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# Pension Indices by TELUS Health.

January 31, 2025

In today's uncertain environment, pension risk management  
is more critical than ever.



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

In January, the funded status of a typical pension plan increased on both a solvency basis and on an accounting basis.

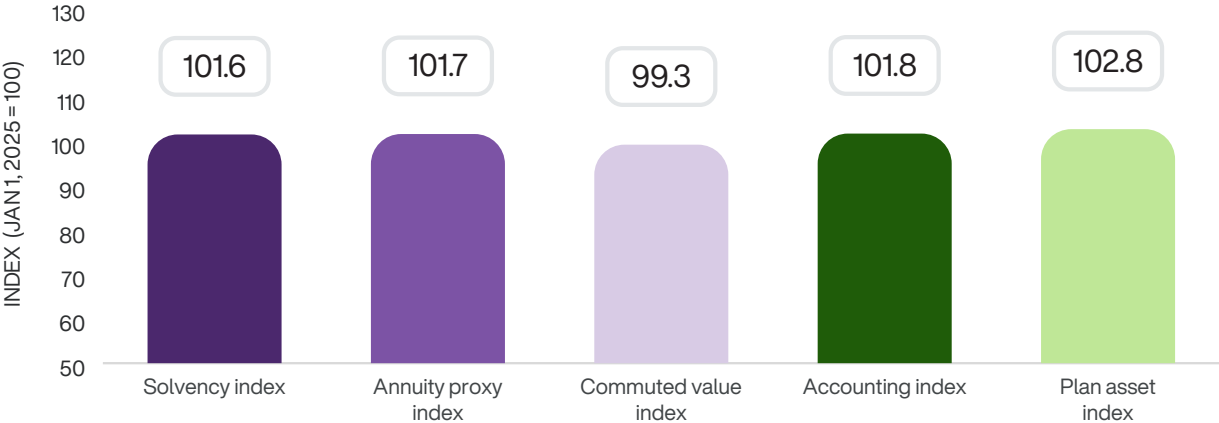
The investment return for a representative pension plan portfolio was 2.8% for the month, driven by strong performances across both bond and equity markets.

The global developed and emerging equity markets index, the MSCI ACWI, returned 4.1% in Canadian dollar terms. The Canadian equity index, the S&P/TSX Composite, finished the month with a return of 3.5%.

Short-term Government of Canada bond yields declined by approximately 0.27% while the long-term Government of Canada bond yields decreased by approximately 0.09% over the month of January. Meanwhile, credit spreads for corporate bonds slightly widened across all maturities in January.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 1.89% at the end of January, increasing by 0.07% since the end of December.

January 31, 2025 Pension Indices by TELUS Health





“The start of 2025 should serve as a reminder of the many risks and uncertainties potentially faced by Canadian DB pension plan sponsors” says Gavin Benjamin, Partner in TELUS Health’s Consulting team.

“The release in January of the artificial intelligence company DeepSeek’s latest AI model caused significant volatility in equity markets and highlighted the concentration risk that exists in the U.S. market. Another example of the risks faced by plan sponsors is the potential for tariffs of up to 25% on imports to the U.S. from Mexico and Canada, and what a trade conflict could mean for both the sponsor’s business and their pension plan funded position. It is noteworthy that the Bank of Canada acknowledged that the projections in their January Monetary Policy Report are subject to more than usual uncertainty due to the current environment. The possible warning signs from early 2025 emphasize the importance of pension plan administrators developing and maintaining a holistic pension risk management framework.

Developing and utilizing a risk management framework ensures that material risks to the pension plan are identified, evaluated, managed and monitored, so that the plan is sustainable over both the short and long terms. This includes recognizing from a practical perspective which risks can and cannot be managed. Risks that cannot be managed should also be evaluated and monitored so that any adverse impacts can be mitigated.”

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).

