

NDT Industry Pension and Benefit Plans 2023 Year in Review

www.ndtbenefits.org

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A message from the Chair of the Board of Trustees

Dear plan member,

After a dismal 2022, the year 2023 was a much-needed comeback.

Despite inflationary pressures, higher costs of borrowing, and geopolitical tensions, stocks rallied in 2023 and bond markets avoided a third consecutive year of negative returns. The year 2023 will be remembered as the year of market resilience.

In 2023, the global economy continued to expand at a reasonable pace, but this global growth was in no way uniform. The U.S. led the pack as the standout performer, thanks to their robust consumer spending and government stimulus. On the other hand, China struggled to gather pace and its economy showed signs of weakness. In comparison, Canada had modest but better than expected growth.

The outlook for 2024 is cautiously optimistic. It is expected that the U.S. and other overheated economies will cool as consumers limit spending due to higher interest rates and lower savings levels. This in turn is expected to slow down the service sector, and cause the drivers of inflation on the demand side to ease. One would then expect inflation rates to come closer to central bank targets in developed markets. However, while for some time now, central banks have been raising interest rates to combat inflation, the world has not yet fully transitioned from the time money was free to a period when it no longer is. This year is likely to be the year when the effects of that transition become more evident.

One piece of the jigsaw puzzle in this year's outlook is artificial intelligence (AI). In 2023, the gains in the U.S. stock market were mostly concentrated in giant technology companies that benefited from developments in AI and that trend may continue. AI entered the scene last year through the new household application of ChatGPT, a generative AI chatbot that enables interaction between users and AI in a way that has not been experienced before. Attention has now shifted from AI as a household application to harnessing the potential of AI to increase labour productivity and in turn economic growth. The extent to which AI can contribute to economic growth and its trickling effects are to be seen.

The outlook for 2024 is not without risk. The continued geopolitical tensions driven by the tense US-China relationship; the Russia-Ukraine war and the Israel-Palestine war in the Middle East; coupled with the political risk of elections in the U.S. and other parts of the world, could radically change the world order in unexpected ways. As Trustees, we are focused on making sure the Pension Plan is well positioned to withstand these uncertainties. 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 four-year average return as at December 31, 2023 was 6.9%, compared



NDT Benefits

Career — Health — Security

Your Pension Plan

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

0.51%

\$945M

Plan Assets
(Net)

Investment Earnings

2023

\$87.4M

2022

\$-34.3M

6,153

Total Pension
Plan Members

Contributions

\$45.7M

90

Participating
Employers

Benefit
Payments

\$46.3M

\$82.1M

Net Increase
in Assets

to a benchmark of 6.4%. The benchmark return is a standard set by the Trustees to measure the fund manager's performance relative to the market. The Plan has performed better than the market over the longer term.

The Board continues to closely monitor the Pension Plan and its operations. If you need assistance, please contact our Plan Administrator, D.A. Townley, via email at pensions2@datownley.com, by calling them at 1-800-663-1356, or feel free to drop by their office for an in-person consultation after you have made 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

How Your Pension Plan Invests

The assets of the Pension Plan are held in a trust by a custodian for the exclusive benefit of the plan members. The Trustees are responsible for managing the Pension Plan and overseeing the investments of the Pension Plan. They are also tasked with the fiduciary duty of investing the assets of the Pension Plan in the best financial interests of the plan members. But what are the investments of the Pension Plan? How do the Trustees discharge their fiduciary duty? Let's find out.

Investment Framework

The Statement of Investment Policies and Procedures (SIPP) is a comprehensive governance document that sets out the guidelines, objectives and principles for managing the investments of the Pension Plan. The SIPP is an essential document for the Trustees, the investment managers as well as the investment consultants to ensure that the assets of the Pension Plan are managed prudently and in accordance with the established laws and regulations. The SIPP also serves as a reference for plan members to understand how the assets of the Pension Plan are invested.

