Pension Indices
by TELUS Health.

August 31, 2024

TELUS Health

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

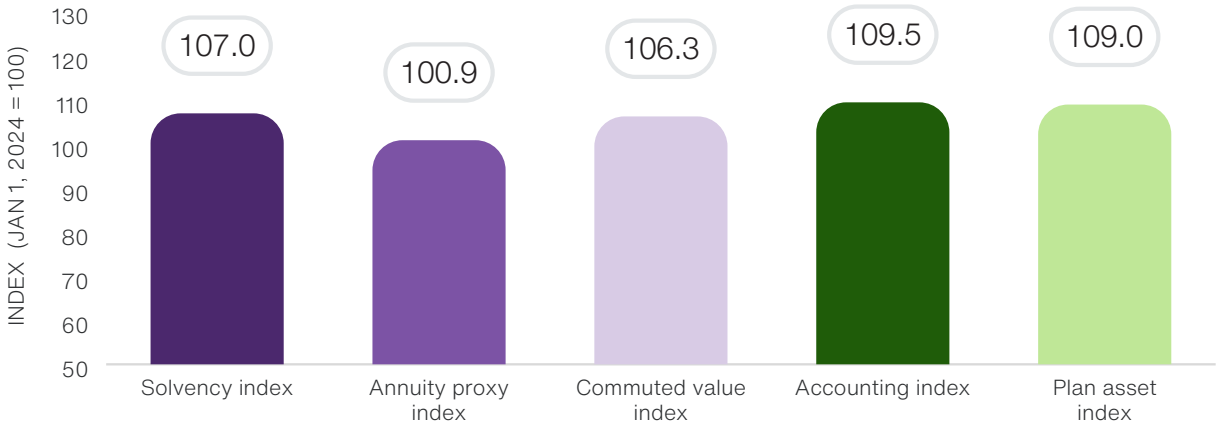
The investment return for a representative pension plan portfolio was 0.4% for the month, driven primarily by positive returns in the Canadian equity and universe bond markets.

The global developed and emerging equity markets index, the MSCI ACWI, returned 0.0% in Canadian dollar terms. The Canadian equity index, the S&P/TSX Composite, finished the month with a return of 1.2%.

Short-term Government of Canada bond yields decreased by approximately 0.13%, and long-term Government of Canada bond yields increased by approximately 0.04% over the month of August. Credit spreads for corporate bonds increased slightly during August.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 1.70% at the end of August, decreasing by 0.08% since the end of July.

August 31, 2024 Pension Indices by TELUS Health



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"Although equity markets performed well during the first eight months of 2024, they exhibited periods of volatility, with a prime example being the pullback that occurred in early August. Recent equity market performance provides yet another reminder of the various effects that Artificial Intelligence (AI) is having on pension plans" says Gavin Benjamin, Partner in TELUS Health's Consulting practice.

"Given the significant effects that stocks of AI related firms such as Nvidia Corp. have on both global equity returns and market sentiment, AI impacts the asset performance of many pension plans. In addition, on the operational side, AI provides exciting opportunities to enhance services to pension plan members and improve the efficiency of pension administration. However, AI also brings operational risks, including the risk of data security breaches. As the effects of AI on pension plans are likely here to stay and will only grow for the foreseeable future, it is important that pension plan sponsors assess the opportunities and risks associated with this emerging technology and incorporate the management of these opportunities and risks into their governance processes."

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).

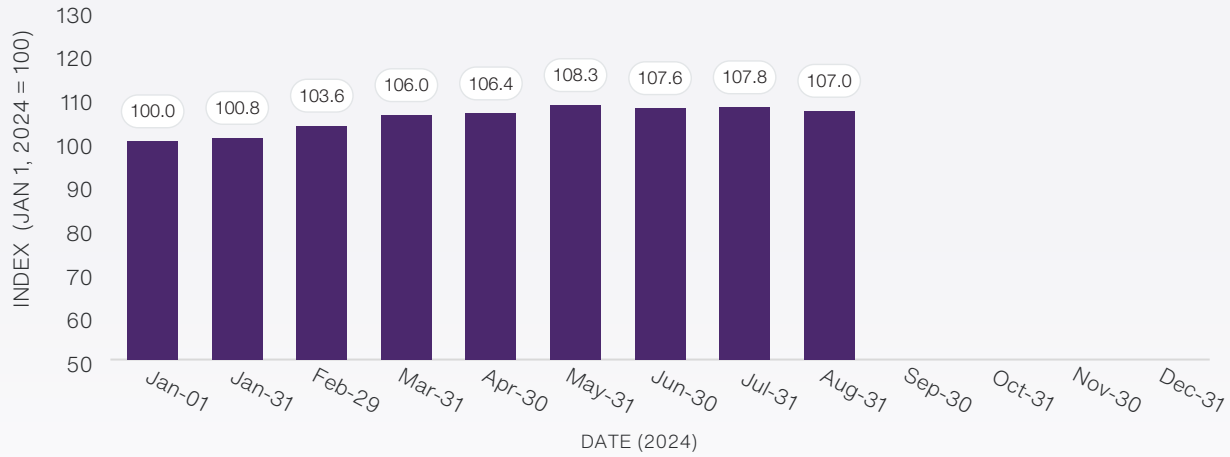
The plan liabilities are for a medium duration pension plan.

