Pension Indices
by TELUS Health.

May 31, 2025

Pension Plan Health:
Navigating Through Economic Uncertainty.

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

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

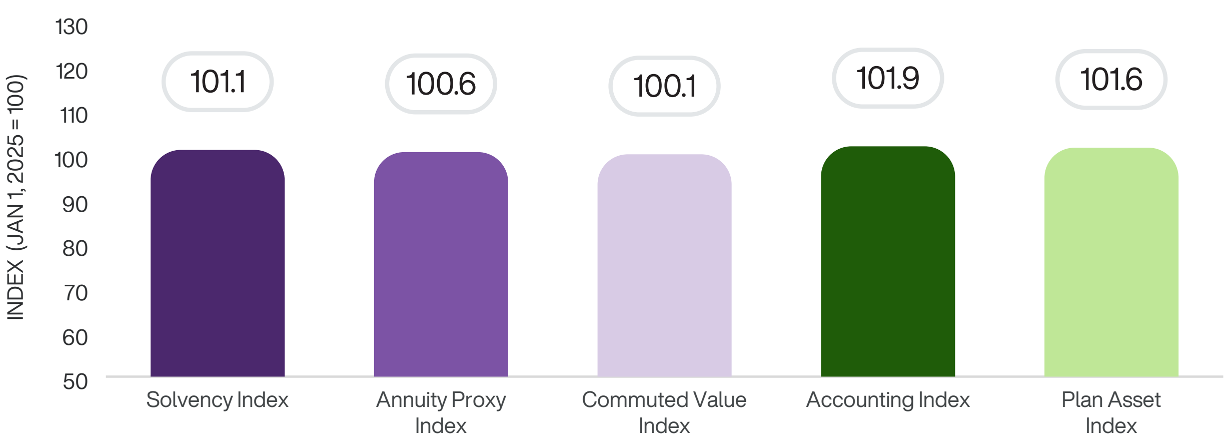
The representative pension plan portfolio returned 2.7% for the month, as equity markets rebounded following months of decline.

The global developed and emerging equity markets index returned 5.3% in Canadian dollar terms and Canadian equities finished the month with a return of 5.6%.

Short-term Government of Canada bond yields increased by 0.12% while the long-term Government of Canada bond yields increased by approximately 0.05% over the month of May. Meanwhile, corporate bond credit spreads tightened across all durations, declining by 0.10% to 0.15%.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 1.88% at the end of May, which represents an increase of 0.06% since the end of April.

May 31, 2025 Pension Indices by TELUS Health



"The resilience of Canadian pension plans amid economic headwinds is both encouraging and cautionary," says Andrea Knoll, Partner and West Region Lead of TELUS Health's Consulting team. "During the month of May, the funded ratio of the typical pension plan rebounded by 2.9%, a notable improvement that might instill a sense of optimism. However, this positive development should be viewed through the lens of broader economic challenges facing Canada, including forecasted slow growth and market uncertainty.

The volatility of solvency funded ratios in 2025, including swings of more than 9% during a period of less than three months, serves as a stark reminder that pension plan health can change rapidly, influenced by a myriad of economic factors. To navigate this complex landscape, plan sponsors should focus on three key areas to protect pension plan health and sustainability:

1. Enhanced Risk Management: Implement comprehensive tools for frequent, even daily, monitoring of plan financials. This allows for early detection of potential issues and enables quicker, more informed decision-making. Regularly stress-test your plans against various economic scenarios, including recessions and market downturns, to identify vulnerabilities and develop targeted mitigation strategies.

2. Strategic Asset Allocation: In uncertain times, diversification is crucial. Review and adjust your asset allocation in light of your plan's specific circumstances and long-term objectives. For ongoing plans, this may involve considering alternative investments to enhance returns and manage risk. However, for closed plans a liability-driven investment strategy may be more appropriate to better match assets with long-term pension obligations. The key is to ensure your allocation is resilient against potential economic shocks while aligned with your plan's ultimate destination.

3. Stakeholder Communication: Maintain transparent and regular communication with plan members and other stakeholders. Clearly explain the plan's current status, risk management efforts, and any strategic changes. This proactive approach can help manage expectations and build confidence, even in unpredictable economic conditions.

