Nursing Homes and Related Industries Pension Plan

NHRIPP NOW

MAY 2019

PENSION PLANS HAVE A LONG-TERM INVESTMENT HORIZON

In 2018, geo-political tensions, trade disputes, declining investment markets and lower long-term interest rates all provided a challenge to those who manage a pension plan. On a positive note, pension plans, such as the NHRIPP, are expected to operate for many years into the future. This long-term investment horizon allows the NHRIPP Trustees to make strategic adjustments as to how the Plan is managed to deal with such challenges, and provides the time needed for the investment markets to recover.

Due to these issues, the Plan had an investment return of -1.6% in 2018, and like many other pension plans did not meet its investment return target for the year. The good news is that due to several years of strong investment performance the Plan has a 10-year average investment return of 8.2% a year which is well above the Plan's long-term target of 6.35% a year. The most recently filed valuation (at January 1, 2018) showed that the NHRIPP is fully funded on a going- concern basis so it is well positioned to provide benefits long into the future.

Although the Plan had a negative investment return in 2018, the Trustees' decisions to diversify investments into real estate, infrastructure and private debt helped. Without such diversification the NHRIPP would have had lower returns.

Your Trustees, working with their consultants, regularly monitor the Plan's investment strategy and its investment managers so that the NHRIPP's assets are managed prudently for the benefit of the Plan and its members.

GROWTH IN THE PLAN

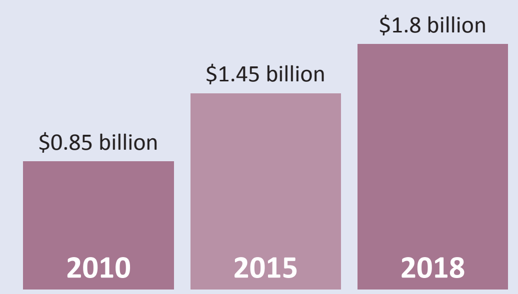
Number of Active Members

2010	34,300
2015	45,800
2018	**48,500**

Number of Employer Locations

2010	410
2015	495
2018	**515**

Market Value of Plan Assets



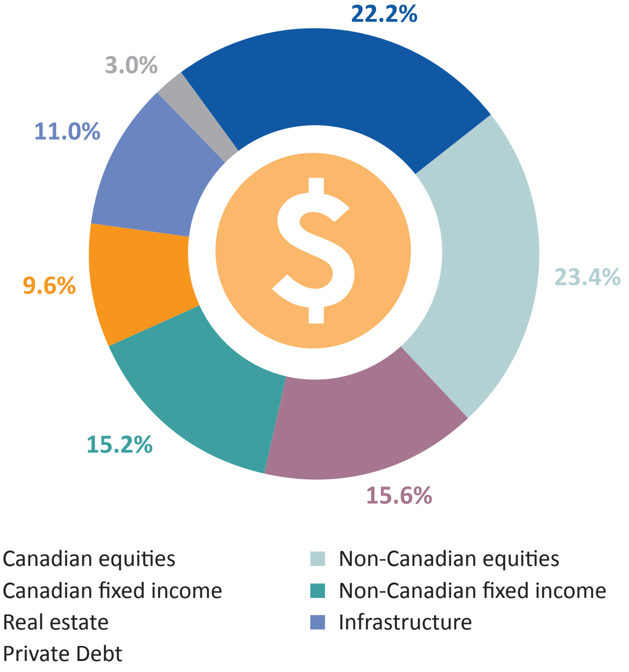
Si vous préférez recevoir ce bulletin en français, veuillez communiquer avec EnAvantage.

WHAT'S INSIDE

Who manages your Plan's money...

- Bentall Kennedy
- BlackRock
- Connor, Clark & Lunn
- Copper Rock Capital Partners
- Fidelity Investments
- Hillsdale Investment Management
- J.P. Morgan Asset Management
- Leith Wheeler
- Macquarie Infrastructure and Real Assets
- Manulife Asset Management
- PIMCO
- State Street Global Advisors
- Walter Scott & Partners

How your Plan's money is **Invested...**



YOUR TERMINATION **OPTIONS**

It's YOUR money – Make the right choice for YOU!

