



Pension Indices by TELUS Health.

May 31, 2023

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

Over the month of May, the funded position of a typical pension plan slightly decreased on a solvency basis, but slightly increased on an accounting basis.

The investment return was -2.0% for the month for a representative pension plan portfolio, driven by mainly negative returns in equity markets and an increase in bond yields.

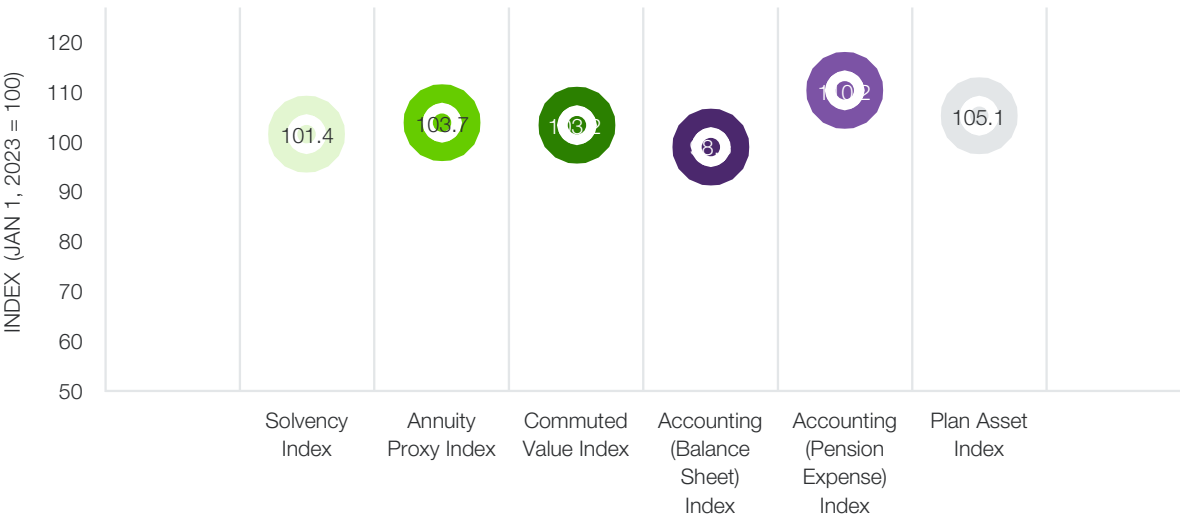
The global developed and emerging equity markets index, the MSCI ACWI, returned -0.9% in Canadian dollar terms. The Canadian equity index, the S&P/TSX Composite, finished the month with a return of -5.0%.

Returns for Canadian bond indices were negative as yields increased. Short-term Government of Canada bond yields increased by 0.57% during the month and long-term Government of Canada bond yields increased by 0.18%. Corporate credit spreads have remained relatively stable since last month.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 1.77% at the end of May, which represents a 0.14% increase from the end of April.

The accounting pension expense index saw a decrease in May mainly due to an increase in the accounting discount rates during this period.

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“The funded status of most DB pension plans remains healthy and bond yields are still high compared to 18 months ago. Therefore, good de-risking opportunities continue to exist for many pension plans” says Sarah Charef, Senior Pension Risk Transfer Consultant in TELUS Health’s Retirement and Benefits Solutions practice.

“There is also some good news for pension plan sponsors that are considering de-risking through a group annuity purchase and plan members affected by an annuity purchase. Assuris recently announced that they have increased their levels of coverage, including for insured annuities. Assuris is a not-for-profit organization that helps protect Canadian policyholders if their life and health insurance company fails. Assuris coverage for insured annuities has been increased to the greater of \$5,000 per month (previously \$2,000 per month) and 90% (previously 85%) of the promised annuity. This will apply to both past and future group annuity contracts. This means pension plan sponsors can achieve greater benefit security for their plan members affected by an annuity purchase, including the possibility of achieving full Assuris coverage with fewer insurers.”

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 (Balance Sheet) Index.	Provides an indication of changes in the accounting funding level of an average pension plan since the start of the year.
Accounting (Pension Expense) Index.	Provides an indication of changes in the following year's pension expense 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.

