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# Pension Indices by TELUS Health.

September 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 September, the funded status of a typical pension plan increased on a solvency basis but decreased on an accounting basis.

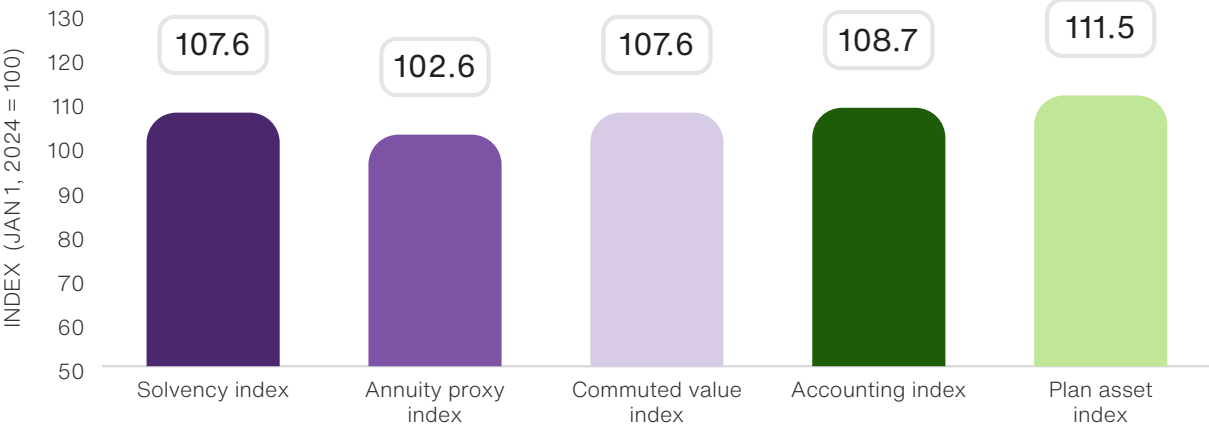
The investment return for a representative pension plan portfolio was 2.3% for the month, driven by positive returns in both the equity and bond markets.

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 3.2%.

Short-term Government of Canada bond yields decreased by approximately 0.42%, and long-term Government of Canada bond yields decreased by approximately 0.13% over the month of September. Credit spreads for mid-term and long-term corporate bonds decreased by approximately 0.10% during September.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 1.64% at the end of September, decreasing by 0.06% since the end of August.

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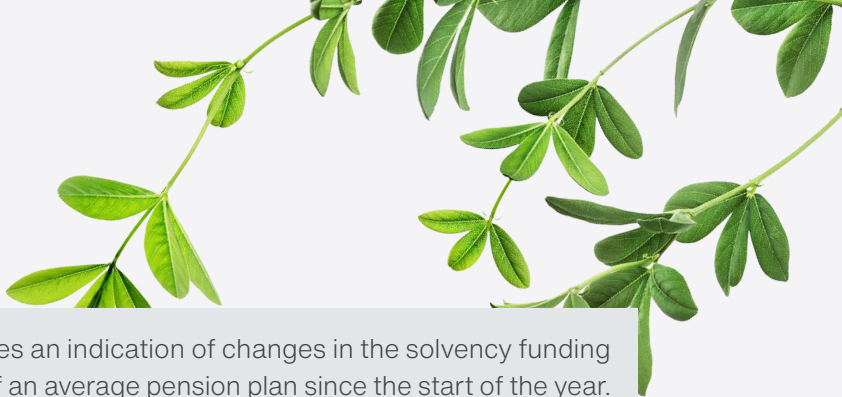




“The funded ratio of a typical pension plan improved by roughly 8% on a solvency basis during the first nine months of 2024, largely driven by strong equity markets returns during this period. Defined benefit pension plans continue to be well funded heading into the fourth quarter of the year. However, there is no guarantee that the funded statuses will remain strong for pension plans that are exposed to significant financial market risks” says Gavin Benjamin, Partner in TELUS Health’s Consulting practice.

“In September, the Canadian Association of Pension Supervisory Authorities (CAPSA) released the final version of their “Guideline for Risk Management for Plan Administrators” (Guideline). The new Guideline sets the industry standard for the management of Canadian pension plan risk and, over the coming months, pension plan administrators will be busy reviewing their pension risk management framework with a view to aligning their practices with the new Guideline. The timing of this review will likely be good for plan administrators who act soon, as the options available to manage a pension plan’s financial risks tend to be much more affordable for a plan that is well funded compared to a plan that has developed a significant deficit.”

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.

