



# Pension Indices by TELUS Health.

June 30, 2024

The Pension Indices by TELUS Health, released monthly, condense the journey that pension plans have experienced during the year into a few key statistics. More importantly, they also provide an early indicator of the challenges and opportunities that are yet to come for plan sponsors and administrators to help with the monitoring and management of their pension plans.



## Highlights

During the month of June, the funded position of a typical pension plan decreased on both a solvency basis and an accounting basis.

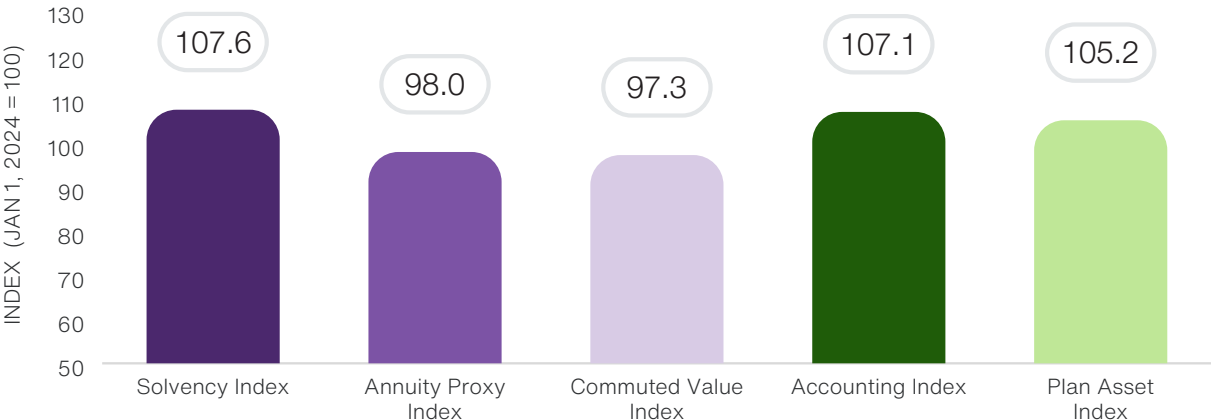
The investment return was 1.3% for the month for a representative pension plan portfolio, driven mainly by positive returns in certain equity markets as well as bond markets.

The global developed and emerging equity markets index, the MSCI ACWI, returned 2.6% in Canadian dollar terms. The Canadian equity index, the S&P/TSX Composite, finished the month with a return of -1.4%.

Short-term Government of Canada bond yields decreased by approximately 0.18%, and long-term Government of Canada bond yields decreased by approximately 0.08% over the month of June. Credit spreads for corporate bonds did not change materially during June.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 1.80% at the end of June, decreasing by 0.02% since the end of May.

June 30, 2024 Pension Indices by TELUS Health





“In a reversal of positive momentum for Canadian pension plans this year, June was the first month that saw a slight deterioration in the solvency funding level of a typical plan. Despite this setback, the funding level of the average pension plan improved over the first half of 2024 due to strong asset outperformance and rising bond yields. However, recent outperformance in equity markets, driven by AI-related companies, is adding to growing concerns of an asset bubble forming” says Andrea Knoll, Partner and West Region Leader in TELUS Health’s Consulting practice.

“With continued uncertainty in the financial and economic markets, pension plan sponsors should ensure that their investment strategy adequately distinguishes between rewarded and unrewarded risks. Diversification remains the best tool for reducing the rewarded risks that are inherent in asset classes that are expected to outperform liabilities over the long-term. For unrewarded risks, the largest of which is often exposure to unexpected changes in interest rates, hedging is an effective strategy and most pension plans would benefit from a review of their liability hedging mandate.”

The graphs below show the month-to-month evolution of each index.