Investment Decisions

The Trustees have engaged professional investment managers to invest the assets of the Pension Plan. However, the Trustees have retained two key responsibilities: the asset mix decision; and oversight of the investment managers. Investment consultants have also been engaged to provide support with these responsibilities.

Asset Mix Decision

Asset mix refers to the allocation of assets to different investment types. The asset mix is typically described in percentages, showing the portion that each investment type, or asset class, contributes to the overall market value of the fund.

The Trustees set the long-term asset mix using various means such as advice of a professional expert, or tools such as asset mix studies that examine the potential risk/return of various scenarios. Once the long-term asset mix is set, the Trustees may give the investment manager flexibility to deviate from the long-term asset mix within a pre-established margin. This allows the manager to add value or reduce market risk that is short term, at the manager's discretion. The pie chart in the newsletter illustrates the asset mix of the Pension Plan as at December 31, 2023.

Although the Trustees have delegated selection of individual investments to the investment managers, the asset mix decision rests with the Trustees. The asset mix decision is often more important than selection of individual investments.

Oversight of Investment Managers

The Trustees follow a rigorous process for overseeing the investment managers. The performance of the manager is evaluated against benchmarks set by the Trustees. One

of these benchmarks is the market return for each asset class and for the fund in total.

If a manager performs better than the market, that means that the manager has added value. If the manager performs worse than the market, then the manager has detracted value and the Trustees may dig deeper to uncover the reasons for this underperformance.

The bottom line is that the Trustees have a rigorous, disciplined approach to investing, as outlined in the SIPP. While the Trustees will make every effort to understand market volatility or underperformance of a manager over the short-term, they have a long-term outlook and invest with that in mind.

Asset Classes (Investment Types)

The Pension Plan is invested in the following general asset classes:

Fixed Income – "Fixed income" refers to the type of investment in which the investor receives fixed interest or dividend payments until an agreed upon date, known as maturity date. At maturity date, the investor is paid the principal amount invested. Examples of fixed income investments are bonds and mortgages.

Fixed income investments are sensitive to interest rate changes. When interest rates rise, as experienced in recent times, bond prices fall and vice versa. Generally, bonds are less volatile than equities (stocks), but contrary to common belief, they have their own set of risks.

Equities – "Equities" refers to the type of investment in which the investor buys a share of a company in the stock market with the expectation of earning dividends or selling the share when it is profitable. It is generally believed that over the long term, equities outperform fixed income but with greater volatility in the short term. Investments in equities include stocks of companies in Canada, typically referred to as Canadian Equities, or in stocks of companies in world markets outside Canada, known as Global Equities. When the investment is in a specific region or market(s), then the term used references the region or market(s) – such as U.S. Equities, or Emerging Markets Equities.

Equities are exposed to a variety of risks. The risk of economic or geopolitical conditions affecting the stock market worldwide or in a specific region are among the major risks.

Cash or Money Market Funds – The purpose of having cash or investing in money market funds is to have enough liquid assets on hand to meet the Pension Plan's cash flow needs. The amount set aside in cash or money market funds is very small at any given point in time as most of the Pension Plan's assets remain invested.

Alternatives – "Alternatives" refers to the type of investments that do not fall into one of the conventional investment categories, as described above.

Investing in alternatives further diversifies the investment risk and may reduce the overall volatility of the Pension Plan's investments. The most popular investments in Alternatives for pension plans are in real estate and infrastructure. Both these types of investment provide protection against inflation and potentially may serve as a source for ongoing stable income.

Diversification is the strategy of dividing investments across various investment types or asset classes. The Pension Plan's well diversified portfolio will, on average, yield higher returns and pose a lower risk than any individual investment found within the portfolio.

Canadian Dental Care Plan

The Canadian Dental Care Plan (CDCP) is the federal government's most recent initiative aimed at easing financial barriers to accessing dental care for eligible Canadians.

Who is eligible?

To qualify for CDCP you must be a Canadian resident, have filed your tax return, have a family net income of less than \$90,000, and not have access to dental insurance.