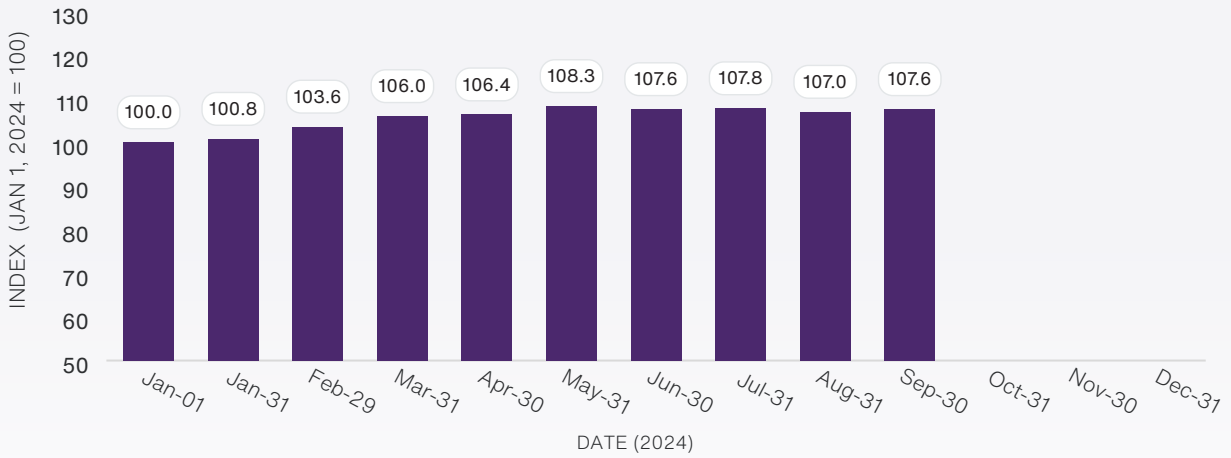
The monthly solvency index reflects estimates of solvency liabilities using the latest available Canadian Institute of Actuaries (CIA) annuity purchase discount rate guidance at each month end.

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.

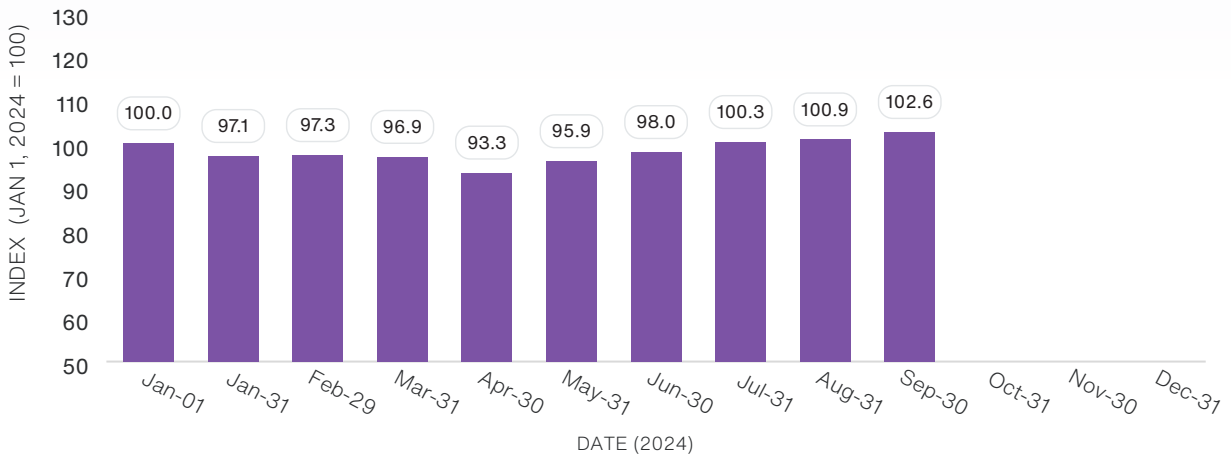
The monthly accounting index reflects an estimate of accounting liabilities using a discount rate derived from the TELUS Health AA Corporate Bond Yield Curve.