## Definitions

Solvency index	Provides an indication of changes in the solvency funding level of an average pension plan since the start of the year.
Annuity proxy index	Provides an indication of changes in the estimated annuity purchase premium since the start of the year for obligations with a medium duration.
Commuted value index	Provides an indication of changes in commuted values for members of an average pension plan since the start of the year.
Accounting index	Provides an indication of changes in the accounting funding level of an average pension plan since the start of the year.
Plan asset index	Provides an indication of changes in asset levels for an average pension plan since the start of the year.

## Notes on methodology.

The indices show the monthly progression of various indicative pension measures since the start of the calendar year.

Each index is reset to 100 on January 1.

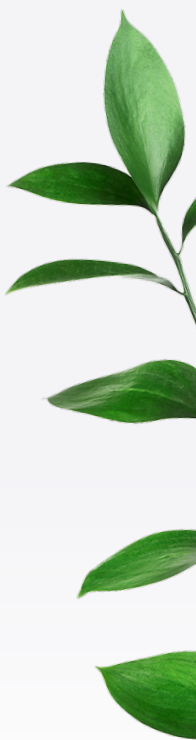
The monthly Asset Index is calculated based on a TELUS Health Benchmark portfolio, 50% equities and 50% fixed income (2% in 91-day T-Bills, 24% FTSE TMX Canada Universe, 24% FTSE TMX Canada LT, 15% S&P/TSX, 35% MSCI ACWI).

The plan liabilities are for a medium duration pension plan.

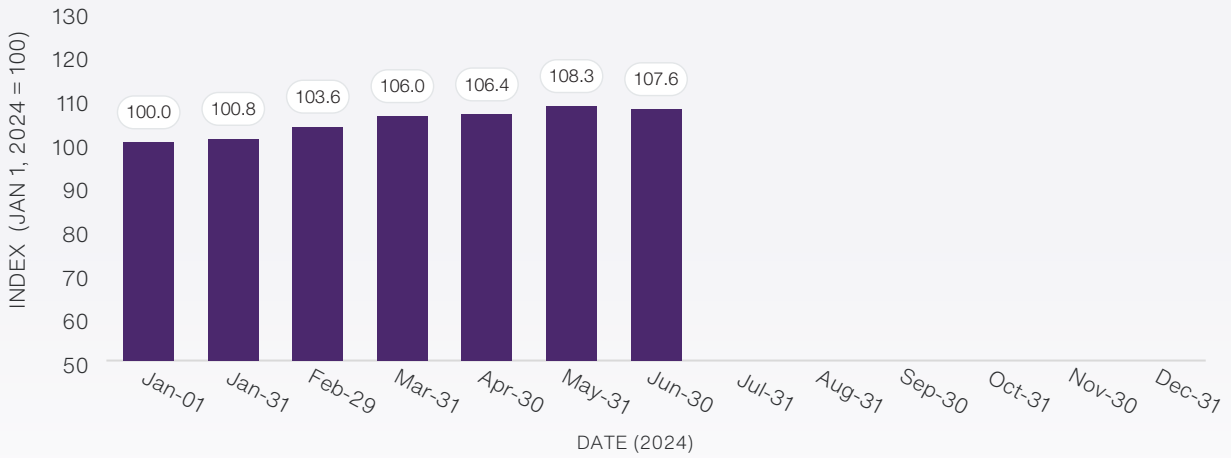
The monthly Solvency Index reflects estimates of solvency liabilities using the latest available Canadian Institute of Actuaries (CIA) annuity purchase discount rate guidance at each month end.

The monthly Commuted Value Index reflects an estimate of a commuted value for an average plan member using the method for calculating commuted values set out in the CIA's actuarial Standards of Practice.

