do you decide which option is the right one for you?

In this article, we give you the unbiased, factual information you need to make an informed decision. But first, let's get the jargon out of the way.

- **Annuity** – this is a contract between you and an insurance company. In exchange for a lump sum payment, called the premium, the insurance company will provide you with a fixed stream of income for your life, called an annuity.
- **Life Income Fund (LIF)** – Under provincial pension legislation, when you are ready to draw an income, you can transfer your savings to a spending vehicle called a Life Income Fund (LIF). A LIF is subject to minimum annual withdrawal limits set by the tax rules, and maximum annual withdrawal limits set by provincial pension legislation. **Think of a LIF as a "spending account."**
- **Locked-in Retirement Account (LIRA)** – A LIRA is a savings vehicle for locked-in funds. You can think of it as a resting place for your savings from your workplace pension plan until you are ready to draw an income. **Think of a LIRA and your workplace pension plan as "savings accounts."**

Now, let's look at your two options: buy an annuity from an insurance company; or transfer your money into a LIF.

Your Options in a Nutshell

The decision boils down to this:

- Do you want to "set and forget" your income withdrawal? If yes, then buying an annuity may be an appropriate strategy for you.
- Do you want to have flexibility over the income you receive? If yes, then transferring to a LIF may be an appropriate strategy for you. The trade-off for this flexibility is that you bear the investment risk and the longevity risk (the risk of outliving your money).

The pension legislation in some provinces allow you to use a combination of these two strategies. For example, you can use part of your savings towards purchase of an annuity to give you the peace of mind of a fixed income and direct the remainder to a LIF. You need to look at the pension legislation governing your workplace pension plan to determine if a combination of these two strategies is allowed.

Also, keep in mind that purchase of an annuity is a one-time decision; you cannot change your mind later. But if you decide to transfer your money into a LIF, you can buy an annuity later in life when you no longer wish to manage your money. For example, beginning in 2020, the tax rules were amended to allow purchase of annuities known as **Advanced Life Deferred Annuity** or **ALDA**. An ALDA is similar to a regular annuity but its payments can begin as late as the end of the year the individual reaches age 85.

The following table provides you with a comparison between an annuity and a LIF.

	Advantages	**Disadvantages**
Annuity	• You have a secure, fixed income for the rest of your life - you cannot run out of money • Insurance company bears any investment and longevity losses • You don't have to worry about investing your money • You can choose death benefits that provide for your dependants	• Insurance company reaps investment gains • Income may be lower than you want • It is a one-time choice. You have no flexibility and cannot change your mind later • You could die early and have less to leave to your heirs • When you die, any death benefit payable is subject to the terms of the contract
Life Income Fund (LIF)	• You have control over your investments and may reap investment gains • You have some flexibility in how much you withdraw • You can always buy an annuity later • When you die, the amount remaining in your account goes to your beneficiaries	• You may not want to manage your investments, especially as you age • You bear the investment and longevity losses • You can run out of money if investment returns are not good or if you live a long life

Ready to Draw an Income?

If you are ready to draw an income and you have made your choice between an annuity, a LIF, or a combination if permitted by provincial pension legislation, here are the next steps:

Annuity – You need to obtain quotes from a few insurance companies and compare them. You also need to choose the form of annuity you want to purchase. The most common forms of annuity are:

- Single life – Under a single life annuity, you receive payments for the remainder of your life and payments cease upon your death (paid for one life);
- Joint & survivor – Annuity payments continue for your life and your surviving spouse's life (paid for two lives). Payments continuing to your surviving spouse may be in full or at a lower amount;

To enhance the type of annuity, you may purchase:

- Guarantee period - Annuity payments are paid for life, or for the guarantee period, whichever is longer.