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.

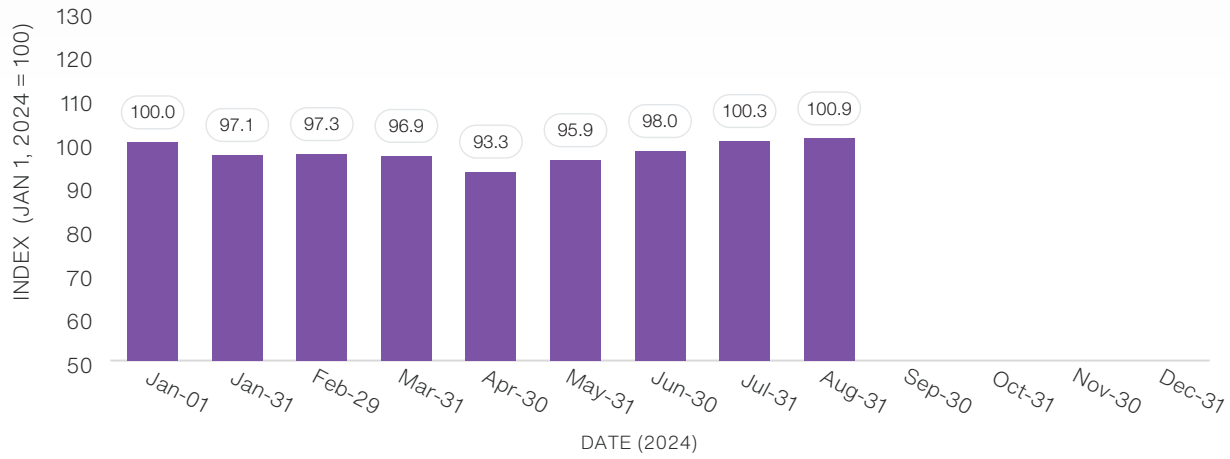
The monthly commuted value index reflects an estimate of a commuted value for an average plan member using the method for calculating commuted values set out in the CIA's actuarial Standards of Practice.

