



ATLANTIC CANADA
REGIONAL COUNCIL OF CARPENTERS
MILLWRIGHTS AND ALLIED WORKERS

March 20, 2020

Dear ACRC Pension Plan Members,

This communication is to provide you with some perspective on the market's recent reaction to the coronavirus outbreak and what it means for your pension plan.

What is happening in the markets?

The spread of the coronavirus disease (COVID-19) has prompted a sharp correction in global stock markets. The outbreak has had a significant impact on both China and the USA, the world's largest economies. With the virus continuing to spread, markets around the world are feeling the effects and reacting to the outbreak's potential impact on the global economy.

What should we expect to happen next?

In the short to medium term, we can expect weaker economic growth and a decrease in corporate earnings. Governments around the world are taking steps to not only deal with the health issues but also ease the resulting financial concerns. Governments are working to help stabilize the economy and the stock markets while this disruption runs its course.

What are the Pension Trustees doing?

Corrections are a natural part of the investment cycle (we recently had market correction events in 2000 and 2008). Over the long-term, investors who remain invested during these events (rather than trying to time the stock market by selling during the drop and buying back after the event) have been rewarded. The Trustees, with the help of their advisors, have developed a long-term policy when it comes to investing the pension plan assets.

The goals of the pension plan remain to invest for the long-term. Investors who take a long-term approach know that there will be ups and downs. While there is no question that the downs are unpleasant, it is not the time to panic as acting in fear is rarely a good decision. This market decline actually represents an opportunity to buy quality companies at attractive prices.

The risk of selling during a market decline is not being invested and missing out on the stock market's best days, which often come after large declines like we have recently seen. Stock markets can rebound and rise as quick and as pronounced as they fall and it is important to stay invested and stay patient.

So, what does this mean to me and my pension?

If you are a member of the Defined Contribution pension plan you are invested in a target date fund. It automatically reduces your risk the closer you get to age 65. If you are nearing retirement, this strategy goes a long way to preserve your money during market correction events. If you have a longer time until retirement, your funds are likely still not seeing the full downturn experienced by the broader markets and your funds have plenty of time to bounce back for when you need your pension in retirement.

You are automatically invested in a fund to suit your time horizon. The portfolio managers are working hard to limit losses and ensure that the recovery will be as strong as possible. It can be difficult to stomach market events like the one we're in but keep a long-term view and know that this too will pass.

If you are a member of the Defined Benefit pension plan you should know that the overall pension assets are holding their value very well compared to the overall markets. For example, looking at year-to-date (up to March 17), the estimated investment return for the Defined Benefit plan is in the range of -10%, which is much less of a drop as compared to the broader Canadian stock market (-30%).

The Pension Trustees have always considered a long-term investment approach that invests the pension fund with a balance between risk and return. The investment strategy is well diversified and able to weather market downturns while at the same time produce strong returns when the market recovers.

Defined benefit pension plan legislation requires a periodic review of the health of the pension plan, at least once every three years. The next required valuation will be done as at December 31, 2019, which is prior to these recent market declines, and as such will provide time (up to three years) for the fund to recover from this recent market selloff, before the next valuation is required.

In short, there is no reason to make dramatic changes in our pension plan at this time, and we anticipate that our patience will pay off in the long run. Further, we would ask you to consider the source when you are hearing things about the market and pensions. Each pension plan is different, and we are confident that our plan is extremely well managed and is designed to protect us all from events such as these. We encourage you to get accurate information about our plan from the right sources.

If you have questions or concerns about your pension, please contact Belmont Health & Wealth at:

Dartmouth office: 1-888-235-6169 Saint John office: 1-800-565-7050 NB

Sincerely,

ACRC Pension Trustees