



# Pension Indices by TELUS Health.

April 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 April, the funded position of a typical pension plan increased both on a solvency basis and on an accounting basis.

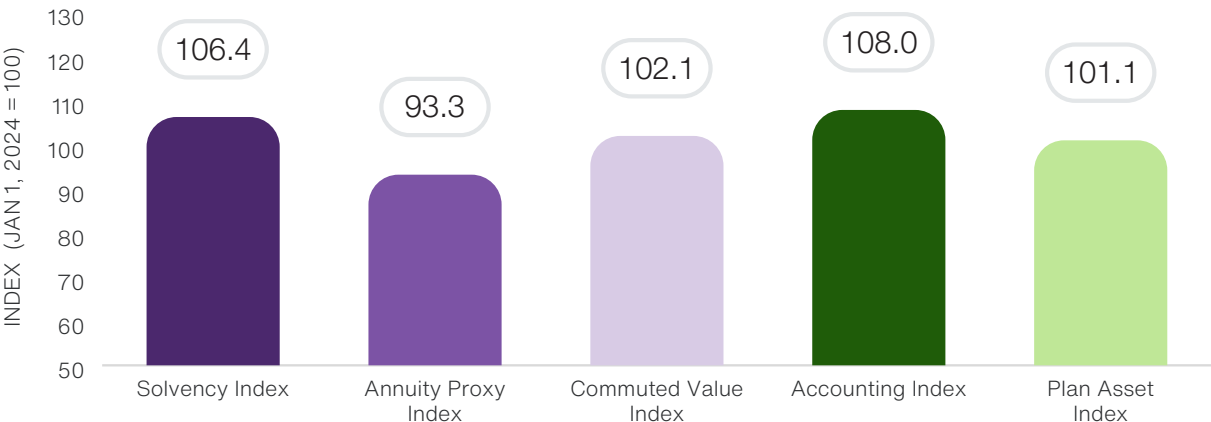
The investment return was -2.3% for the month for a representative pension plan portfolio, driven mainly by negative returns in both the equity and bond markets.

The global developed and emerging equity markets index, the MSCI ACWI, returned -1.8% in Canadian dollar terms. The Canadian equity index, the S&P/TSX Composite, finished the month with a return of -1.8% as well.

Government of Canada bond yields increased over the month of April for all durations. Long-term bond yields in particular increased by 0.34% which is a very significant change in a one-month period. Credit spreads for corporate bonds did not change materially during April.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 1.86% at the end of April, increasing by 0.02% since the end of March.

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“We saw large increases in long-term interest rates in April, as market consensus moved towards delays in interest rate cuts. This led to reductions in plan liabilities over the month.” says Andrea Knoll, Partner in TELUS Health’s Consulting team.

“April also saw lots of discussion on a different risk topic, following the publication of a new research paper on Canadian mortality improvements by the Canadian Institute of Actuaries (CIA). The research paper recommends changes to mortality assumptions which lead to increases in life expectancy, and so would increase liabilities for pension plans. Plans should consider the potential impact of the new assumption on their funding positions and long-term strategies, as the impact is very plan specific depending on the demographics and circumstances of each plan. We continue to wait on further guidance from the CIA on how the new research should be used in practice, but if it were adopted by Canadian pension plans it would increase aggregate going-concern liabilities in Canada by \$10s of billions.”

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.
Commutated 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.

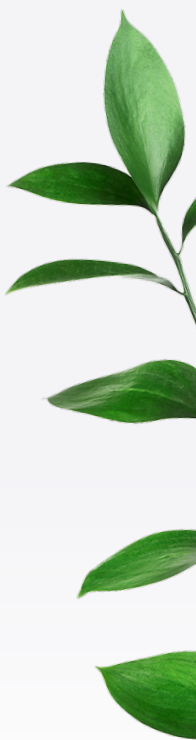
The monthly Asset Index is calculated based on a TELUS Health Benchmark portfolio, 50% equities and 50% fixed income (2% in 91-day T-Bills, 24% FTSE TMX Canada Universe, 24% FTSE TMX Canada LT, 15% S&P/TSX, 35% MSCI ACWI).

The plan liabilities are for a medium duration pension plan.

