



Pension Indices by TELUS Health.

March 31, 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 March, the funded position of a typical pension plan increased on both a solvency basis and an accounting basis.

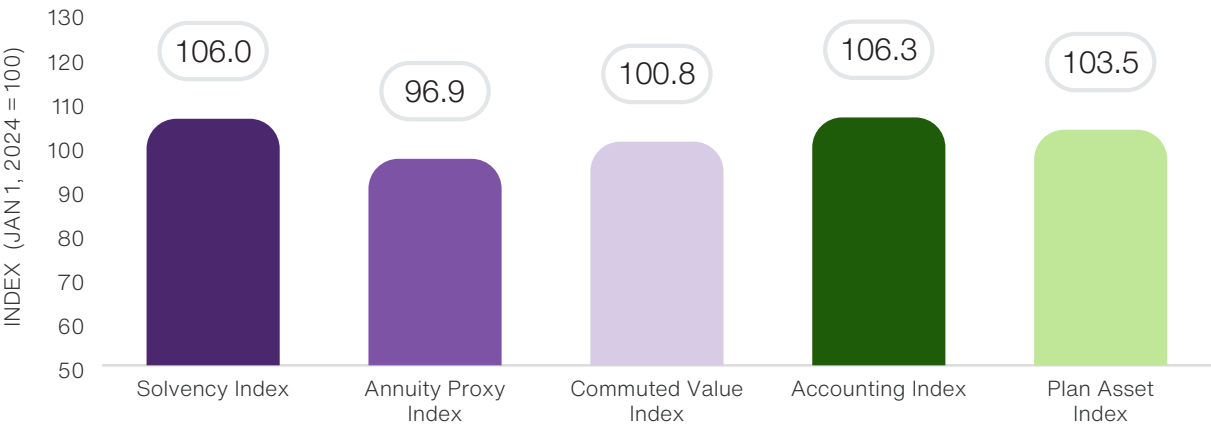
The investment return was 1.7% for the month for a representative pension plan portfolio, driven mainly by positive returns in equity markets.

The global developed and emerging equity markets index, the MSCI ACWI, returned 2.9% in Canadian dollar terms. The Canadian equity index, the S&P/TSX Composite, finished the month with a return of 4.1%.

Short-term and long-term Government of Canada bond yields remained relatively unchanged over the month of March. Credit spreads for corporate bonds of all durations also stayed consistent during March.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 1.84% at the end of March, increasing by 0.11% since the end of February.

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“The funded status of many pension plans improved during the first quarter of 2024, driven by increases in long-term interest rates and strong equity market performance. The healthy funded positions of most pension plans in the current environment provide great opportunities to revisit the plans’ risk profiles and consider increasing protection against financial risks, including future declines in long-term interest rates and financial market volatility going forward” says Gavin Benjamin, Partner in TELUS Health’s Retirement & Benefits Solutions team.

“In addition, while the financial risks that pension plans face are extremely important, pension plans face many risks, some financial and other non-financial. Examples of non-financial risks include governance risk, compliance risk, IT and cybersecurity risk, and reputational risk. Pension plan sponsors and administrators should be taking a holistic approach to pension risk management, which enables them to systematically identify all significant risks to their plans and determine how best to manage and monitor these risks.”

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).

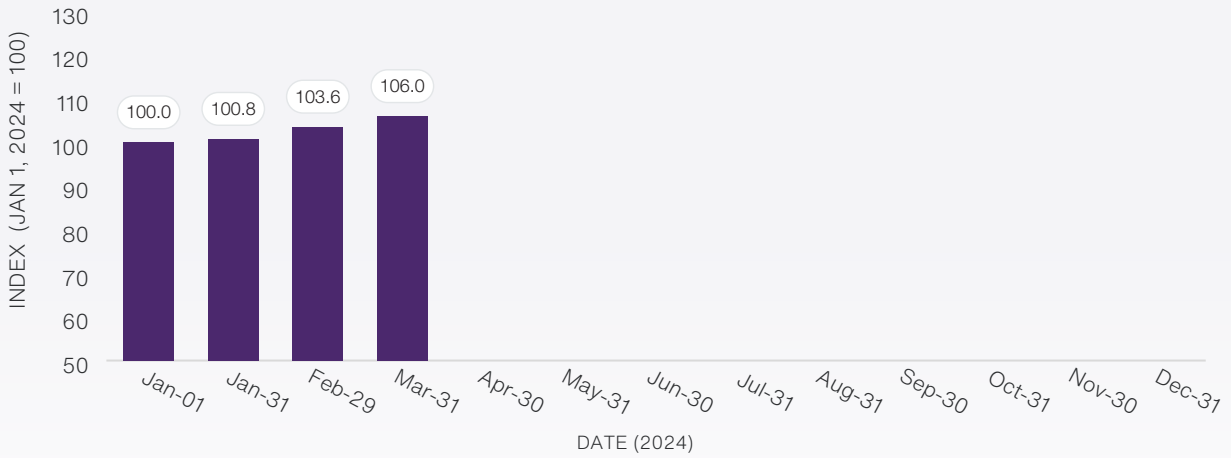
The plan liabilities are for a medium duration pension plan.