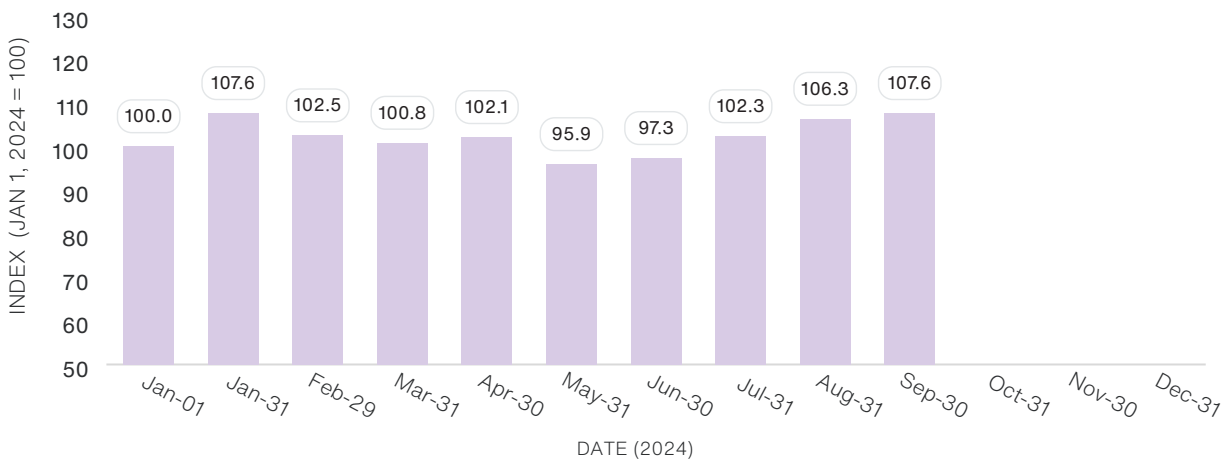
### Solvency index



### Annuity proxy index

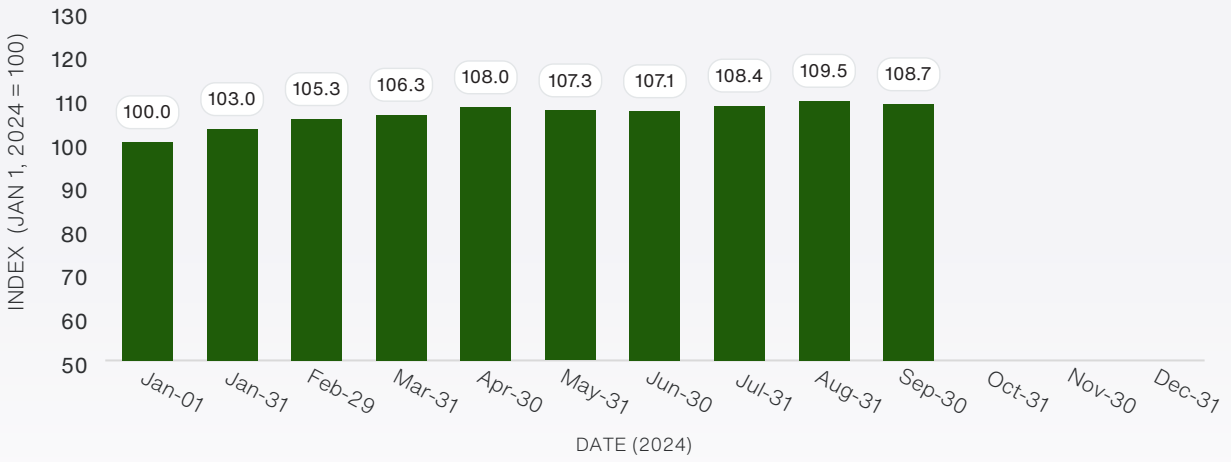


### Commuted value index

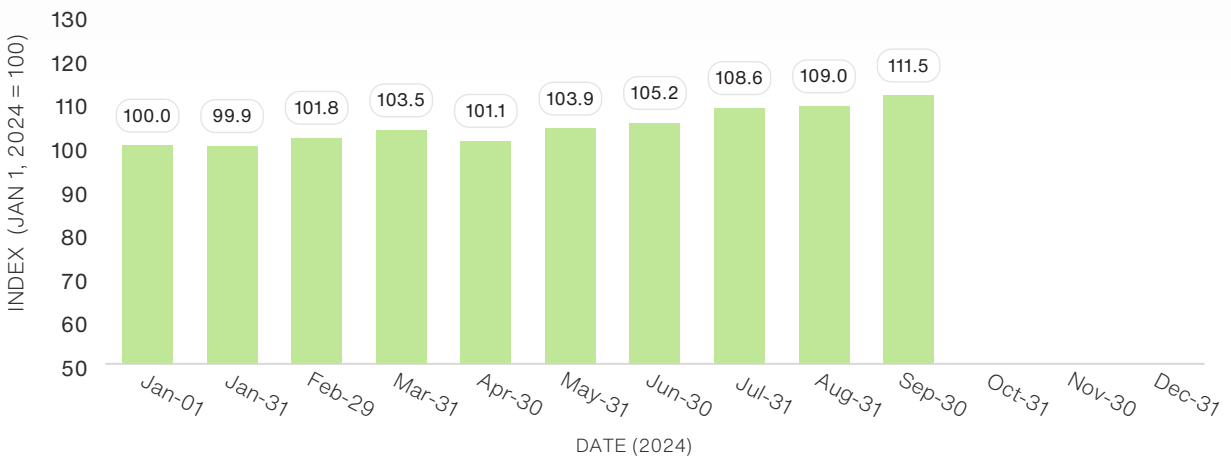




### Accounting index



### Plan asset index



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