Boilermakers Lodge 191 Pension Plan
2018 Year in Review

www.boilermakers191benefits.org

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Financial Markets: Short Term Volatility; Long Term Focus — 2018 Overview

The pension plan continues to hold a long-term investment outlook that is resilient to short term market fluctuations, as seen in 2018.

The 2018 year ended mostly down for investors around the world as developed international and emerging markets weakened. The FTSE All-World Index, which tracks thousands of stocks across a range of markets, plummeted 12 percent in 2018, a sharp reversal from a gain of nearly 25 percent in 2017. This was the index's worst performance since the global financial crisis.

Here at home, the S&P/TSX, the index that tracks the performance of Canadian publicly owned companies, started 2018 poised to hit new record highs, but finished the year with a decline of 11.6 percent.

December 2018 was a particularly challenging month. The Dow Jones Industrial Average, a stock market index that tracks the value of 30 large, publicly owned companies in the U.S., fell more than 800 points in a single day in early December. Subsequently it climbed over 1,000 points on December 26, realizing the largest daily point gain in history and the highest daily percentage gain since March 2009. The Dow index finished the year with a decline of 5.6 percent.

The year 2018 will be remembered for its volatility. This volatility was driven by signs of a global economic slowdown, concerns about monetary policy, ratcheting up of a global trade war, and potential for rises in interest rates and inflation. But the picture for your pension plan is not as dismal as these numbers might suggest. Here's why:

Rational Perspective — Markets will go up and down over the short term and downturns happen frequently. Short-term volatility is part and parcel of investing. However, market setbacks have typically been followed by recoveries, as evidenced in early 2019.

Strict Discipline — Trying to time the market rarely pays off and can be costly. A rigorous, disciplined approach to investing (as outlined, for example, in your pension plan's Statement of Investment Policies and Procedures, or "SIPP") provides investors with a long-term plan that can weather a volatile year like 2018.

Long-Term Focus — Although past performance is no guarantee of future results, there is ample evidence to show that, historically, stock markets have performed well over the long term. Your pension plan continues to have a long-term outlook and its assets are invested with this in mind. After all, pension benefits are long term in nature.

Broad Diversification — The expression "don't put all your eggs in one basket" is certainly good advice when it comes to investing. Your pension plan's assets are well diversified, meaning that the assets are allocated to a wide variety of different investment types (bonds, stocks, mortgages, real estate, infrastructure, etc.), indus-

Did You Know?

Plan Expenses (Compare to 2%-3% in Retail Market) **0.7%**

$38.6M Plan Assets (Net)

Investment Earnings

2018 **$-0.7M**

2017 **$3.5M**

Gross Rate of Return **-1.68%**

757 Total Pension Plan Members

Contributions **$4.5M**

5 Participating Employers

Benefit Payments **$2.8M**

$0.8M Increase in Net Assets

Questions? Contact Us

4250 Canada Way, Burnaby BC V5G 4W6

pensions2@datownley.com

T (604) 299.7482 or 1 (800) 663.1356 F (604) 299.8136

try sectors (energy, utilities, consumer goods, materials, financials, etc.), geographies (Canada, U.S., developed countries outside North America, emerging economies, etc.), and even investment styles. Since different asset types are impacted by different events, a diversified portfolio, such as your pension plan's, experiences lower volatility than any one individual investment.

Robust Governance – The Trustees have hired professional fund managers to manage your pension plan's investments. These managers are responsible for implementing your pension plan's investment strategy and achieving its short and long-term goals, as outlined in the SIPP mentioned above.

The Trustees oversee and regularly monitor the performance of the managers. Although these principles are presented in the context of your workplace pension plan, they are equally applicable to your personal finances. Instead of being worried by short-term market fluctuations, be prepared. Establish your personal investment goals and take a disciplined approach to investing so that when the normal ups and downs of the market happen, you can take advantage of opportunities that arise. In respect of your personal investments, a professional advisor can assist you with keeping a rational perspective, maintaining strict discipline, focusing on the long-term, diversifying broadly and implementing a robust governance framework.

