

IBEW LOCAL NO. 461

FRINGE BENEFIT FUNDS

IBEW Local No. 461 Welfare Fund
IBEW Local No. 461 Defined Contribution Pension Plan

Managed for the Trustees by:
TIC INTERNATIONAL CORPORATION

To: Participants in the IBEW 461 DC Pension Fund
From: Board of Trustees

March 24, 2020

One glance at your DC Pension Fund statement, available at www.mylife.jhrps.com or mailed to your home in April, and you will see that March has been a tough month for the global stock markets. Last year the investment return for the Total Plan was +19.7%, and this year the Plan has declined by about 20%, as of March 24.¹ This means that performance over the last two years has been negative, **but the decline is small, even with the unprecedented volatility this year.**

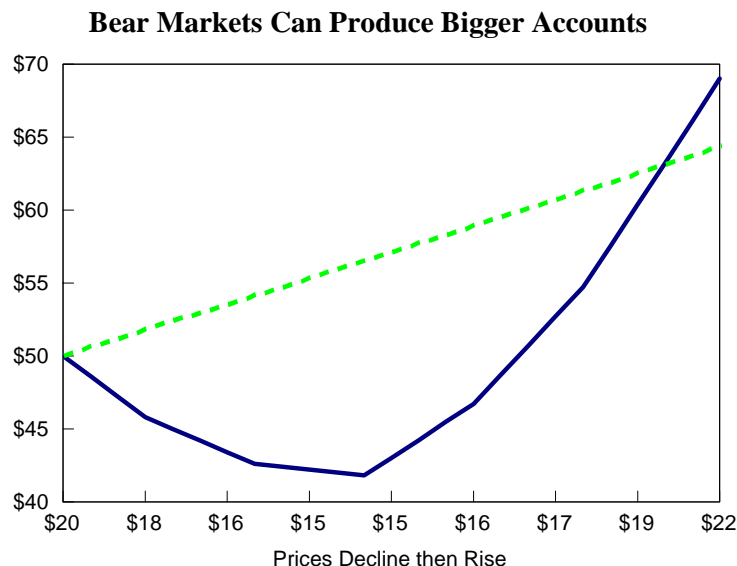
We understand that this is a challenging time for you and your family, and we wanted you know that the Trustees are carefully monitoring the retirement plan investments. For some investors, the knee jerk reaction is to abandon equity holdings and seek cover until the storm ends. **But history has shown that bear markets create great opportunities to invest at bargain prices**, so stay the course, and consider rebalancing your account to maintain your equity allocation.

What the Sale on Wall Street Means for You

There is more to this story than just watching your account fall in value - because **lower stock prices can also create value**. We are not going to whitewash the bad news; we just want to point out the positive side of being able to buy stocks at low prices. You can think of it as a sale on Wall Street; **instead of avoiding stocks you can take advantage of the discount**. Most financial advisers would tell you to maintain a diversified account, and resist the urge to sell stock funds at the bottom.

Keep contributing to your 401(k) account

In a bear market, your account balance can fall even though you are making regular 401(k) contributions. For some, this may seem like a waste, and may stop contributing to the Plan. But the good news is that your contributions are **buying more fund shares at lower prices**, reducing the average cost in your account. As shown in the chart below, at the end of two years, the participant (like you) who suffers through a bear market (the solid blue line) has an **ending value that is higher** than the dotted green line, because you were able to buy shares on sale (assuming the same ending share price).



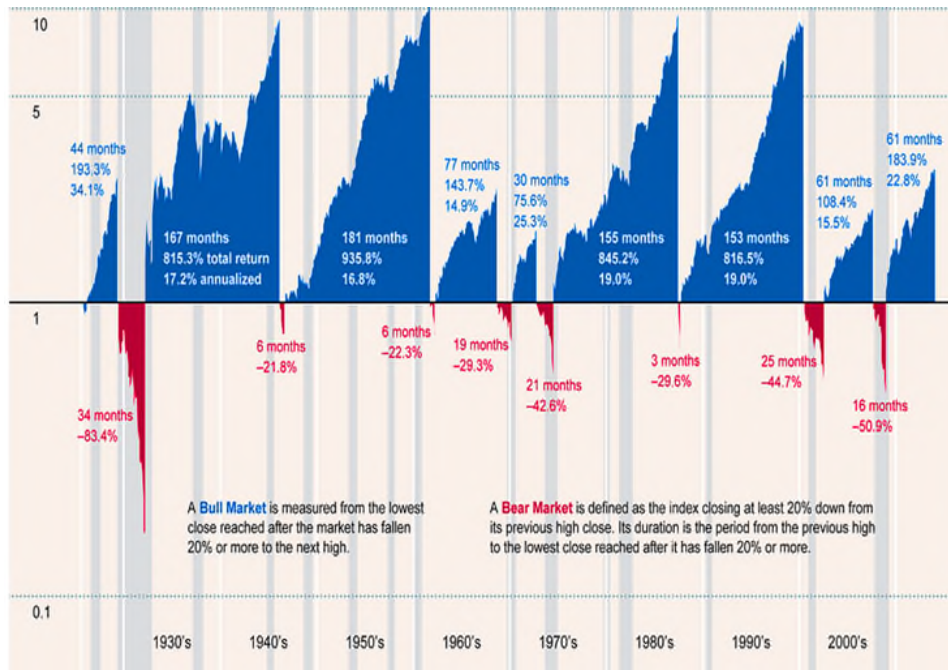
¹ The return of your individual account may differ.

Declining Prices Produce Higher Values

We know what you are saying, “this can’t be true for my account.” But as long as the market recovers, and it will, buying mutual funds on sale is always a good deal. Even if you’re close to retirement, it is unlikely that you will need to spend all of your retirement account in the next year. It is more likely that you will need these funds over the next 20 years and there will be more than enough time to benefit from the higher return of a diversified portfolio.

Bear Markets are Short, Bull Markets are Long

The rate of return for a risk-free account is less than 1% per year (below the rate of inflation). The rate of return for a balanced portfolio of stocks, bonds, and other assets is expected to be 6% to 7% per year.² Managing your account for a real return requires that you balance inflation risk (always present) with investment risk (subject to short declines), as you can see in the graph of the US stock market below.³



The typical bear market lasts about 18 months. You can take advantage of this short decline by **maintaining your 401(k) contributions** to the Plan, along with a diversified portfolio consistent with your time horizon.⁴ This health crisis may lead to a slowdown at work, but it may still be an investment opportunity. Contact the Union Office or your employer to obtain a 401(k) contribution form.

The Trustees will continue to carefully review the investment options in the Plan through Meketa Investment Group, the Plan’s registered investment adviser. They are focusing on the characteristics of each investment option and the investment strategy of the IBEW 461 Core Fund. You can feel confident that the Plan is being carefully monitored, so you can focus on the health and safety of your family.

² For the period ending December 31, 2019 the 10-year compounded average rate of return for the Plan was +8.0%/year. Past performance is not an indication or guarantee of future returns; all investing involves risk including the possible loss of principal.

³ Based on the Dow Jones Industrial Average, as of May 2014

⁴ Not investment advice for your individual account; please contact your personal tax or financial adviser.