



Pension risk transfer.

2024 Q2 review.

July 2024

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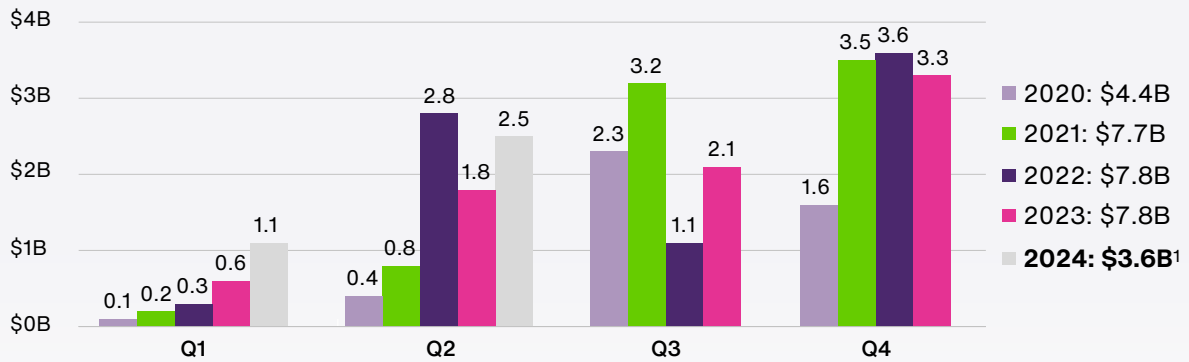
Annuity purchase market outlook.

Market Activity

Expanding upon the significant \$1.1 billion market volume transacted in Q1, the activity continued to build on its strong momentum established in the early months of the year, achieving an estimated \$2.5 billion in Q2. This sustained market activity was chiefly driven by an uptick in quotes and the presence of substantial “jumbo” quotes. The heightened competitiveness in the market is advantageous for plan sponsors poised for transactions, although insurers continue to be more selective. Hence, meticulous preparation remains paramount for sponsors contemplating de-risking their plans through annuity purchases.

The initial part of the year witnessed transactions of numerous **large fully indexed plans**, with some notably categorized as major deals. This trend signals an increased interest in sizeable, indexed plans, whereas historically, predominantly smaller plans of this nature were the primary focus.

Transaction volume



1. Q2 2024 volume of \$2.5B is an estimate based on discussions with insurers.

Looking towards the latter part of the year, the summer season may experience a relative slowdown compared to the earlier months. However, expectations are high for a burst of activity between September and November. Numerous quotes of various sizes and specifications are already locked in the pipeline of Canadian insurers for this period. As a result, many expect that the volumes achieved in recent years will be significantly surpassed, especially given the substantial head start in the first half of 2024.

Other remarks

Economic update

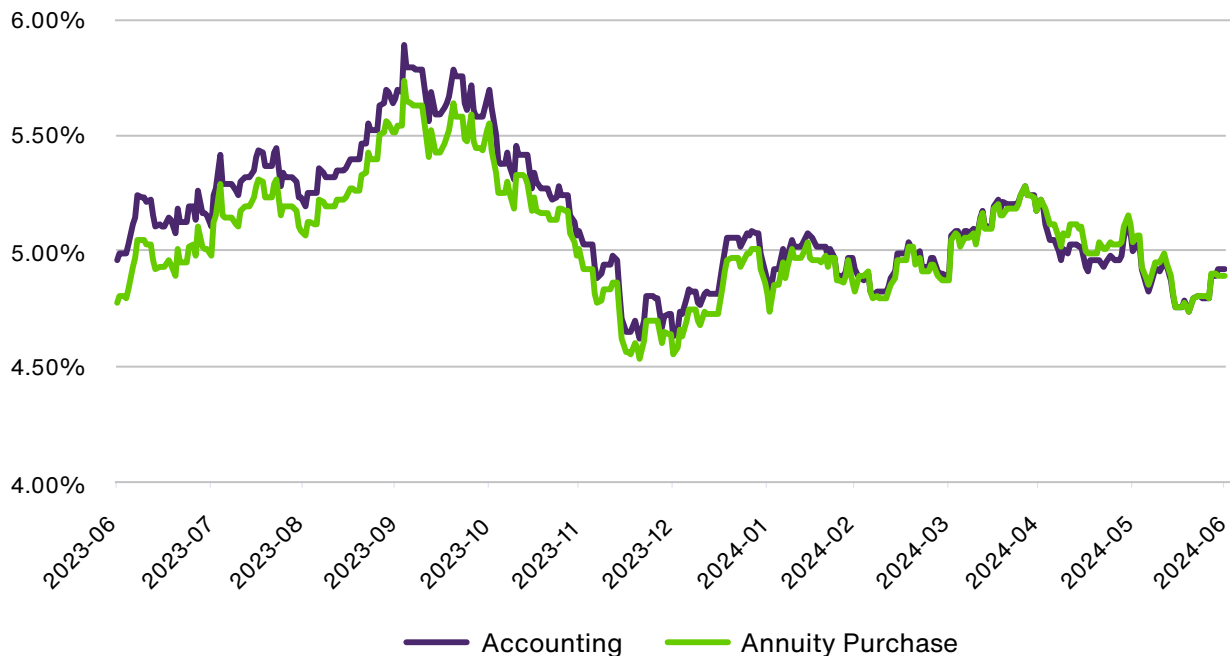
On June 5th, the Bank of Canada decided to reduce its policy rate by 0.25%, bringing it down to 4.75%. This adjustment was driven by indicators of easing inflation, with total CPI year-over-year growth at 2.7% in April 2024 (down from 3.4% at the end of 2023), and a slower GDP growth rate of 1.7% in the first quarter compared to previous forecasts. Despite this development, annuity purchase rates at the quarter's end remained stable; however, this adjustment could imply a potential downward trend in the future.





As of June 30th, 2024, both the annual accounting and annuity purchase rates remained stable at 4.9%, consistent with the levels observed in the previous quarter. Despite some moderate fluctuations during the period, the relatively high rates and the narrow spread between accounting and annuity purchase rates continue to create an opportunistic environment for risk transfer from an accounting perspective, as has been the case in recent quarters.

Annualized daily rates for an average duration plan.



1. Accounting discount rate derived from the TELUS Health AA Corporate Bond curve.
2. Annuity purchase rate based on most recently available CIA guidance and market conditions at June 30, 2024 for a medium duration annuity purchase (10 years).



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