Pension legislation provides most former pension plan members to transfer the value of their pension benefits out of the plan and into a locked-in retirement account, such as a locked-in RRSP. By law, such amounts must normally be "locked-in" so they can only be used to provide retirement income after the former member turns 55. This transfer option is not available to former members who have already reached age 55.

Many former pension plan members choose this transfer option. Is that a bad thing? Not necessarily, but transferring your money without understanding the risks is a "bad" thing. You need to do your own homework because everybody has their own financial concerns and needs.

Let's look at it together. If an NHRIPP member was a plan participant for 18 years; earned an average of $40,000 a year and had 8% total Plan contributions (employer and member contributions), under the current Plan rules, they would accrue a pension of $10,713 a year payable for life from age 65. With an average life expectancy of 87, or 22 years after age 65, this would result in a lifetime pension payout of approximately **$235,700** ($10,713 x 22 years).

If you transfer the value of your benefits out of the Plan and into a locked-in retirement account, you have to be willing to assume the risks and rewards of the investment markets. Why take on such risk if you cannot be reasonably confident of generating a retirement income which is greater than what the Plan is offering? There is no crystal ball to help you make the right decision. It comes down to making a decision based on the information you have and the homework you did!

If the above member terminated Plan membership at age 40, they would have the option to either transfer approximately $80,000 (the value of the accrued benefit payable in today's dollars based on current Plan rules and market conditions) to a locked-in retirement account or receive the above pension at age 65. (If the pension is started before age 65, it will be reduced because it will be paid over a longer period of time.) The $80,000 is tempting but before deciding to make such a transfer you should contact a financial advisor to see how they would invest your money and what you may receive from having them do so. You should also keep in mind that financial advisors do not guarantee their returns.

It's important to ask a number of questions at this point:

1) What experience does the financial advisor have;
2) What fees will you have to pay to the advisor and the funds they have you invest in;

YOUR TERMINATION OPTIONS *continued...*

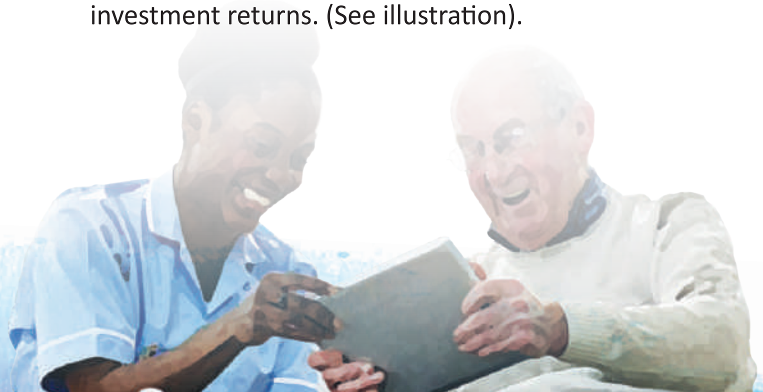
3) What level of risk will your retirement funds be exposed to;
4) How will your money be managed once you retire;
5) How often will your portfolio be rebalanced - the closer you are to retirement the less risk you should have in your investments; and
6) How often will you meet with your advisor to receive updates and ensure you are on track to meet your retirement goals?

Bear in mind that most financial advisors are paid based on the value of the assets they manage. That means they have an interest in recommending that you transfer your benefits out of the Plan. You may want to consider using a financial advisor that is paid only on a fee-for-service basis and not by commissions on your investments.

The NHRIPP is a target benefit plan and subject to regulatory changes and market conditions which, although unlikely, may require pension benefits to be adjusted up or down. By transferring your benefits from the NHRIPP to a locked-in retirement account, it may be possible to earn a higher rate of return but you should know the risks and challenges of doing so before you decide.