The intent of CDCP is to provide oral health care to those Canadians who cannot access dental insurance through their workplace or have not purchased insurance privately, provided that their family net income falls under the income threshold.

If you have access to or are covered by a dental insurance plan through your workplace, you are not eligible for CDCP, even if you decide to opt out of the workplace plan. There is one exception. Those who opted out of their workplace plan before December 11, 2023 may be eligible for CDCP provided that they cannot opt back into the workplace plan under the rules of the workplace plan.

When is CDCP rolled out?

The federal government released details of CDCP on December 12, 2023. The program is rolled out in phases.

Seniors are given priority. Applications for seniors over 70 years of age were rolled out between December 2023 and April 2024, starting with the oldest. Seniors aged 65 to 69 may apply as early as May 2024. After that, in June 2024, applications will open for disabled persons and children under the age of 18. Starting in 2025, all remaining eligible Canadians can apply.

When does coverage under CDCP start?

Once an individual has applied and is determined to be eligible, Service Canada will share the applicant's information with Sun Life, the administrator for CDCP. Sun Life will enrol eligible applicants and advise them of the start date of their coverage. Those enrolled by Sun Life will receive a welcome package, including coverage details and a member card.

The start date for coverage will vary based on when each age group can apply, when the application is received, and when enrolment is completed.

What services are covered by CDCP?

In general, CDCP will help cover the cost of various oral health care services that keep teeth and gums healthy, and prevent or treat oral health care issues and diseases. For services covered, please visit the Service Canada website.

How much is covered by CDCP?

To determine reimbursement of eligible services, CDCP will take two factors into consideration: the fee guide established by CDCP, and the individual's family net income.

For a given service, the fee guide establishes the maximum fee that qualifies for reimbursement by CDCP. The oral care providers are not obligated to follow the CDCP fee guide and can charge more than the fee guide, in which case the patient will be out of pocket for the difference.

The individual's net family income determines the amount of co-payment. The co-payment is the percentage of the CDCP fees that is not covered by CDCP and must be paid by the individual out of pocket. In general, the higher the income, the higher the percentage that has to be covered out of pocket by the individual.

The schedule below provides the different levels of co-payment for different income levels:

Family Income	Percentage of eligible services covered by CDCP	Percentage of eligible services covered by individual
Lower than \$70,000	100%	0%
Between \$70,000 and \$79,999	60%	40%
Between \$80,000 and \$89,999	40%	60%

What is not covered by CDCP?

Some dental procedures are outside the scope of CDCP, such as cosmetic or extensive rehabilitation services.

In general, the oral care provider may charge the patient directly for costs such as:

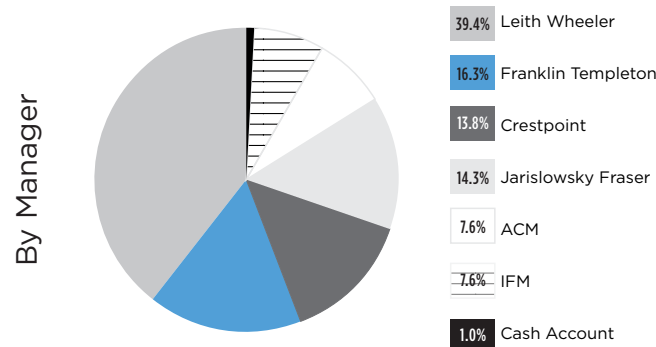
- The individual's share of the co-payment, as described above;
 - The cost of CDCP eligible services received in excess of CDCP's fee guide;
 - The full cost of CDCP non-eligible services, or services that do not meet CDCP's guidelines, policies and criteria; or
 - The full cost of services if the oral care provider does not participate in CDCP.
- It is very important that prior to receiving your treatment you discuss the cost of the service and who the payor is with your oral care provider. This way you know what you will have to pay directly to the oral care provider, if anything, ahead of receiving your treatment.

Where can I get more information?