In the face of economic uncertainty, these proactive measures are not just best practices – they're essential safeguards for the long-term sustainability of pension benefits and the financial well-being of plan members."

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.

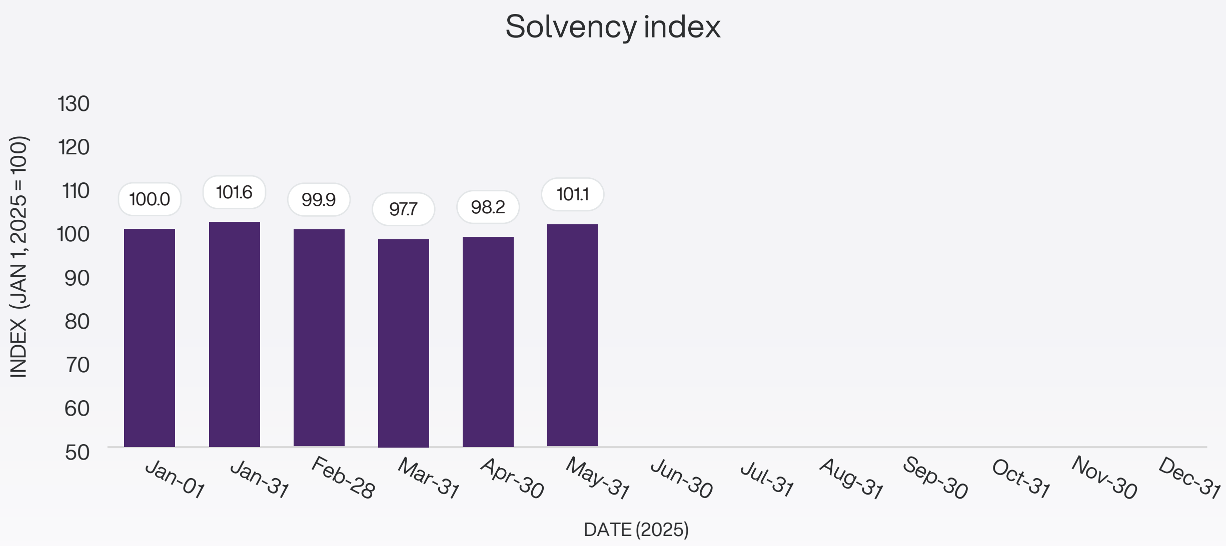
The monthly Asset Index is calculated based on a TELUS Health Benchmark portfolio, 50% equities and 50% fixed income (2% in 91-day T-Bills, 24% FTSE TMX Canada Universe, 24% FTSE TMX Canada LT, 15% MSCI Canada, 35% MSCI ACWI) with monthly rebalancing.

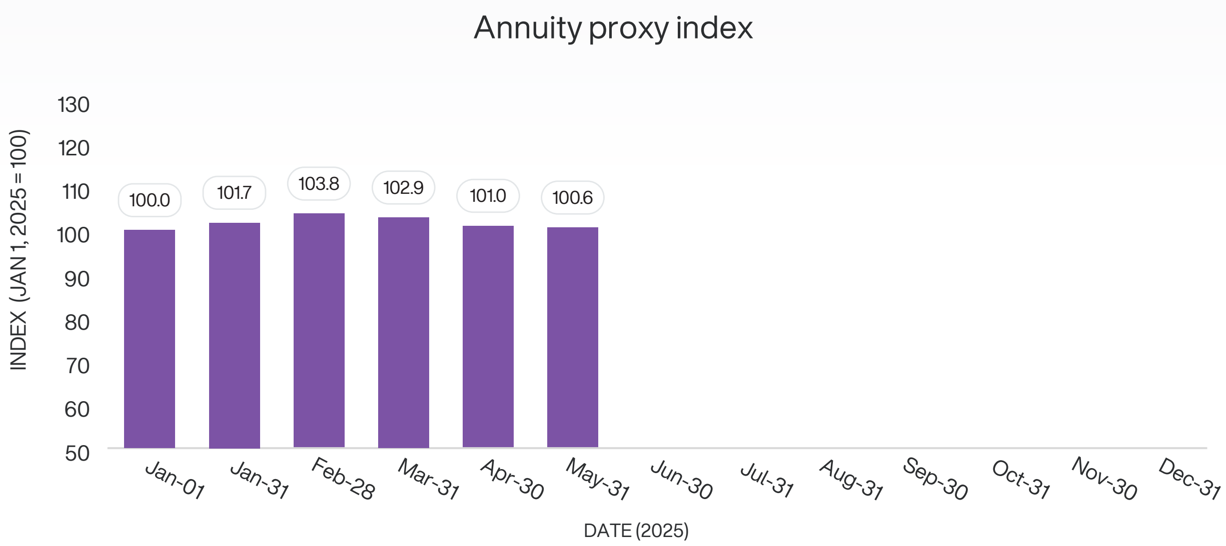
The plan liabilities are for a medium duration pension plan.

