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# Pension Indices by TELUS Health.

April 30, 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 April, the funded position of a typical pension plan increased on a solvency basis, but decreased on an accounting basis.

The investment return was 1.9% for the month for a representative pension plan portfolio, driven by mainly positive returns in equity markets and a decrease in bond yields.

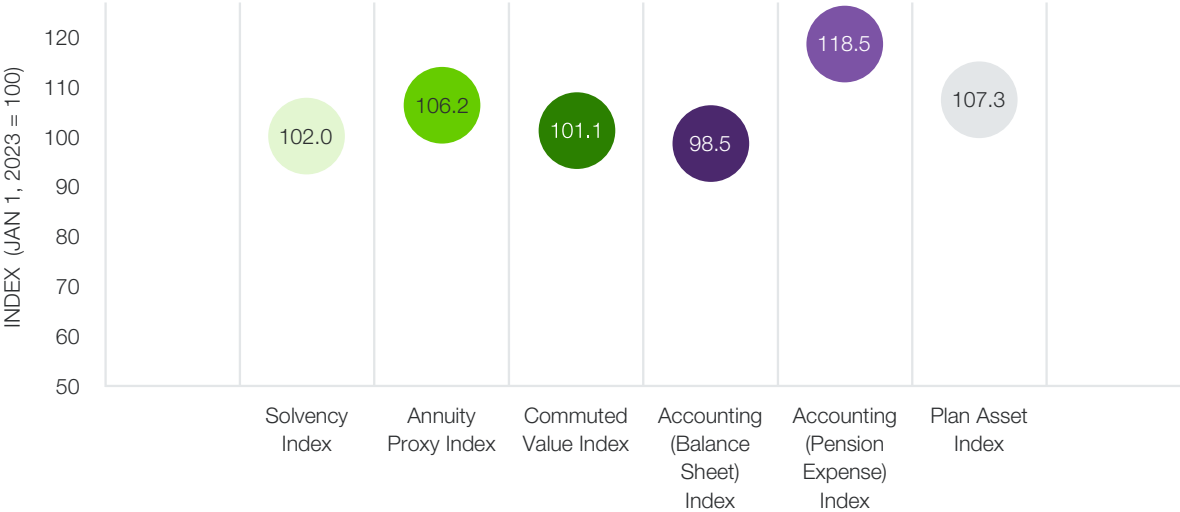
The global developed and emerging equity markets index, the MSCI ACWI, returned 1.7% in Canadian dollar terms. The Canadian equity index, the S&P/TSX Composite, finished the month with a return of 2.9%.

Returns for Canadian bond indices were positive as yields decreased. Short-term Government of Canada bond yields decreased by 0.09% during the month and long-term Government of Canada bond yields decreased by 0.06%. Corporate credit spreads also saw a decrease in April.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 1.63% at the end of April, which represents a 0.05% decrease from the end of March.

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

April 30, 2023 pension indices by TELUS Health.





“Pension plan funding levels have remained resilient through April and for the year to date through a wide variety of external shocks. However, it appears that they will continue to be tested in the coming months” says Murray Wright, Associate Partner in the Retirement and Benefits Solutions practice at TELUS Health.

“The impact of higher interest rates is starting to be felt in economic data in Canada and around the world. Combined with ongoing stress in the US banking system, and even the possibility of a US debt default, we are seeing more and more pension plans explore de-risking strategies to help lock in current strong funding levels. There is also more activity in the pension risk transfer space given that a larger proportion of plans are in a position to secure annuities for some or all of their members. These discussions have a new dimension to them for corporate sponsors now that the pension super-priority bill has been passed.

While many plans can continue to look beyond current volatility to the long-term, there are opportunities for plans to take a different approach given the new economic and legislative environment we find ourselves in.”

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.