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

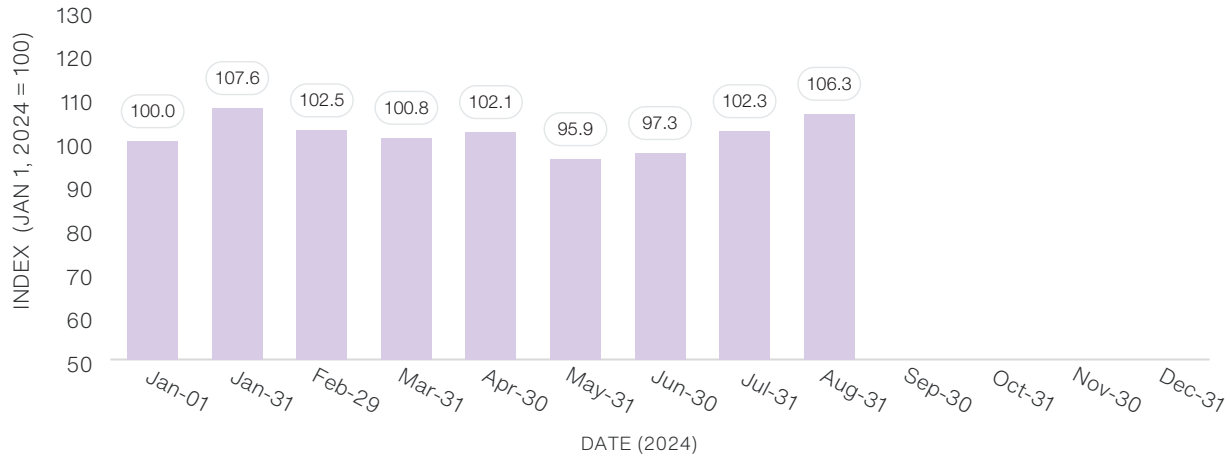
Solvency index



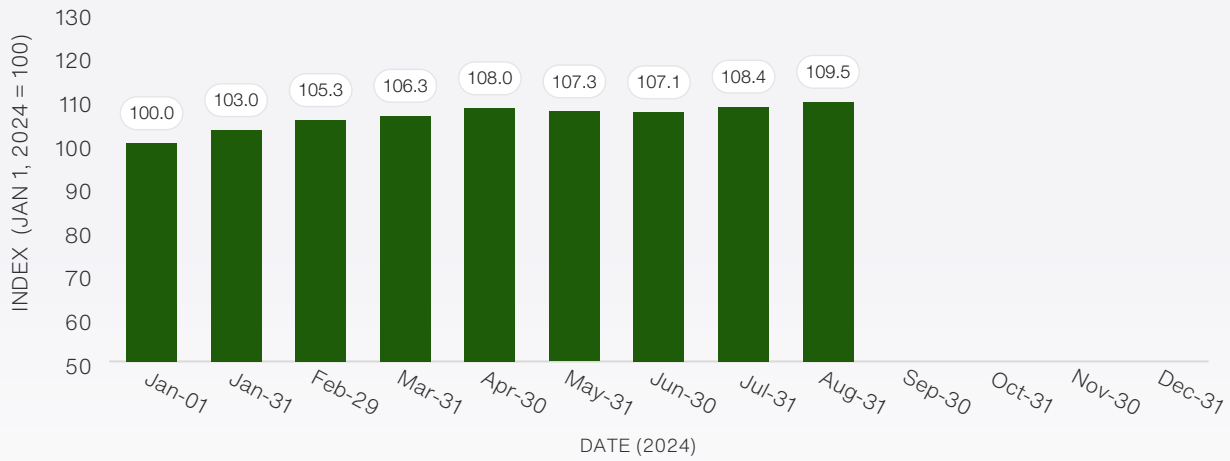
Annuity proxy index



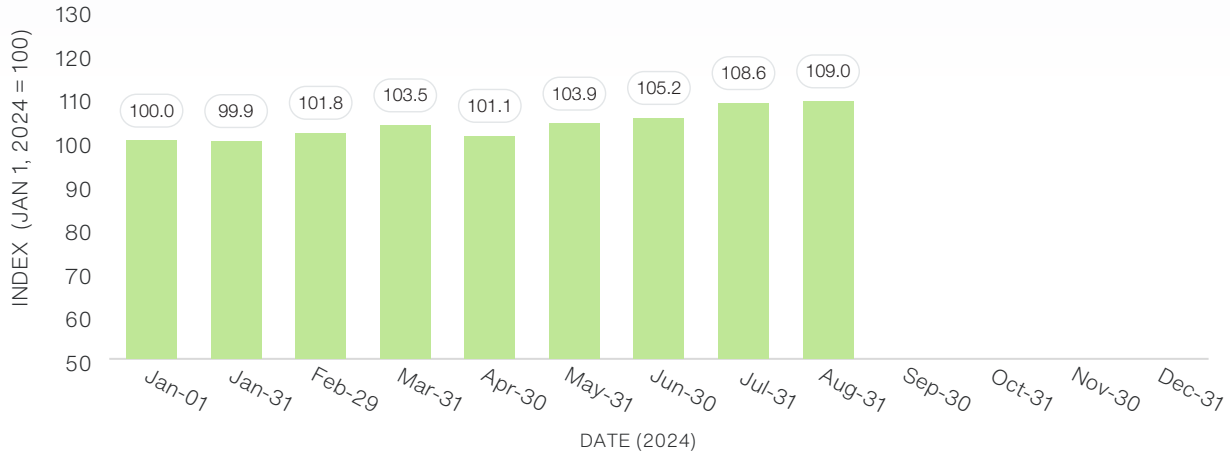
Commuted value index



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