LIF – You need to open an account with a provider and start investing your money. Your two main options here are:

- A financial institution of your choice; or
- The Plan's internal LIF option

The NDT Industry Pension Plan's Internal LIF Option

Effective January 1, 2025, you can leave your money in the Plan and receive payments from the Plan. Your account balance will remain invested with the Plan and you can continue to take advantage of the following benefits:

1. Robust governance structure – The Plan is overseen by the Board of Trustees. In carrying their fiduciary duties, the Trustees engage professional advisors and consultants and together they continuously monitor the Plan's investments and operation.
2. Professional fund management – the Plan's assets are invested with professional fund managers in institutional funds. These funds are accessible only to Plan sponsors.
3. Low fees – Given the pooling of assets under the Plan, the fees are substantially lower than what you can obtain in the retail market on your own.
4. Dedicated and bias-free support – The staff at McAteer Group are engaged by the Trustees to provide member services. They provide member support in a non-conflicted environment.

Please note that this option is not available to members in New Brunswick, Prince Edward Island, or Newfoundland and Labrador as pension legislation in these provinces has not been amended to allow direct payment of LIF type benefits from a pension plan. In these provinces, when you are ready to draw an income, you need to transfer your account balance to a financial institution of your choice and set up a LIF account.

Not Ready to Draw an Income?

Under the tax rules, you have until December 31 following your 71st birthday to convert your account balance under the Plan to a stream of income (immediate annuity, ALDA or LIF). If you are not yet ready to draw an income from your savings under the Plan, you have the following options:

- Transfer your account balance to a LIRA with a financial institution of your choice; or
- Leave your funds in the Plan and enjoy the benefits described above

The staff at McAteer Group are available to discuss these options with you and answer any questions you may have. If you are seeking financial advice from a professional advisor, you may find the article "How to Choose a Financial Advisor" useful.

Your Retirement Years – Fears and Levers

The three most common fears people have in retirement are:

1. Will I have enough to live on?
2. Will I run out of money?
3. What will inflation do to my purchasing power?

Rather than worry, let's look at the levers for each of these fears.

Will I have enough to live on?

- Prepare your budget now and in anticipation of retirement.
- Categorize your expenses into Must Have (analogy: bread), Nice to Have (analogy: butter) and Luxury to Have (analogy: lobster)
- Give thought to how your current expenses will change in retirement
- Be prepared to make trade-offs

Will I run out of money?

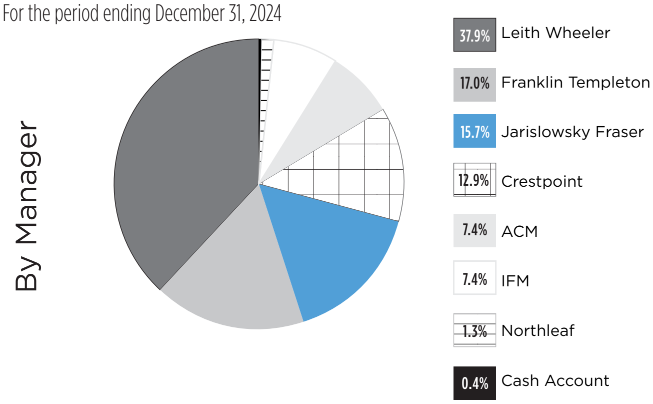
- Increase savings
- Reduce income needs
- Dip into your capital
- Defer CPP to age 70
- Consider buying an annuity upon retirement or later in life
- Research government assistance programs for seniors
- Consider a reverse mortgage or downsize if you own your home

What will inflation do to my purchasing power?

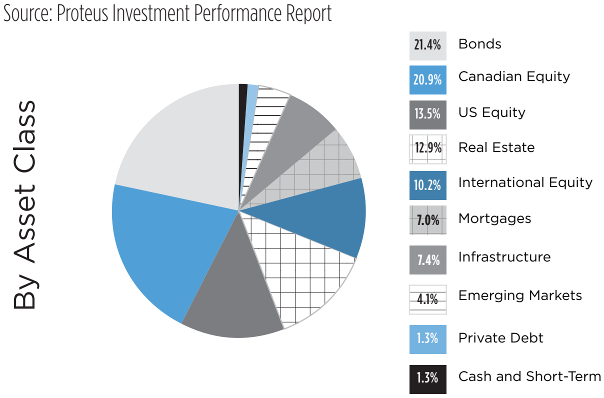
- CPP and OAS are inflation protected
- Staying invested in equities, as shown by past experience, may provide some protection against inflation
- Inflation happens slowly and you may be able to adjust your spending

NDT Industry Pension Plan Asset Allocation

For the period ending December 31, 2024



Source: Proteus Investment Performance Report



How to Choose a Financial Advisor

You may want to consider the following criteria when looking for an advisor. Please keep in mind that these criteria are suggestions – only you can decide which advisor is right for you.