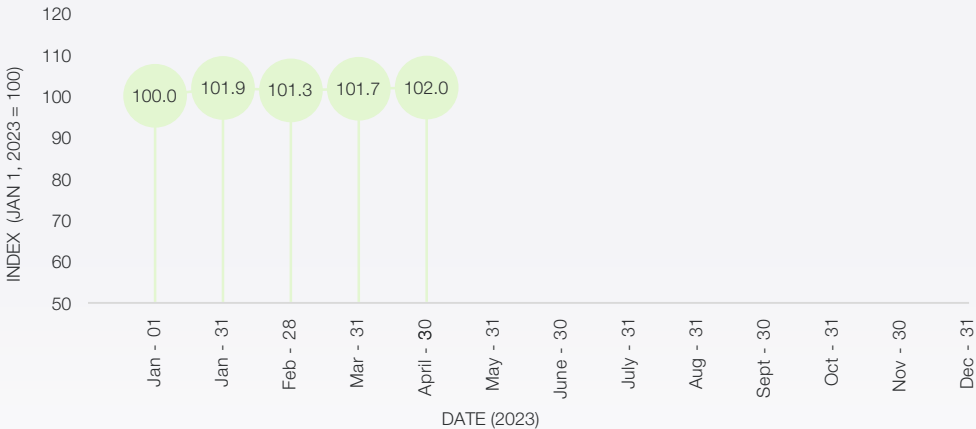
The monthly Commuted Value Index reflects an estimate of a commuted value for an average plan member using the method for calculating commuted values set out in the CIA's actuarial Standards of Practice.

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

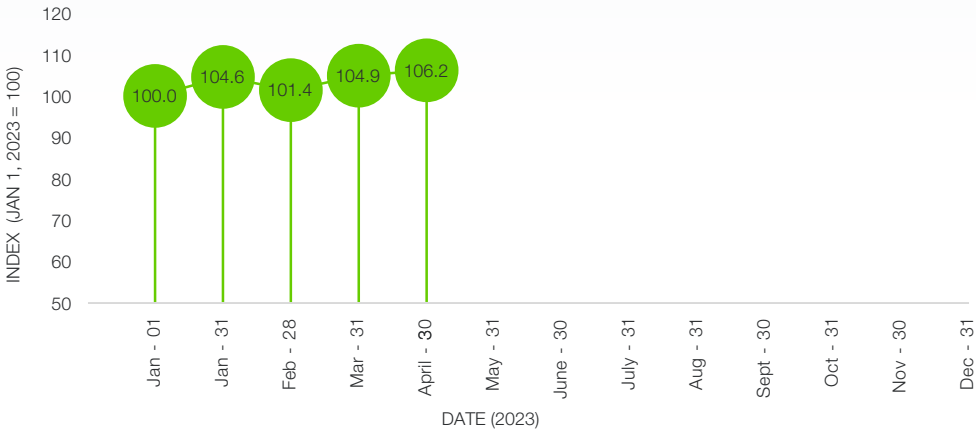




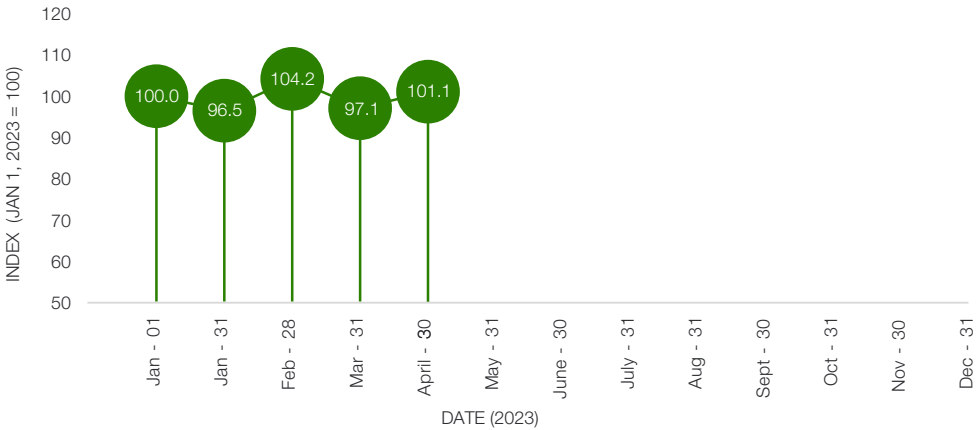
Solvency index.