Outlook for 2019

Global economic growth has slowed. Brexit and the persistent trade war between the U.S. and China continue to be a source of investors' worry. The U.S. is firmly in the late stage of its economic cycle. Federal Reserve in the U.S. has left its key interest rate unchanged and projects no rate hikes for the balance of 2019. The Bank of Canada is expected to follow a similar policy and hold rates steady for the rest of the year. Risk of near term recession remains low, and despite the great start to the year economists and finance experts expect modest returns from the stock market for the balance in 2019. It will be an interesting year as we watch developments.

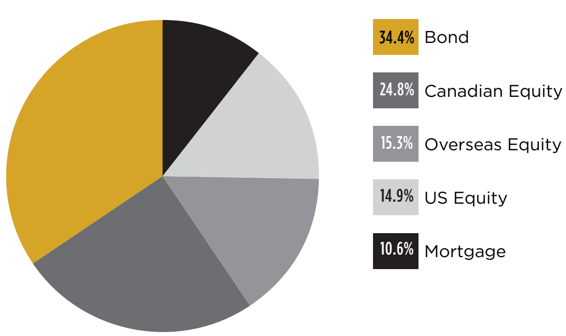
Trustees

The Board of Trustees met twice in 2018 on April 11 and October 29.

Boilermakers 191 Pension Plan Asset Allocation

For the period ending December 31, 2018

Source: PH&N Investment Management Report



Designating My Beneficiary

In the event of your death, your survivors may be entitled to benefits. You will want to make sure that your beneficiary designation for your workplace pension plan is accurate and up-to-date.

Let's look at the rules around who can be designated as a beneficiary for the purpose of your workplace pension plan.

Who is a Beneficiary?

There are two default beneficiaries: your spouse and your estate.

Your Spouse

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 beneficiary(ies) you have named. The spouse may waive their right by signing the applicable waiver form as prescribed by each pension jurisdiction.

The definition of spouse is different under various pension legislation. For the most part, a spouse is defined as a person who is legally married to you or living with you in a common-law relationship. What is different among the provinces is the period of cohabitation required for the relationship to be considered "common-law".

Your Estate

If you do not have a spouse and have not named a beneficiary, your estate is automatically your beneficiary when you die. The death benefit will then be distributed by the executor of your estate according to the instructions in your will.

If you die intestate, that is without a will, the death benefit will be paid to your estate. Your estate will then be distributed according to the rules of the province you reside in.

It is important that you name your beneficiary(ies) and make sure that you have a will that is up-to-date.

Death Before Retirement

If you die in service before you have received your pension benefits and you have a spouse at the time of your death, any benefits you have earned for service up to the date of your death will be paid to your spouse. Your spouse may elect to receive this benefit on a tax-deferred basis.

If you **do not** have a spouse at the time of death, or if your spouse has waived their right by signing the prescribed waiver form, you can name other people as your beneficiary(ies). These can include your children, other family members, friends or others. You can also name organizations, trusts, or your estate as beneficiaries. The pre-retirement death benefit will be paid to your designated beneficiary(ies) as a lump sum, less applicable taxes.

Death after Retirement

If at the time of retirement you have a spouse, your spouse has a right to survivor benefits. Your spouse may waive this right at the time you retire by signing the applicable waiver form.

Definition of Spouse in British Columbia

"Spouse" means in relation to another person:

a. a person who at the relevant time was married to the Member, and not living separate and apart from the Member for a continuous period longer than 2 years; or

b. a person who was living with the Member in a marriage-like relationship, for the two year period immediately preceding the relevant time.

If, when you retire, you **do not** have a spouse or if your spouse has waived their right to a survivor benefit, you can name the same beneficiary(ies) as the one(s) during your working life or different one(s). Your beneficiary(ies) may be your children, other family members, other individuals, organizations, trusts, or your estate. Any death benefit payable to your beneficiaries will be determined according to the option you elected when you retired.