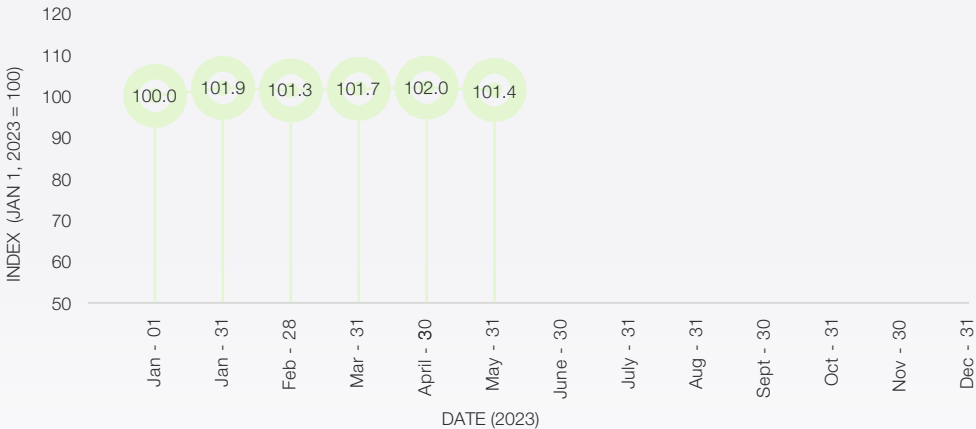
The monthly Commuted Value Index reflects an estimate of a commuted value for an average plan member using the method for calculating commuted values set out in the CIA's actuarial Standards of Practice.

The monthly Accounting Indices reflect estimates of accounting liabilities using a discount rate derived from the TELUS Health AA Corporate Bond Yield Curve.

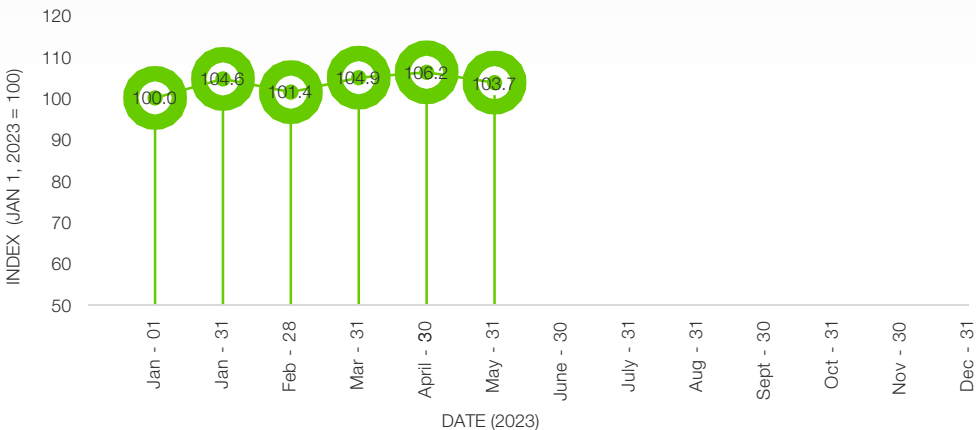




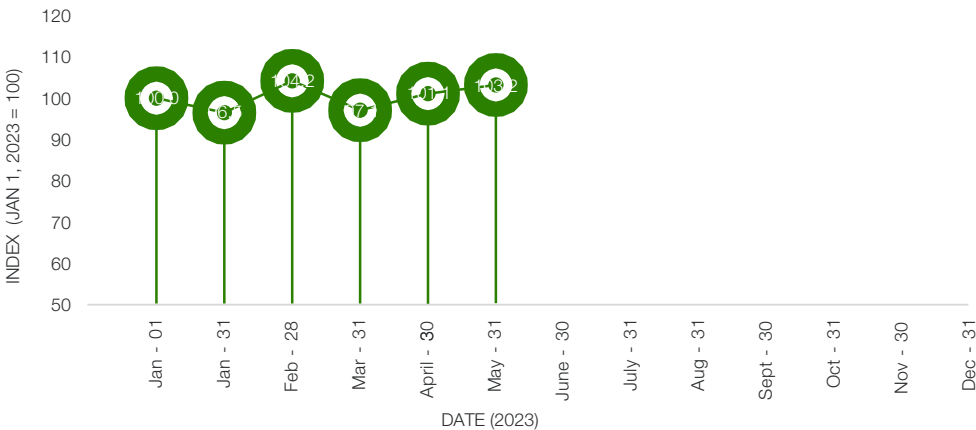
Solvency index.