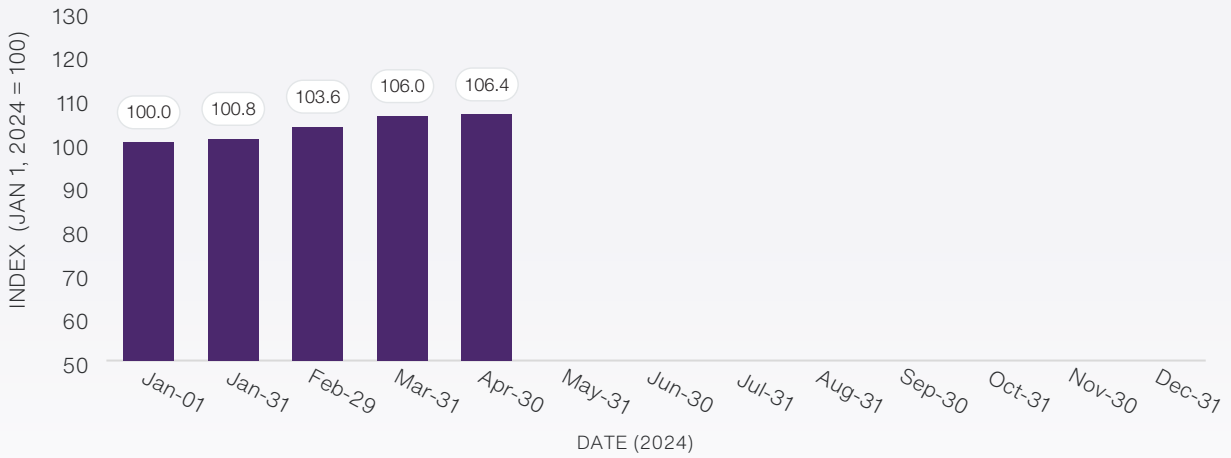
The monthly Solvency Index reflects estimates of solvency liabilities using the latest available Canadian Institute of Actuaries (CIA) annuity purchase discount rate guidance at each month end.

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.

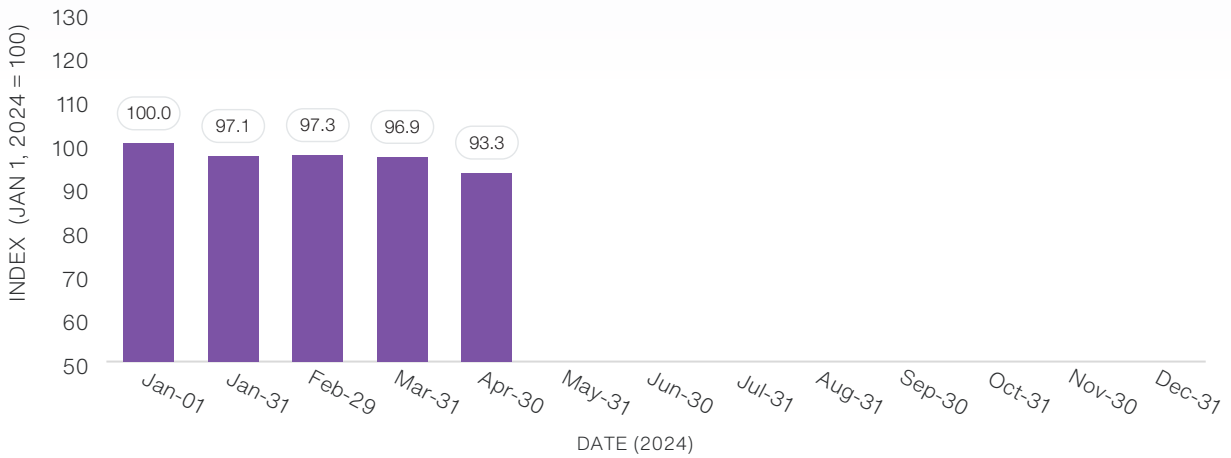
The monthly Accounting Index reflects an estimate of accounting liabilities using a discount rate derived from the TELUS Health AA Corporate Bond Yield Curve.