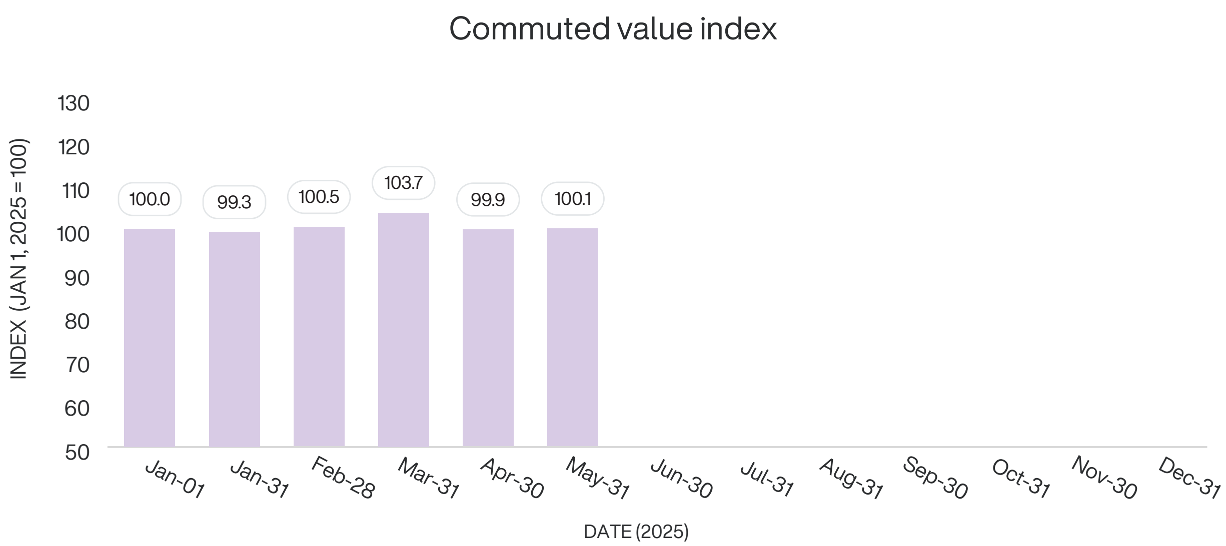
The monthly Solvency Index reflects estimates of solvency liabilities using the latest available Canadian Institute of Actuaries (CIA) annuity purchase discount rate guidance at each month end.

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.

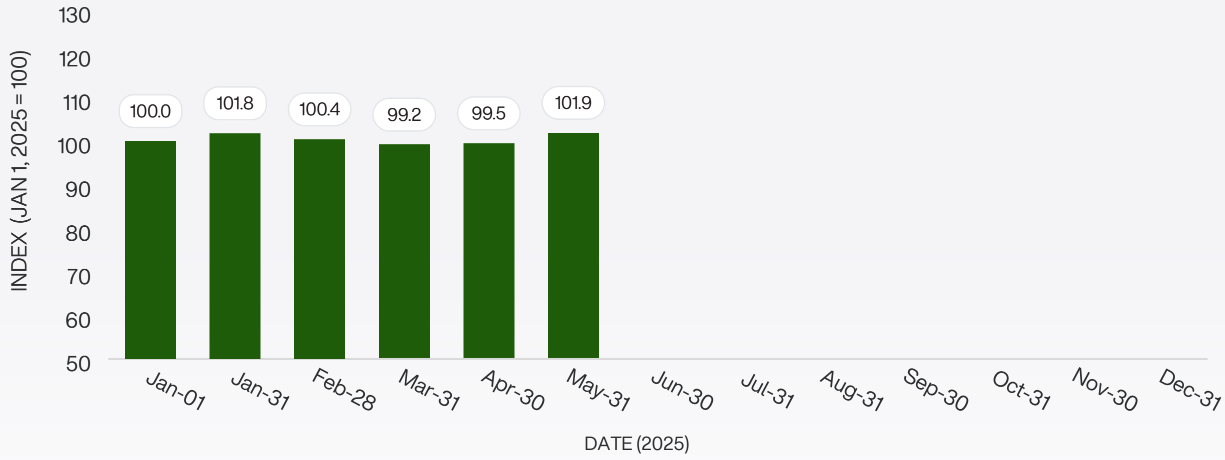
The monthly Accounting Index reflects an estimate of accounting liabilities using a discount rate derived from the TELUS Health AA Corporate Bond Yield Curve.