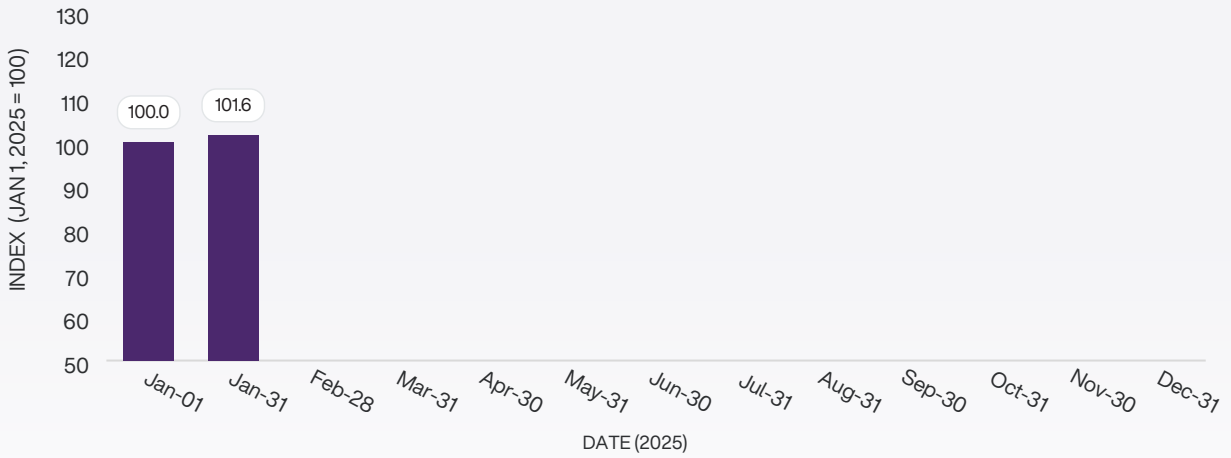
The plan liabilities are for a medium duration pension plan.

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.

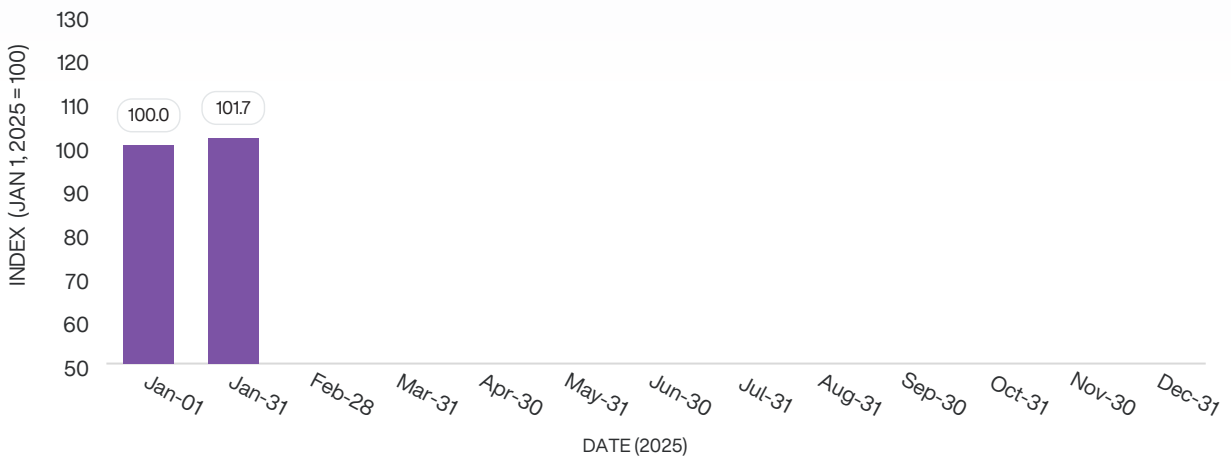
The monthly Commuted Value Index reflects an estimate of a commuted value for an average plan member using the method for calculating commuted values set out in the CIA's actuarial Standards of Practice.