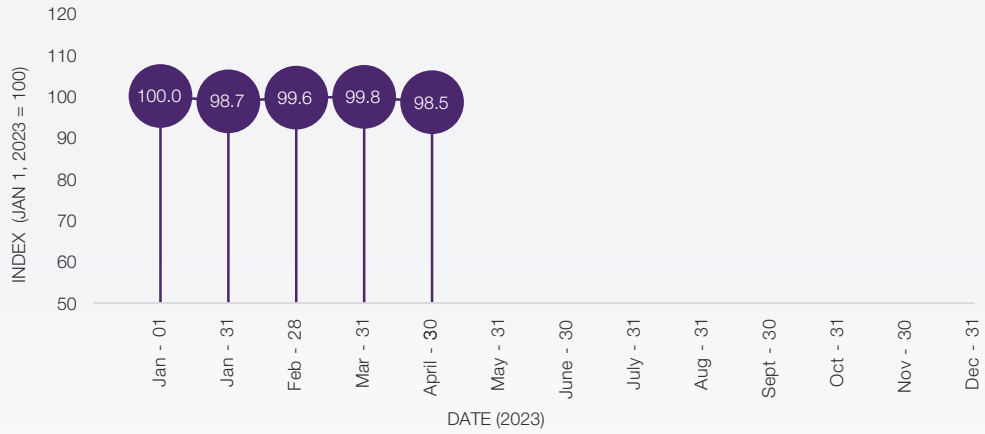
Annuity proxy index.



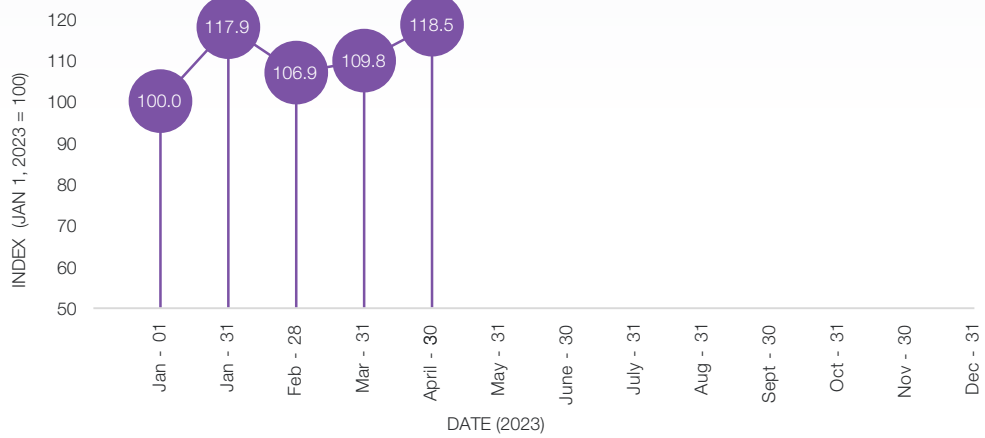
Commutated value index.



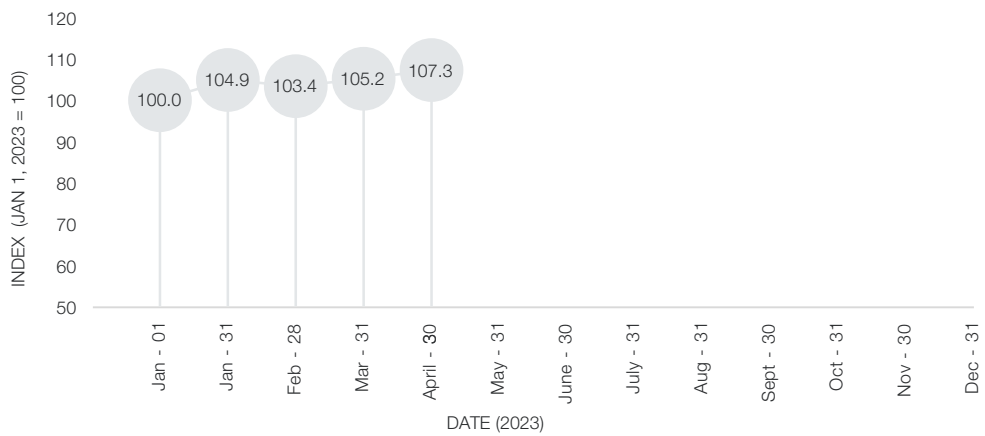
Accounting (balance sheet) index.



Accounting (pension expense) index.



Plan asset index.



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