How to Name or Change Your Beneficiary Before Retirement

Here are the steps you need to follow:

1. Contact D.A. Townley, the Plan Administrator, to request the Application for Enrolment and Beneficiary Designation form ("Beneficiary Designation form").
2. If you have a spouse, and wish to name someone other than your spouse as your beneficiary, let the D.A. Townley staff know so they can send you the applicable spousal waiver form.
3. Complete the Beneficiary Designation Form.
4. Sign and date the form.
5. If applicable, your spouse must complete, date, and sign the spousal waiver form.
6. Mail the Beneficiary Designation form, and if applicable, the spousal waiver form, to D.A. Townley.

If you are naming more than two beneficiaries or wish to name alternate beneficiaries, include this information on a separate sheet and attach it to the Beneficiary Designation form. To be valid, the sheet must include your name and signature dated with the same date as on the form.

If you are divorced or separated, all beneficiary nominations must comply with any separation agreements or court orders.

How to Change Your Beneficiary After Retirement

Your ability to change your beneficiary after you have retired depends on if you have a spouse and on the benefit 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.

If you are divorced or separated, all beneficiary nominations must comply with any separation agreements or court orders.

Should I take my money out of the Plan?

Sheila has just accepted a new job offer. Mike is retiring. They both participate in the Plan, and now they have to choose either:

1. Leave their savings in the Plan and draw an income from the Plan; or
2. Transfer their savings to their personal locked-in retirement account with their financial institution.

How does one Decide?

Sheila and Mike each face a serious, and difficult, decision. So many factors are outside their control. Getting professional advice is a good idea, but Mike wonders if the advice is truly unbiased. After all, his account balance is rather attractive and could generate hefty fees for the advisor.

This is a complicated decision, but it can be boiled down to a few basic considerations:

1. **Investment returns** – Which option is most likely to yield the highest returns? Mike and Sheila need to weigh in on the probability of getting better returns, over the longer term, from the Plan or in a retail financial institution.
2. **Fees** – Which option is most likely to have the lowest fees? What are the fees charged by their financial institution and how does that compare to the fees under the Plan? 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.
3. **Manager** – Who will manage their money? There are thousands of mutual funds available in the retail market. While this provides a considerable amount of flexibility, choosing a mix of these funds will be a significant undertaking. For assets in the Plan, the Trustees have selected a limited number of professional institutional fund managers who invest in funds designed for institutional investors (and not available in the retail market).
4. **Monitoring and oversight** – How much time are Sheila and Mike prepared to devote to monitoring their investments? Hiring an advisor to manage their money is only the start. Mike and Sheila know that they also have to regularly monitor the advisor and how their investments are doing. Remaining in the Plan allows them to rely on the Plan's robust governance structure and ongoing oversight provided by the Board of Trustees.
5. **Bias-free support** – Where will they go with their questions? The staff of D.A. Townley, the Plan's administrators, are engaged by the Plan's Trustees to provide member support in a non-conflicted environment. Can Sheila and Mike access similar bias-free and independent expert support from their advisor?

Mike decides to leave his money in the Plan and starts receiving payments from the Plan's internal Life Income Fund (LIF) option. He has the flexibility to withdraw the income he needs each year within a prescribed limit and the rest of his funds remain invested in the Plan.

But what about Sheila? She is not retiring yet. Sheila decides to defer her decision, leave her funds in the Plan for now, and revisit the question when she is ready to retire.

Starting your CPP Pension

You can choose to begin your CPP pension any time between ages 60 and 70. Your pension amount will be reduced for every month it is started before age 65 and increased for every month you delay the start date past age 65. For example, CPP pensions commencing at age 70 will be 42% higher than those commencing at age 65. CPP pensions beginning at age 60 will be 36% lower than those beginning at age 65.

When should you start payments?

There is no easy answer to this question as the answer largely depends on personal circumstances and what ultimately gives you peace of mind. The following are a few facts to help you assess your options.

There is a computable "break-even age" where two otherwise identical retirees, one starting earlier with a reduced CPP pension and one starting at age 65 with the normal CPP pension, will have accumulated the same total payments. For individuals who have earned the maximum CPP retirement benefit and start at age 60, this break-even is approximately age 73. For individuals who have earned less than the maximum pension, the break-even age could be much later, around age 85.

