



Pension Indices by TELUS Health.

November 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

During the month of November, the funded position of a typical pension plan increased on a solvency basis but decreased on an accounting basis.

The investment return was 6.7% for the month for a representative pension plan portfolio, driven by positive returns in the equity markets.

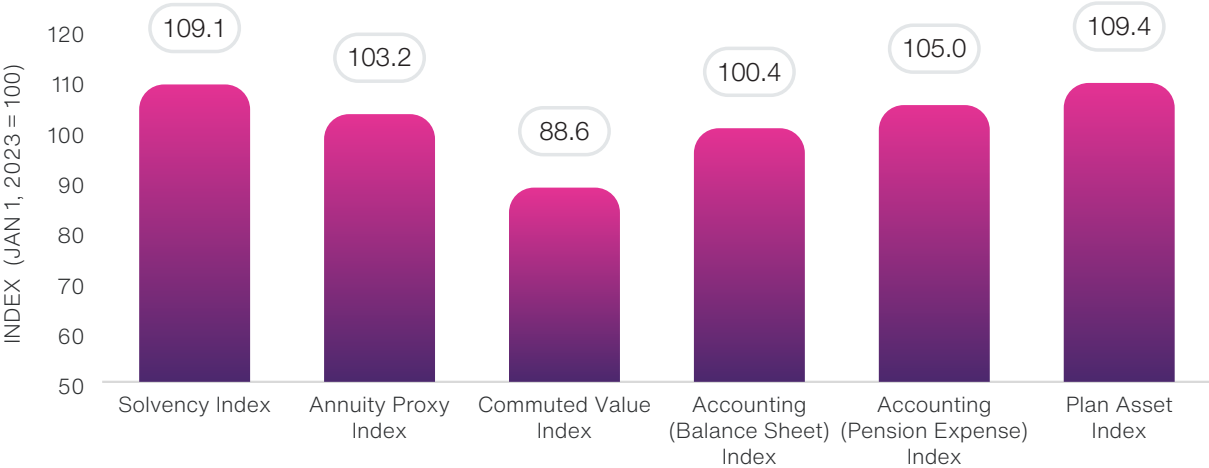
The global developed and emerging equity markets index, the MSCI ACWI, returned 6.7% in Canadian dollar terms. The Canadian equity index, the S&P/TSX Composite, finished the month with a return of 7.5%.

Short-term Government of Canada bond yields decreased by approximately 0.43%, whereas long-term Government of Canada bond yields decreased by approximately 0.49% over the month of November. Corporate credit spreads decreased by approximately 0.10% to 0.20% during the month of November.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 1.74% at the end of November, remaining unchanged from the end of October.

The accounting pension expense saw a significant increase in November as accounting discount rates decreased during this period.

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“Financial markets were volatile in November, with superb returns from equity and fixed income asset classes, but an associated fall in bond yields. This led to a material increase in accounting and solvency liabilities for Canadian pension plans.” says Murray Wright, Associate Partner in TELUS Health’s Retirement and Benefits Solutions practice.

“After some big increases in bond yields in recent months, November’s reversal led to the first significant increase in pension liabilities for some time. It’s an important reminder that, at the moment, the only sure bet is that we will continue to see significant uncertainty in markets. Pension plan sponsors with newly discovered surplus positions should see the market movements in November as a reminder to revisit their long-term funding and investment strategies to make sure they are well placed for 2024.”

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).

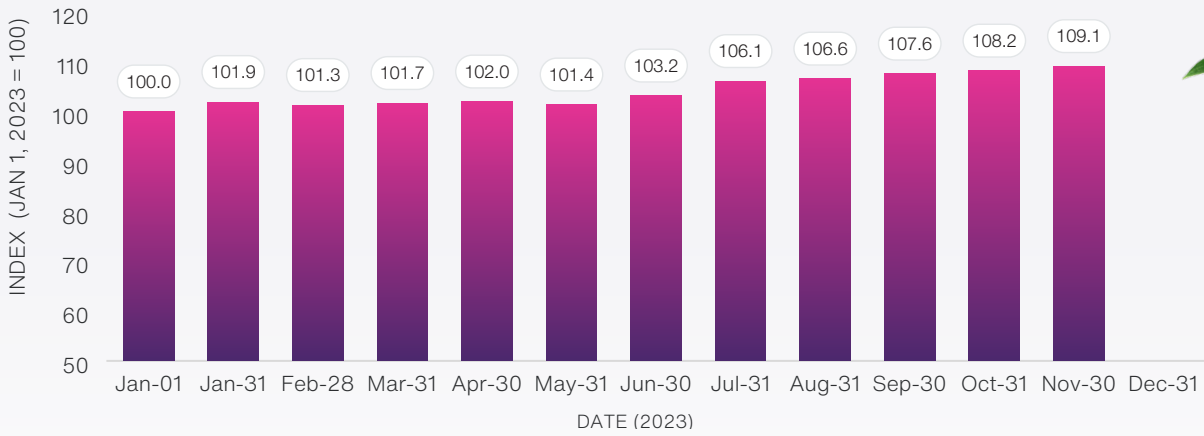
The plan liabilities are for a medium duration pension plan.

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.