What are their qualifications? Make sure your advisor is qualified. Certified Financial Planner (CFP) or Registered Financial Planner (RFP) designations are recognized qualifications which indicate a solid base of education, training, and knowledge in financial planning.

Do they have the right expertise and experience? Different financial advisors have different areas of expertise, so it's important that you find someone who can address your specific needs. For example, if you wish to consult an advisor on matters related to your pension plan, the financial advisor you choose should have a primary focus and experience in pension issues and financial planning (as opposed to, say, investment management).

How are they compensated? Financial advisors can be compensated in a number of ways. This is an extremely important question to ask because you want to be sure they are advising you with your best interests in mind.

- Commission – Traditionally, this has been the most common way financial advisors are compensated. What this means is that when you purchase an investment, a certain percentage of the total purchase will be deducted and a portion of that will go directly to your advisor.
- Fees based on assets – Some financial advisors charge an annual fee that is based on a percentage of the assets you have invested with them. Often, this is what is meant when the advisor claims to be "fee based."
- Flat fees – Another method of compensation is through a flat fee. Some advisors charge a flat hourly rate or a flat fee for putting together a comprehensive financial plan. Typically, there is little concern for a conflict of interest since they are getting paid whether you purchase any investments or not.

Although these are the three most common methods of compensation, you may find that advisors will offer a combination of these approaches. You need to understand how the advisor is compensated and whether you are comfortable with the arrangement based on the purpose of the work. For example, if a financial advisor is paid through commissions on investment or retirement income products, or through fees that are a percentage of assets held, then that financial advisor will get paid only if you take your money outside your pension plan. An advisor in that situation has a potential conflict of interest in advising you on these decisions. For this reason, you may want to consider advisors who are compensated on a flat fee only basis. Implementation of your financial plan often involves purchasing financial products and services. Insofar as your decisions involve such purchases, a flat fee financial advisor may or may not be able to execute them. In that case, you can still implement your plan with the help of other service providers, e.g., your banking and brokerage contacts, or a financial advisor who is compensated on a commission basis.

Questions? Contact Us

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Suggested Criteria

Qualifications
Experience and Expertise
Method of Compensation
Location
Referrals
In-person interview

What province do they work in? Finding a financial planner in your province of employment ensures that he/she will be accessible to you and that they understand the pension and tax rules applicable to you.

Talk to others. One of the best ways to find potential financial advisors is by talking to others. You may want to ask your accountant if they know any financial advisors, or check with friends and family or anyone else that you trust for referrals. It is better to get some personal recommendations before turning to the internet or the phone book.

Interview the candidates. Once you have found a few advisors who appear to meet your requirements, it is time to meet with them. Most financial advisors will hold an introductory meeting at no cost. This first meeting is beneficial to both you and the advisor. It provides an opportunity for you to explain what you are looking for, ask questions, and determine if you are comfortable with the individual. It also allows the advisor to determine if they are suitable for the job.

To further support you in planning for your retirement, the Plan will reimburse you for one hour of consultation with an independent financial advisor on a one-time only basis.
For more information contact pension@ndtbenefits.org.

Let Us Help

Did you know your Employee and Family Assistance Program (EFAP) provides you and your family with immediate and confidential help for any work, health or life concerns. If you are eligible, it is available anytime and anywhere by phone, web or mobile app.

Help is available for:

- Stress
- Grief and loss
- Managing relationships and family
- Dealing with workplace challenges
- Tackling addictions
- Finding child and elder care
- Legal advice
- Financial guidance
- Nutrition

Look under "Health Benefits" on **ndtbenefits.org** for more information.

Trustees

The Board of Trustees meet formally at least twice a year. In 2024 they met on May 14th and November 27th.