SOME ADVANTAGES OF STAYING IN THE NHRIPP

- The NHRIPP is designed to pay you a pension for your lifetime whereas in a locked-in retirement account you could outlive your savings. Concern about outliving their savings may cause retirees to have a lower standard of living than they can actually afford.
- The NHRIPP is expected to operate for many years into the future and with over 500 employer locations and approximately 48,500 active members, has the size and the long-term investment horizon required to withstand market volatility.
- The NHRIPP has approximately $1.8 billion in assets so it can negotiate lower investment management fees. This leaves more of its investment returns available to pay for the pensions of NHRIPP members. As of December 2018, the NHRIPP pays investment fees of 0.45%. Personal investment accounts typically charge 1.25% to 2.5% in fees, which directly impacts your investment returns. (See illustration).



YOU ASKED, WE ANSWERED

Terminating from employment

Q: What is a Break in Service ('BIS")?

A: Under current Plan rules, you can elect to incur a Break in Service if no contributions are received on your behalf for eight months. You remain a member of the Plan until you make such an election. This eight-month period provides members an opportunity to find employment with another contributing employer to continue participating in the NHRIPP. The eight-month period does not include periods during which you are away from work due to illness or disability but still on a contributing employer's payroll; on an approved leave of absence; or on layoff and subject to recall under your collective agreement.

Q: Do I have a deadline to respond to my termination benefit package?

A: Once no contributions have been received on your behalf for eight months, you will receive a termination statement which will allow you to elect a BIS and to transfer the value of your benefits out of the Plan. If you do not make such an election within 60 days from the date of the termination statement, your benefits will remain in the Plan until you apply for your pension or transfer them out.

THE IMPACT OF FEES

You invest $10,000

$10,000

Money grows at 5% each year

$

= **$26,533** **after 20 years**

Really low fees (0.5%)
You keep $24,123 and **LOSE <u>$2,410</u>**

Low fees (1%)
You keep $21,921 and **LOSE <u>$4,612</u>**

Mutual fund fees (2.5%)
You keep $16,401 and **LOSE <u>$10,132</u>**

A message from InBenefits

Alain Malaket, CEO

2018 was a transformational year for the Fund Office starting with the official launch of our new name, ***InBenefits***. Along with the name change came a commitment to create a culture dedicated to our four pillars of service: *Integrity, Innovation, Commitment and Excellence.*

Other significant changes during the year:

- established a Call Centre, open from 8 am to 5 pm ET Monday to Friday, to assist members with their Plan needs
- increased staffing to enhance services
- resumed regional information sessions for members
- qualified as a Great Place to Work® employer
- developed community ties with 360 kids and Habitat for Humanity while continuing to sponsor a child in Haiti

and most notably

- successfully implemented a new pension administration system to improve service to members and respond to their requests more promptly

Much like other progressive organizations, *InBenefits* will keep striving to improve its services, and for 2019 we have set an ambitious agenda which includes:

- establishing a member on-line portal to offer "on demand" 24/7 access to online tools, including an interactive pension calculator which will allow members to calculate their pensions using different retirement dates;
- establishing an employer on-line portal that will allow employers to provide information and communicate directly with *InBenefits* electronically; and,
- rebranding and relaunching the Plan's website

We're proud of our achievements in 2018 and look forward to our exciting initiatives in 2019.

Have a safe spring and summer!

REMINDER

Pension statements will be mailed by the end of June 2019.

KEEP IN TOUCH

Got a question about your Plan? Contact us!

Email: information@nhripp.ca

In Toronto: 905-889-6200 (Option 1)
Outside Toronto: 1-800-287-4816

Fax: 905-889-7313

Address: Nursing Homes and Related Industries Pension Plan c/o InBenefits
105 Commerce Valley Drive West, Suite 310
Thornhill, Ontario L3T 7W3

You can also access Plan information online anytime at www.nhripp.ca

Final word

This newsletter provides summary information about the Nursing Homes and Related Industries Pension Plan in simple terms. It is not intended to be comprehensive or to provide advice. If there are any differences between the information provided in this newsletter and the legal documents that govern the Plan, the legal documents will apply. In accordance with applicable legislation, the NHRIPP Trustees may modify the Plan rules at any time, including changing benefit amounts, the types of benefits offered, the eligibility requirements and terminating the Plan.

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