Since you cannot predict your mortality, you might want to think about which side of this break-even age you are most likely to enjoy, or need, the money. Many people feel they live the best years of their retirement in the early years, therefore they may opt for early commencement of their CPP pension. On the other hand, CPP is a source of income that is guaranteed for the rest of your life and is inflation proof. You can think of deferring your CPP to age 70 as buying an annuity that guarantees you payments for life after age 70 and these pay-ments increase with inflation each year.

Starting your CPP pension later means you give up some money today to get a higher pension when you are older and perhaps have higher medical expenses or are less able to manage your financial affairs. When you start your CPP late, your monthly payment will increase by 0.7% for each month (8.4% per year) after age 65 that you delay receiving it up to age 70. You can think of this as an investment that pays you a guaranteed 8.4% return for every year that you delay receiving your CPP pension past age 65, up to a maximum increase of 42% if you start your CPP pension at age 70.

Again, the right answer boils down to the one that gives you peace of mind.

What to do if you're still working but are eligible for a CPP pension?

You have two choices:

1. Continue to contribute to CPP and collect your CPP pension after you have completely stopped working; or
2. Collect your CPP pension while continuing to work.

If you are under age 65 and you decide to collect your CPP pension while working, you have to keep contributing to CPP. After age 65, you have a choice about whether or not to contribute. For each contribution you make after your CPP has started, you'll get some additional pension, called a Post Retirement Benefit, or PRB. The maximum PRB benefit you can earn each year is equal to 1/40th of the maximum CPP retirement pension amount. In 2019 , the maximum PRB benefit at age 65 is approximately $346 per year. PRBs are subject to the same early and postponed commencement adjustments and future indexing as regular CPP benefits.

Applying for CPP

Apply for your CPP pension at least six months before your anticipated retirement date. Consider the following when applying for your CPP pension:

- Apply for the "child rearing provision" if you have zero or low earnings because you were the primary caregiver raising your children. This may increase the amount of your CPP benefit.
- Sharing your CPP pension with your spouse or common-law partner may result in tax savings. To share your CPP pension, you must apply to Service Canada.

For more information about how to apply for your CPP pension visit the Service Canada website (http://www1.canada.ca/en/esdc/service-canada.html) and search for "Service Canada CPP."

Your Health and Welfare Plan

How You Can Help Manage the Cost

We all recognize that having a health and welfare plan is a valued benefit. Given rising healthcare costs, the plan must constantly manage its costs in order to remain sustainable. You can play a big part in making this happen. Here are some ways you can help keep the cost of your extended health benefits down.

1. Use generic drugs when possible

Prescription drugs are the costliest component of any health and welfare plan. If you are able to use a generic version of a drug, please ask your doctor and pharmacist for it. Generic drugs provide the same quality as their brand-name counterparts but at a much-reduced price.

Here's an example of the cost of a generic versus a brand name drug.

Brand Name: Crestor	**Generic Name:** Rosuvastatin Calcium
Drug cost: **$173**	Drug cost: **$45.90**
Plan pays: **$138.40** (80%)	Plan pays: **$36.72** (80%)
Member pays: **$34.60** (20%)	Member pays: **$9.18** (20%)

2. Shop around for best prices

Like any shopping experience, know your prices. Compare drug prices from pharmacies in your area. You can also compare service provider fees like dentists, massage therapists and physiotherapists. Determine what matters to you: cost or convenience. This might mean visiting a pharmacy a bit further from where you normally go and finding a new pharmacist.

3. Get routine health screens

Regular health exams and tests can help find problems before they start. They also can help find problems early, when your chances for treatment and cure are better.

4. Register for Fair PharmaCare

Fair PharmaCare is an income-tested program sponsored by the government of British Columbia. Once you reach your family maximum under PharmaCare, the government will pay 100% of your drug costs. Check with your doctor to see if your prescribed drug is covered under Pharmacare.

You can register for Fair Pharmacare on-line or by phone at 604 683-7151 (toll-free 1-800-663-7100) Monday to Friday 8 a.m. to 8 p.m. and Saturday 8 a.m. to 4 p.m.