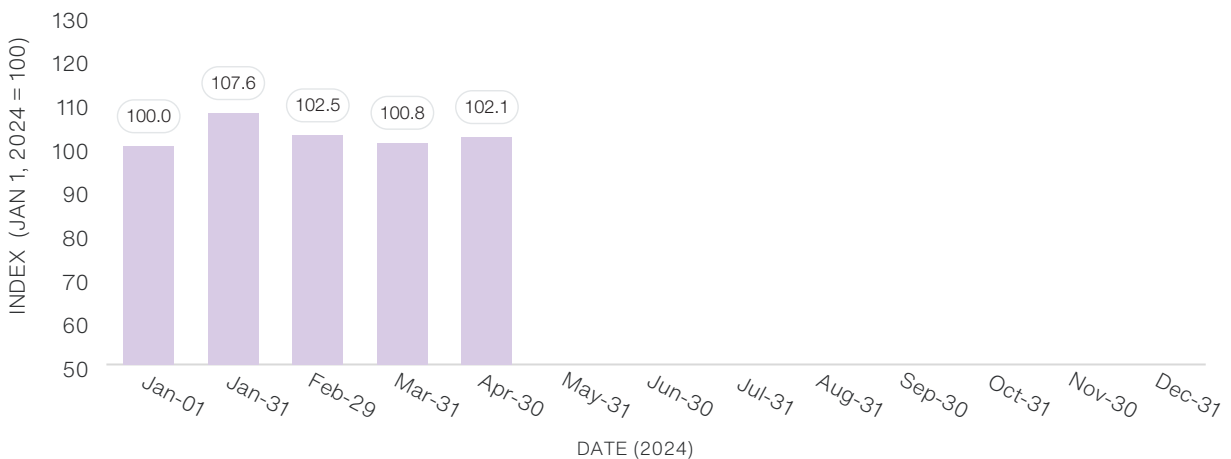
### Solvency index



### Annuity proxy index

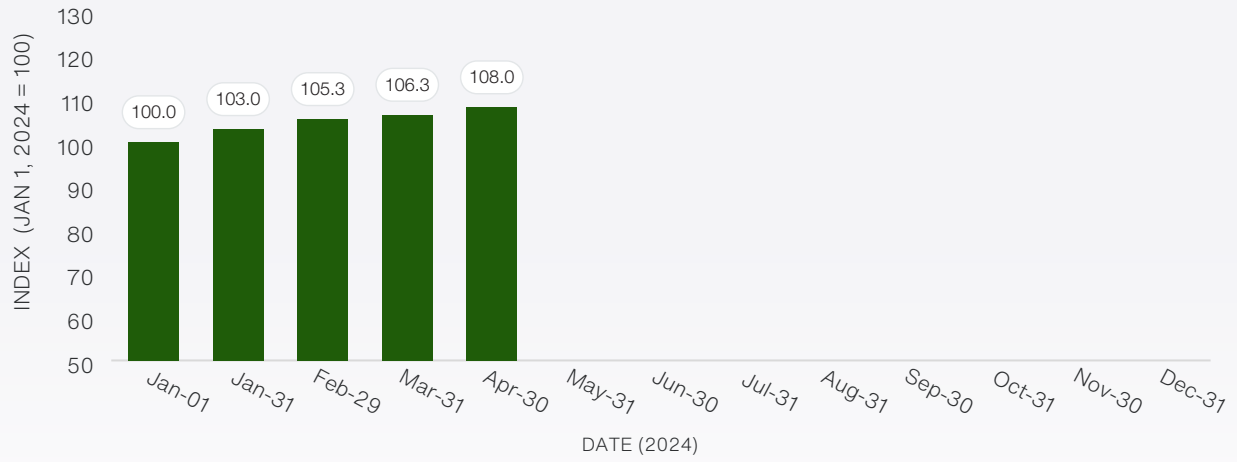


### Commuted value index

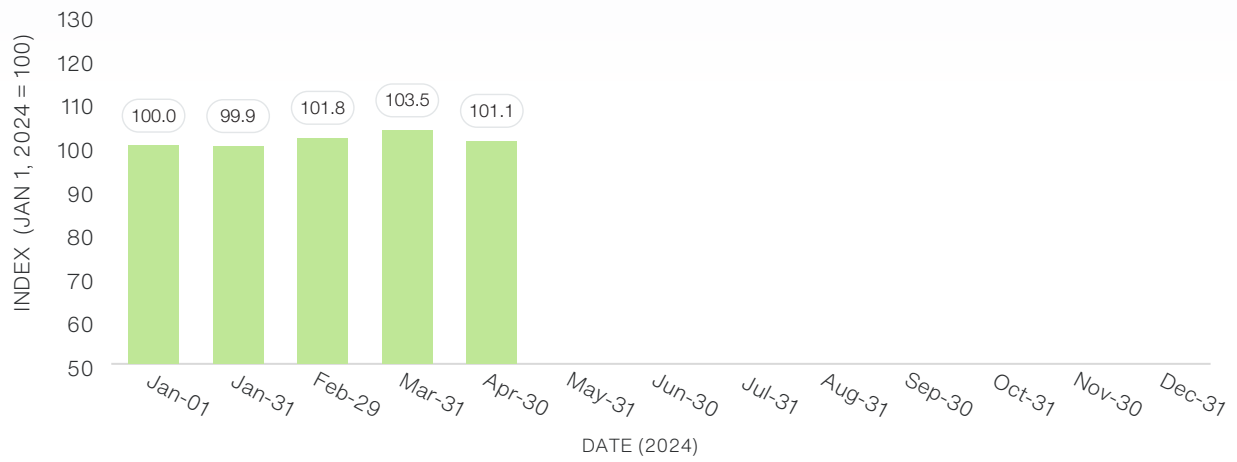




### Accounting index



### Plan asset index



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