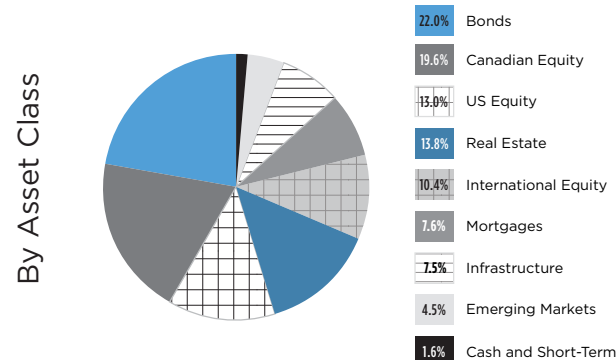
The information on CDCP is evolving, and you are strongly encouraged to visit the Service Canada website. This article is based on information available on the Service Canada website as at May 18, 2024.

NDT Industry Pension Plan Asset Allocation

For the period ending December 31, 2023



Source: Proteus Investment Performance Report



Termination Benefits — Making the Choice

You have terminated your membership in the Pension Plan and you are faced with a decision. You have to choose either:

1. Leave your savings in the Pension Plan for now, and decide later when you are ready to retire and draw an income; or
2. Transfer your savings to a locked-in retirement account with your financial institution.

If you decide to leave your benefits in the Pension Plan, please make sure that D.A. Townley has your most up to date contact information, and remember to advise them of any future changes in your address or other contact information.

This is a complicated decision. Without a crystal ball, it is impossible to know exactly which choice bears a better outcome for you. But here are some basic considerations:

Unbiased advice – It is always a good idea to get professional advice, but make sure the advice you receive is free of commercial bias. An advisor whose compensation is affected by the choice you make may not be objective.

Fees – You may not be able to tell with certainty which option is going to give you a better investment return in future, but you do know that fees cut into your savings. Generally, fees for institutional investors such as pension plans, where plan members' assets are pooled together and can therefore achieve economies of scale, are significantly lower than what one can obtain in the retail market.

Diversification – A well-diversified portfolio has lower risk and potentially better returns over the long term. The Pension Plan invests in a variety of investments that may not be available to the retail investor.

Oversight – Consider the time commitment you need to make to oversee your investments on a regular basis. The Pension Plan's investments are managed by professional institutional investment managers and monitored by the Board of Trustees on a regular basis.

Once you have considered the above, you will be in a better position to assess the probability of getting better returns, over the longer term, from the Pension Plan or in a retail financial institution.

Questions? Contact Us

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pensions2@datownley.com

T (604) 299.7482 or

1 (800) 663.1356 F (604) 299.8136

Termination of Plan Membership — Process

You are deemed to have terminated your membership in the Pension Plan if you have a break in service. The definition of break in service varies, depending on the province in which you are employed. If you work in Alberta or British Columbia, you will be deemed to have terminated your membership in the Pension Plan if you work less than 350 hours in two consecutive calendar years. For all other provinces, please contact D.A. Townley for termination rules relevant to your province.

As a terminated member, you are entitled to certain benefits. The process for receiving your benefits is as follows:

1. The Plan Administrator, D.A. Townley, will send you a termination package within 90 days of your termination date. The package will contain a termination statement outlining your benefits under various options, an explanation of these options, an option election form, and various prescribed forms you need to complete to receive your termination benefit.
2. 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.
3. Complete your termination package and send it to D.A. Townley within the prescribed timeline noted in your package.
4. D.A. Townley will review your completed package and notify you if anything is missing.
5. D.A. Townley will process your termination benefit based on the instructions you provide.

Please note that you always have the option to leave your benefits in the Pension Plan until such time as you are ready to draw an income. However, under the tax rules, you must draw an income from the Pension Plan by no later than December 31 following your 71st birthday.

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 D.A. Townley.

Trustees

The Board of Trustees meet formally at least twice a year. In 2023 they met on May 16th and October 24th.

2023 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