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.

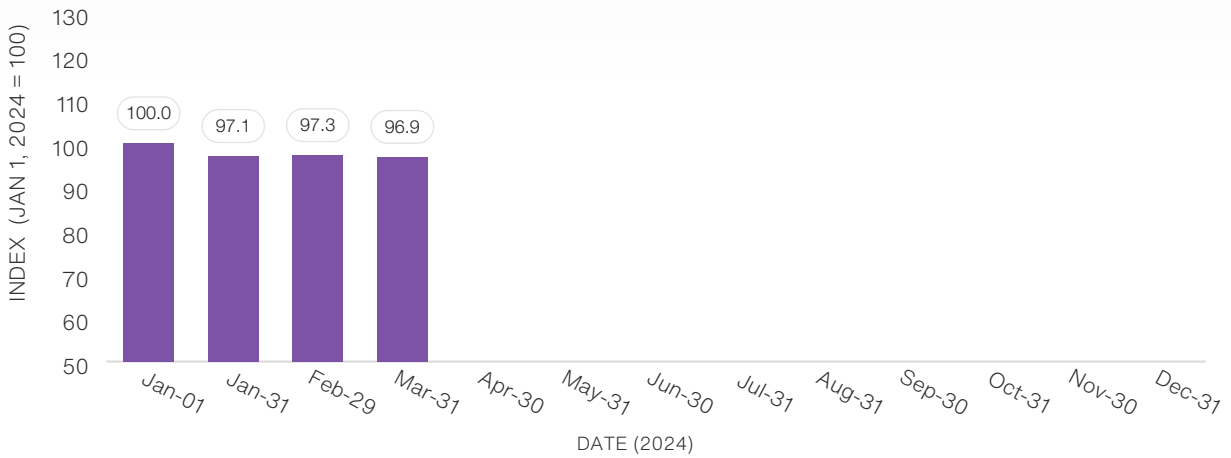
The monthly Commuted Value Index reflects an estimate of a commuted value for an average plan member using the method for calculating commuted values set out in the CIA's actuarial Standards of Practice.