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

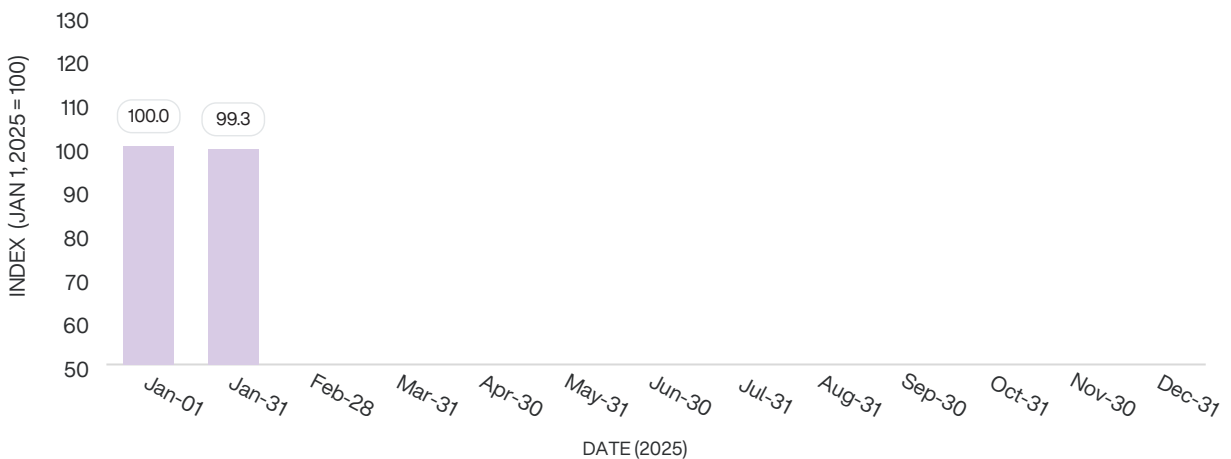
### Solvency index



### Annuity proxy index



### Commuted value index

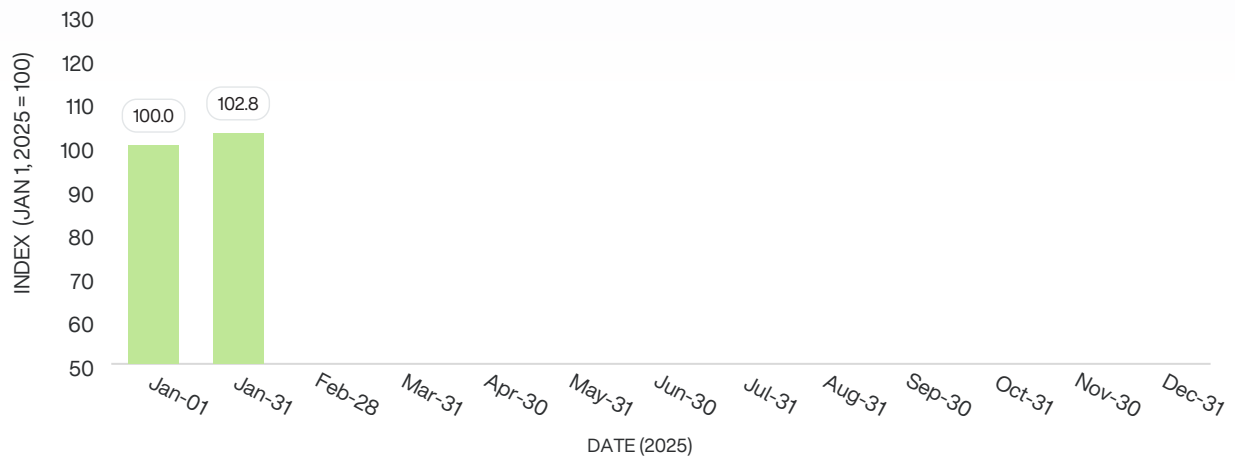




## Accounting index



## Plan asset index



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