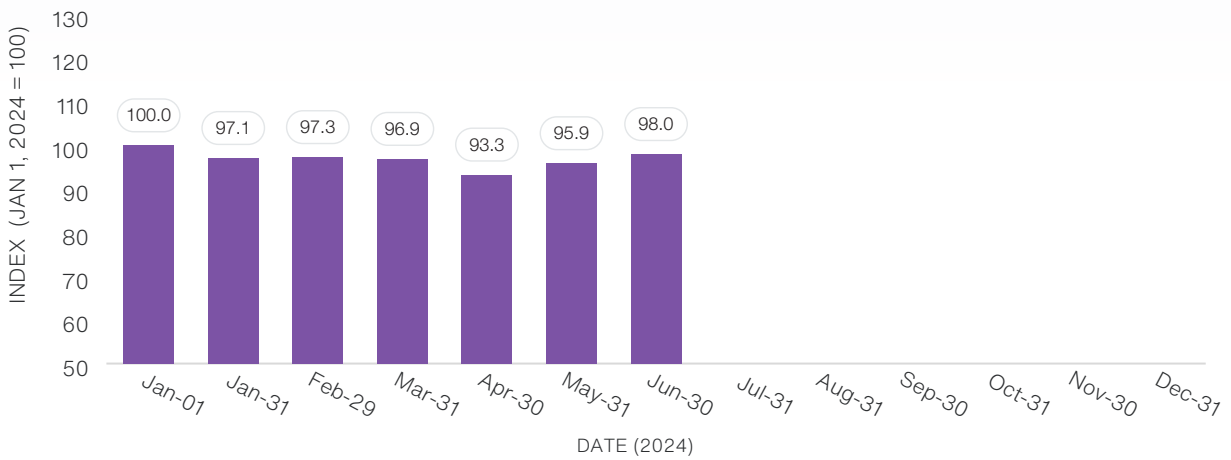
The monthly Accounting Index reflects an estimate of accounting liabilities using a discount rate derived from the TELUS Health AA Corporate Bond Yield Curve.