Solvency index
INDEX (JAN 1, 2025 = 100)
130
120
110
100
90
80
70
60
50
100.0
101.6
99.9
97.7
98.2
101.1
Jan-01
Jan-31
Feb-28
Mar-31
Apr-30
May-31
Jun-30
Jul-31
Aug-31
Sep-30
Oct-31
Nov-30
Dec-31
DATE (2025)

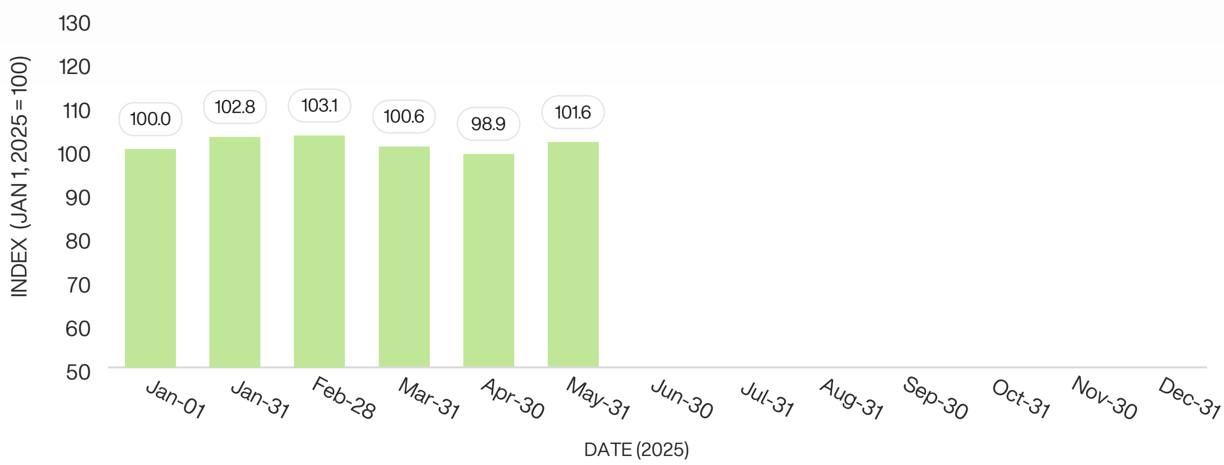

Annuity proxy index
INDEX (JAN 1, 2025 = 100)
130
120
110
100
90
80
70
60
50
100.0
101.7
103.8
102.9
101.0
100.6
Jan-01
Jan-31
Feb-28
Mar-31
Apr-30
May-31
Jun-30
Jul-31
Aug-31
Sep-30
Oct-31
Nov-30
Dec-31
DATE (2025)


Commuted value index
INDEX (JAN 1, 2025 = 100)
130
120
110
100
90
80
70
60
50
100.0
99.3
100.5
103.7
99.9
100.1
Jan-01
Jan-31
Feb-28
Mar-31
Apr-30
May-31
Jun-30
Jul-31
Aug-31
Sep-30
Oct-31
Nov-30
Dec-31
DATE (2025)

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

Amy Pun
Associate Partner, Consulting
(778) 327-5408
amy.pun@telushealth.com

Ryan Yeo
Principal, Consulting
(778) 847-6680
ryan.yeo@telushealth.com