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

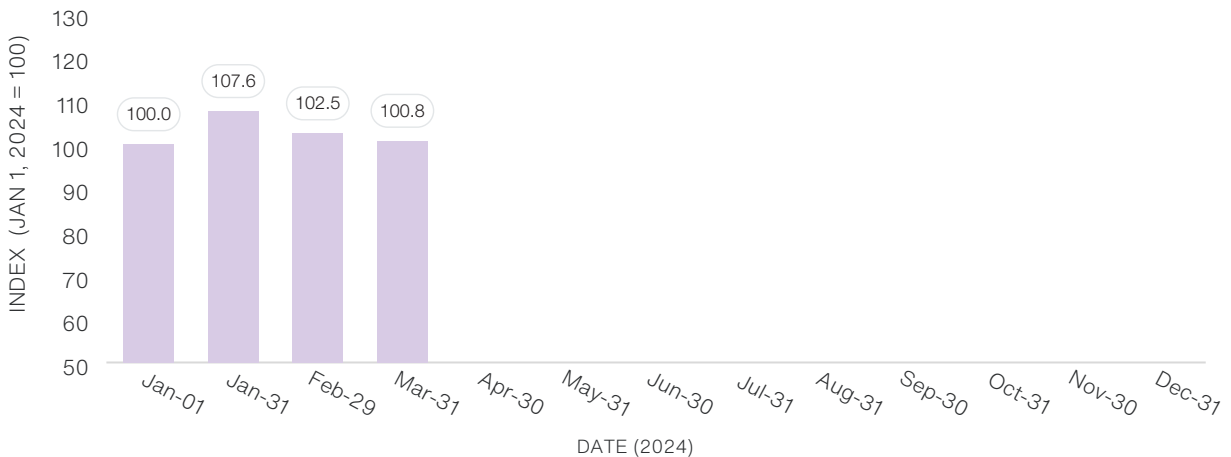
Solvency index



Annuity proxy index

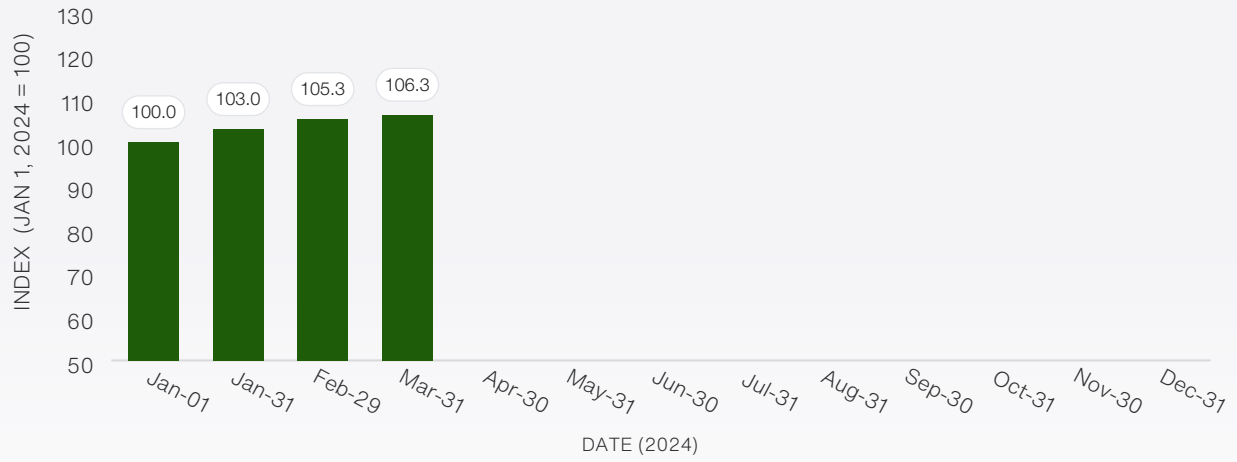


Commuted value index

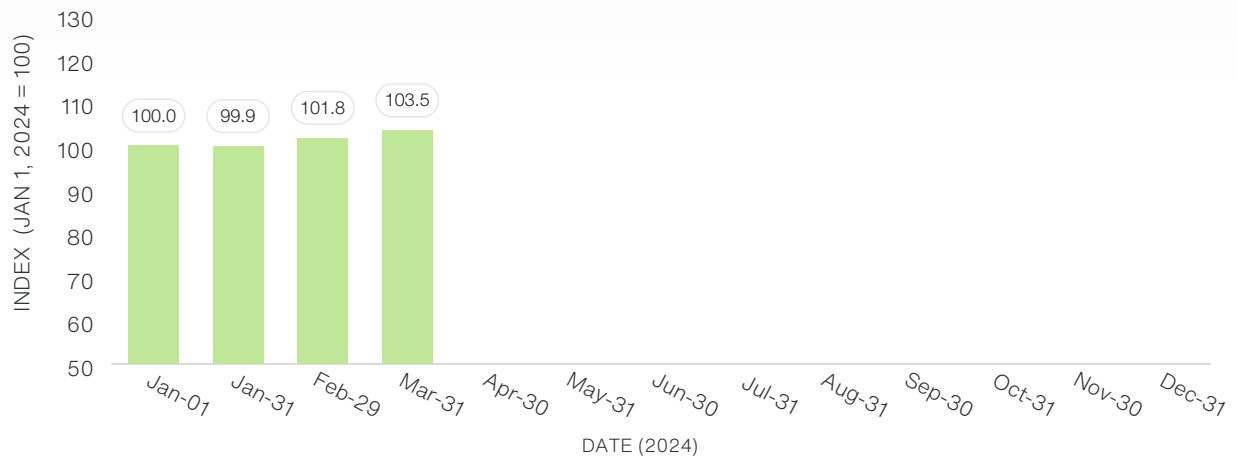




Accounting index



Plan asset index



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