

Group Retirement Solutions

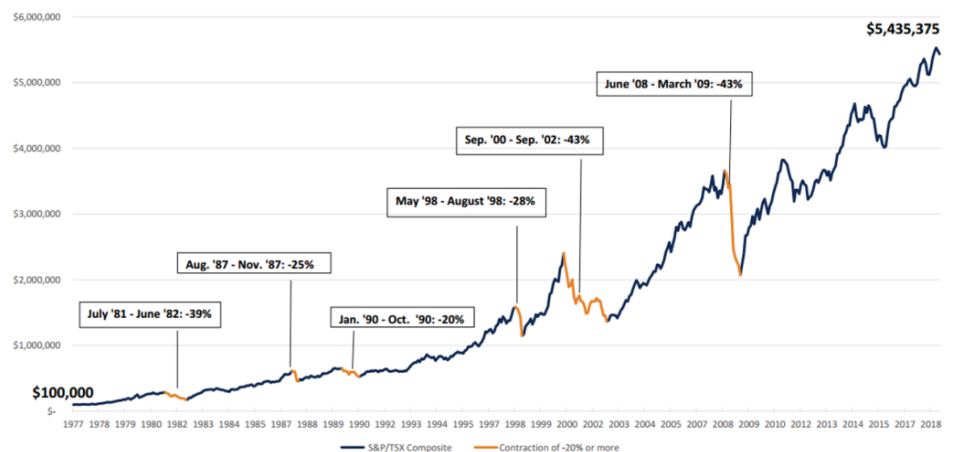
Market Update

Industry news and information on savings and investments for People Corporation plan sponsors updates

In our last Marketing Update, we provided an overview of market events up to March 10th. In the days since, we've seen continued downgrades to the economy and capital markets.

Through late February and early March, the market reacted to the disruption of supply from the industrial shut down in China aimed to reduce the spread of COVID-19. As the virus spreads, economic demand is being affected. Businesses and consumer spending have reduced and the capital markets have absorbed the sudden change to the negative economic conditions. Uncertainty on duration of the economic reversal has led to all-time extremes in stock market volatility. Stock markets are down significantly year to date, with historical one-day declines. We've seen panicked sell offs where investors, both individuals and institutions, are selling assets to raise cash required for reasons other than long-term growth. The expectation is that volatility will continue until the current uncertainty subsides. The prospect of a global recession is now a possibility which is reflected in lower stock values.

On the positive side, over the last few days, governments and central banks have been introducing measures to address the health risks and negative effects of the pandemic. We're all making major changes which are expected to eventually create positive outcomes. Central banks are introducing stimulus measures to mitigate the economic fallout. Governments are introducing fiscal policies to help businesses and individuals financially, as well as measures to slow down the pandemic. These efforts won't change the economy or markets overnight, but will cushion the negative impact. We can expect to see alarming headlines over the next few weeks, but there is a concerted effort to address the threat and along with that, a stock market that will eventually turnaround to reflect a return to relatively normal activity. China is coming back online and many previously shuttered businesses and retailers are up and running again. History tells us two things in these market shocks: markets always recover and no one can predict when that will be.



What should plan sponsors do?

For most capital accumulation plan sponsors, the purpose of your group retirement plan is to help employees save for retirement - and to improve the financial well-being of your workforce.

With that objective in mind consider the following:

- Be ready to answer questions from your employees who are concerned about the market downturn and volatility:
 - Use our Plan Member Update communication to remind them of the long-term objective of their savings and the merits of participating in a group retirement plan
 - Make sure they know where to find additional information on plan details, their portfolio, and tools from your insurance carrier
 - Direct them to a credible financial advisor for advice that's specific to their situation
 - Consider offering retirement information sessions to help members get back on track after the volatility subsides
- The economic fallout may outdo the long-term savings objective of your plan. Depending on the type of plan, there may be short-term measures to help both you and your employees free up cash flow. For more information, contact your consultant to understand the options available.
- As always, ensure plan governance and decision making is well-documented and in accordance with regulation and best practice

If you also sponsor a DB plan

- Revisit your long-term objectives and review your asset mix to make sure you have a well-diversified portfolio of stocks, bonds or other fixed income, and alternative asset classes such as real estate or infrastructure
- Consider filing an actuarial valuation early. If you're not due to file an actuarial valuation at December 31, 2019, consider filing early to take advantage of the strong returns from 2019 and reduce your risk of having to increase contributions or reduce benefits as a result of the downturn in 2020
- Review your future cash flow requirements for pension payouts. Ensure you have enough liquidity with bonds and other assets to meet your pension payments without having to sell stocks at a loss