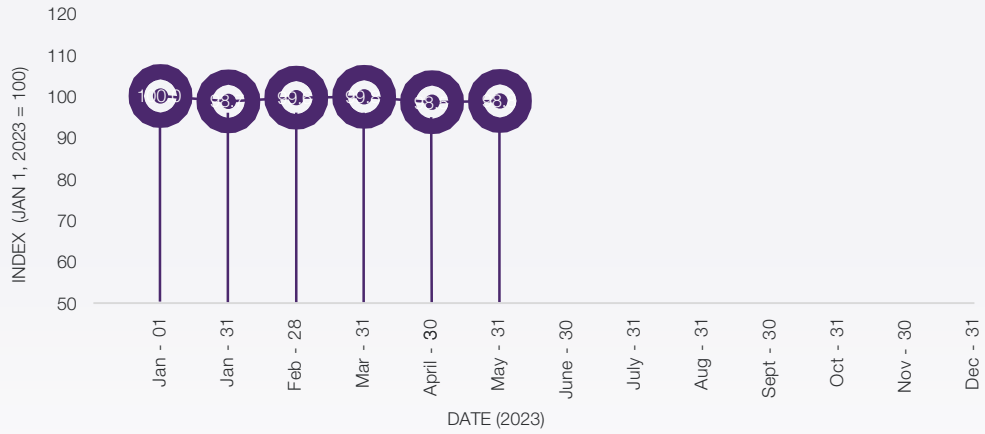
Annuity proxy index.



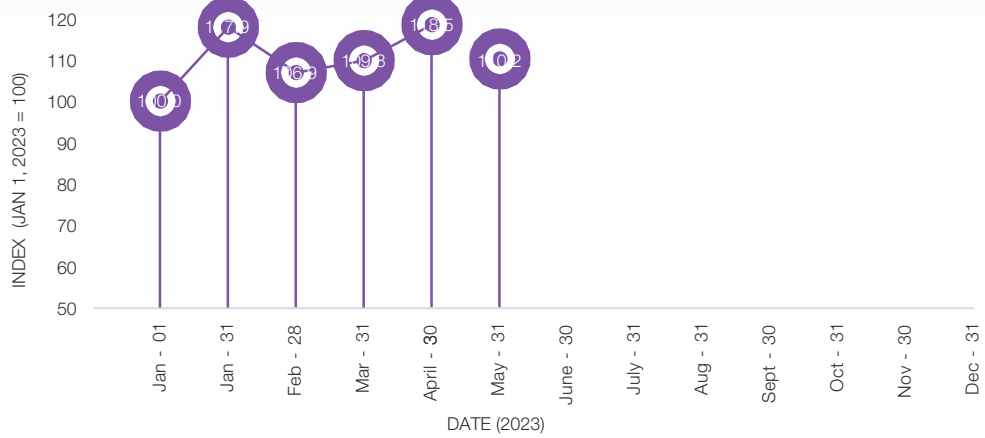
Commuted value index.



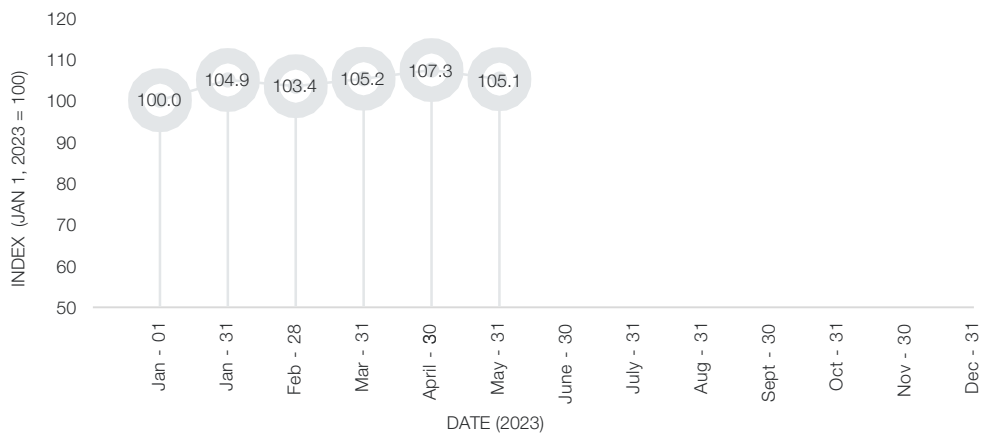
Accounting (balance sheet) index.



Accounting (pension expense) index.



Plan asset index.



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