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# Pension Indices by TELUS Health.

February 29, 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 February, the funded position of a typical pension plan increased on both a solvency basis and an accounting basis.

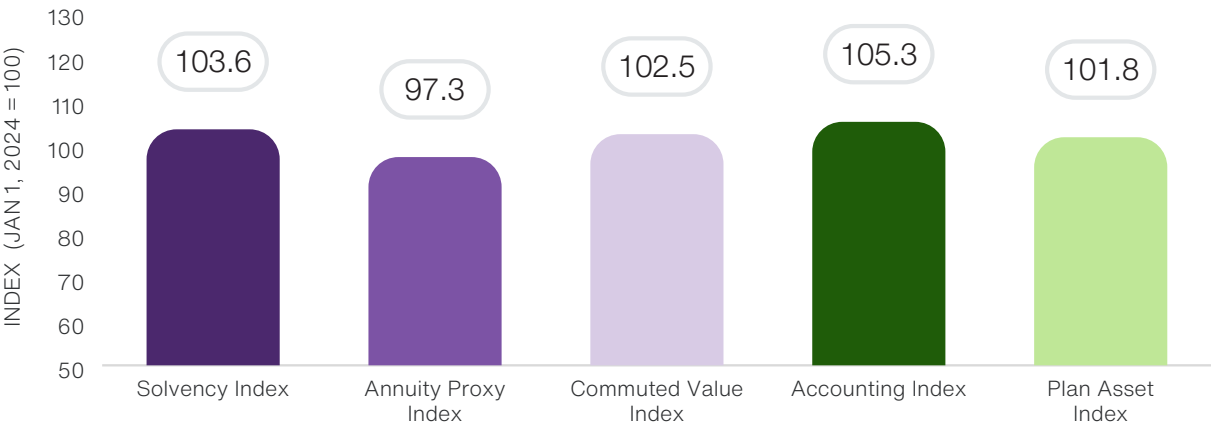
The investment return was 1.9% for the month for a representative pension plan portfolio, driven mainly by positive returns in equity markets.

The global developed and emerging equity markets index, the MSCI ACWI, returned 5.9% in Canadian dollar terms. The Canadian equity index, the S&P/TSX Composite, finished the month with a return of 1.8%.

Short-term Government of Canada bond yields increased by approximately 0.18%, and long-term Government of Canada bond yields increased by approximately 0.08% over the month of February. The credit spreads for corporate bonds of all durations decreased by between 0.06% to 0.07% during the month of February.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 1.73% at the end of February, increasing by 0.09% since the end of January.

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“2024 has started very well for most Canadian pensions plans” says Murray Wright, Associate Partner in TELUS Health’s Retirement & Benefits Solutions team.

“Equity markets have had a very strong start to the year with global equities up by around 8% year to date. Incredibly, global equities are up more than 20% compared to a year ago, led by the US market. At the same time, long-term bond yields have increased in 2024, which tends to lead to a higher discount rate and therefore lower plan liabilities. We are seeing improvements in accounting and solvency positions as we head towards the end of Q1, which is great news. Combined with changes in the last year that allow some pension plans to use slightly higher going-concern discount rates, pension plans are in a strong position which they should consider using to update their long-term strategies to ensure they are resilient through volatile markets.”

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.

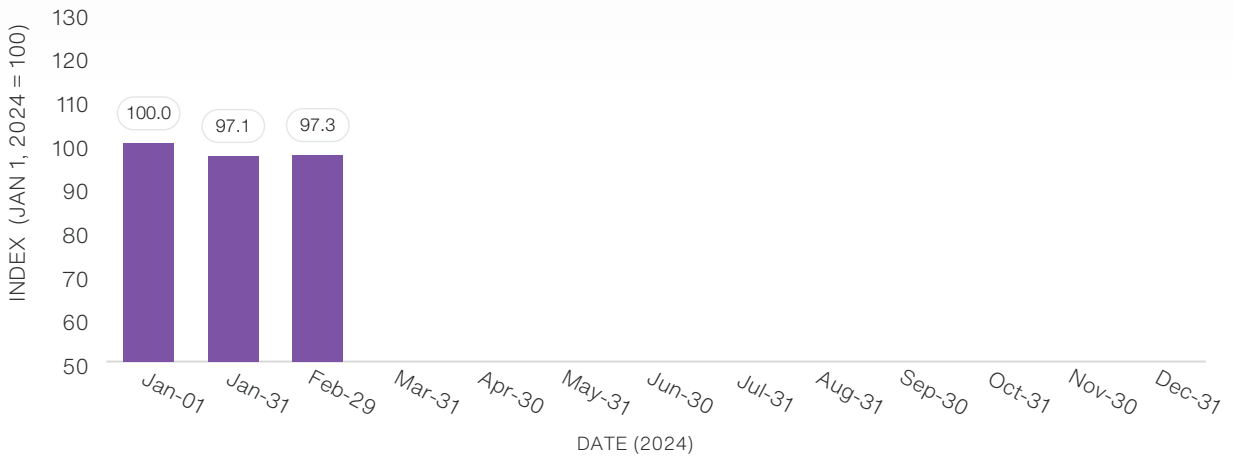
The monthly Commuted Value Index reflects an estimate of a commuted value for an average plan member using the method for calculating commuted values set out in the CIA's actuarial Standards of Practice.

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

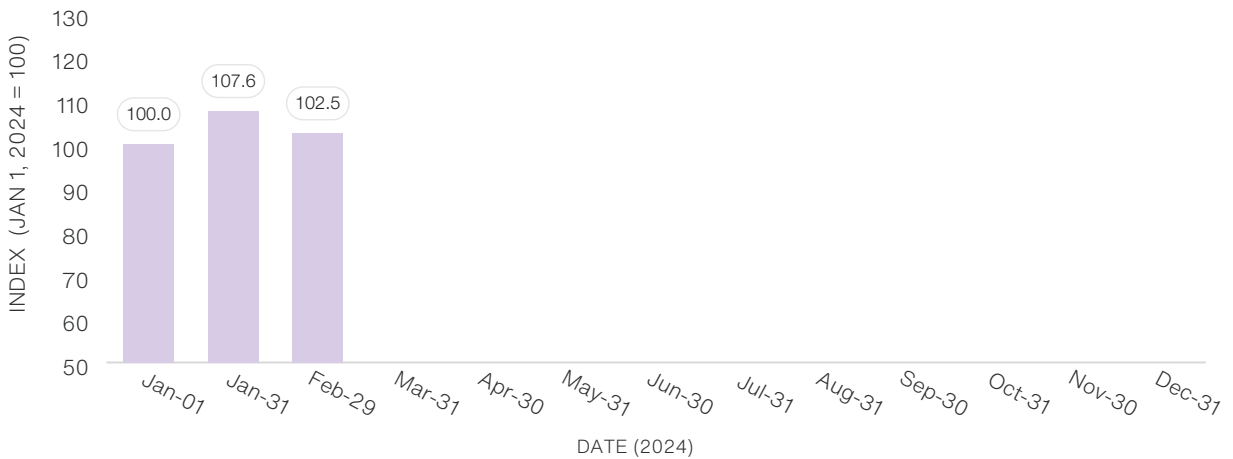
### Solvency index



### Annuity proxy index



### Commuted value index





### Accounting index



### Plan asset index



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