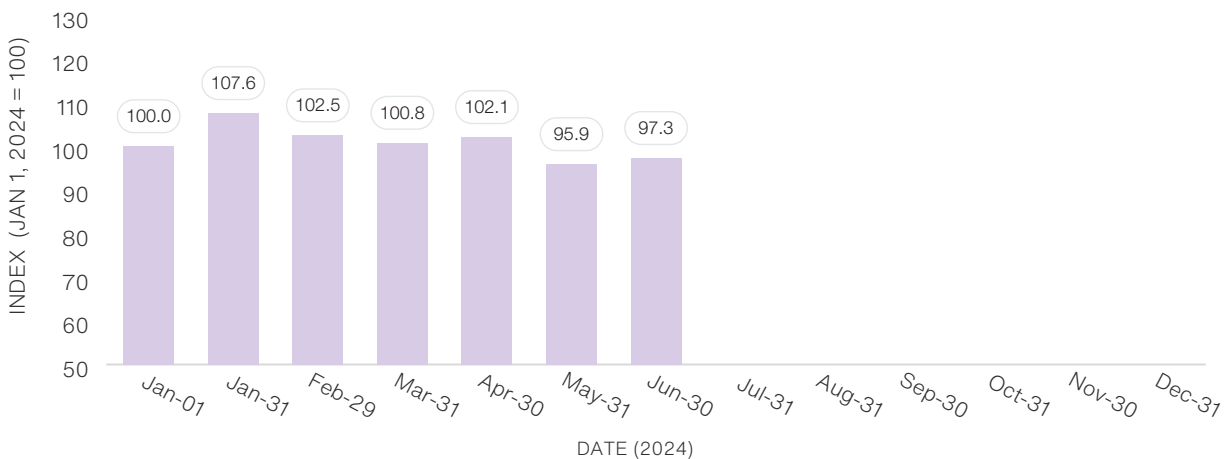
### Solvency index



### Annuity proxy index

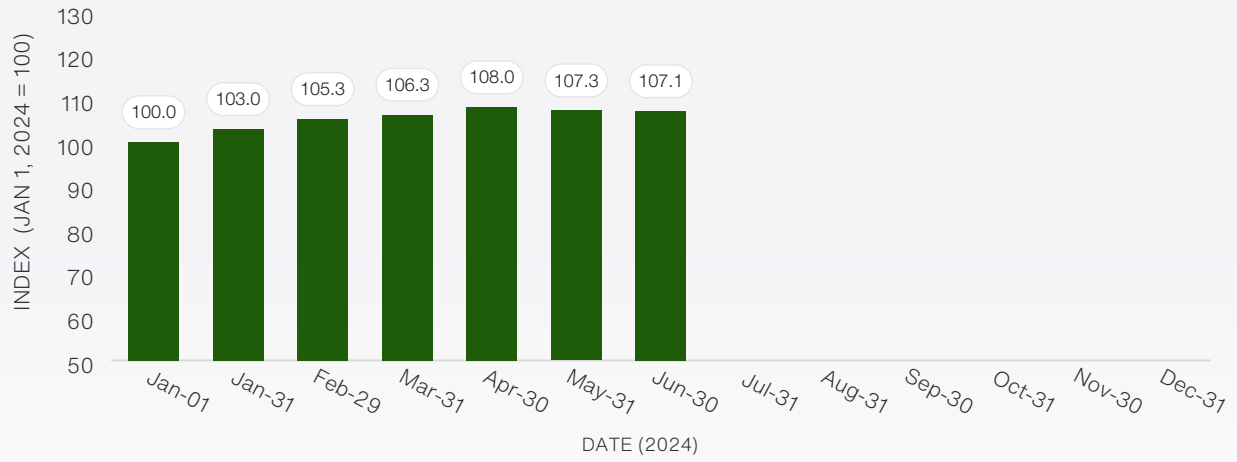


### Commuted value index

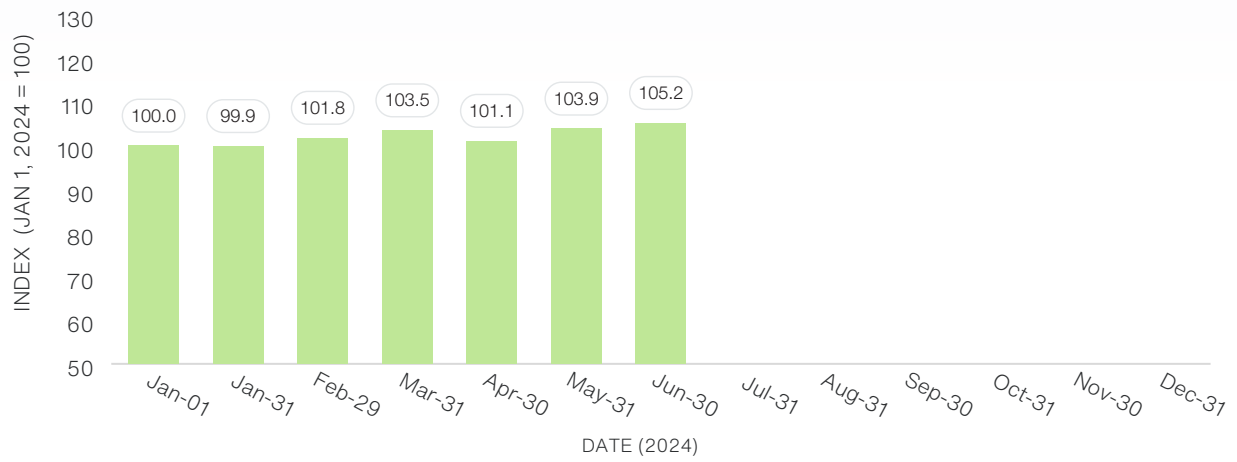




### Accounting index



### Plan asset index



## Editorial team

### **Gavin Benjamin**

Partner,  
Consulting  
(437) 703-8286  
gavin.benjamin@telushealth.com

### **Andrea Knoll**

Partner,  
Consulting  
(778) 327-5370  
andrea.knoll@telushealth.com

### **Murray Wright**

Associate Partner,  
Consulting  
(604) 649-0409  
murray.wright@telushealth.com