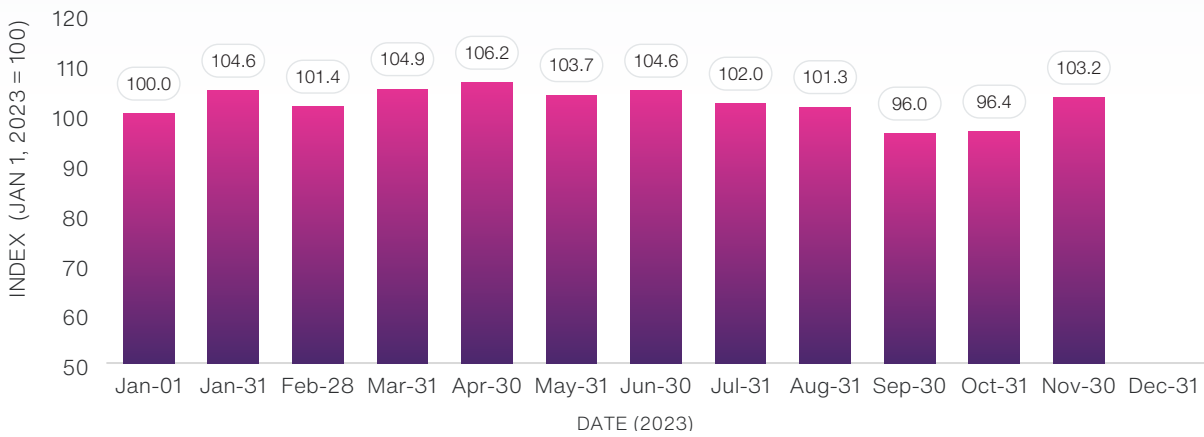
The monthly Commuted Value Index reflects an estimate of a commuted value for an average plan member using the method for calculating commuted values set out in the CIA's actuarial Standards of Practice.

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

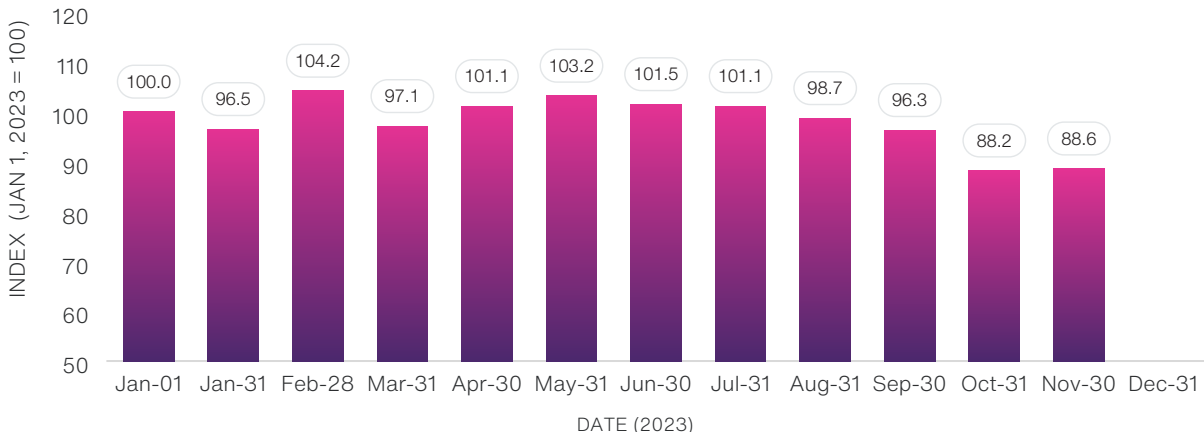
Solvency index.



Annuity proxy index.

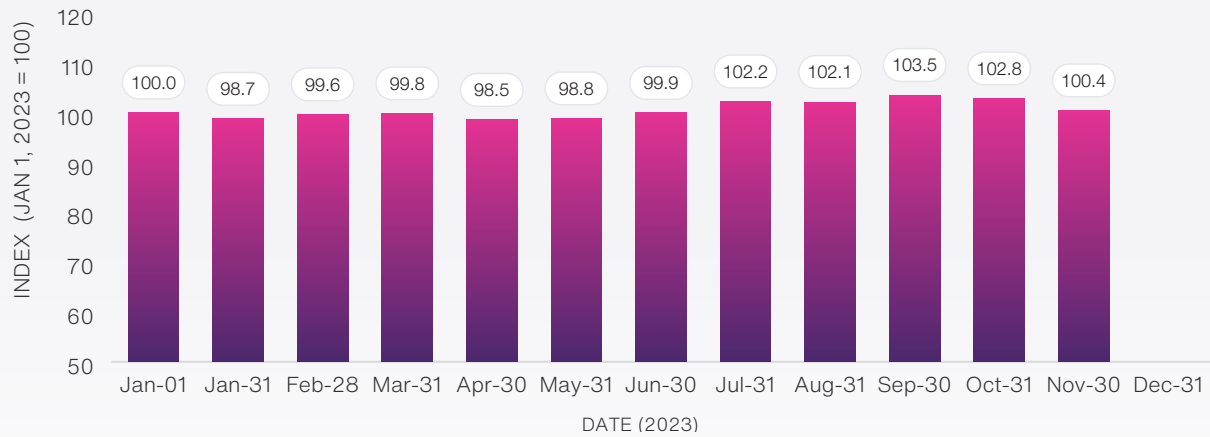


Commuted value index.

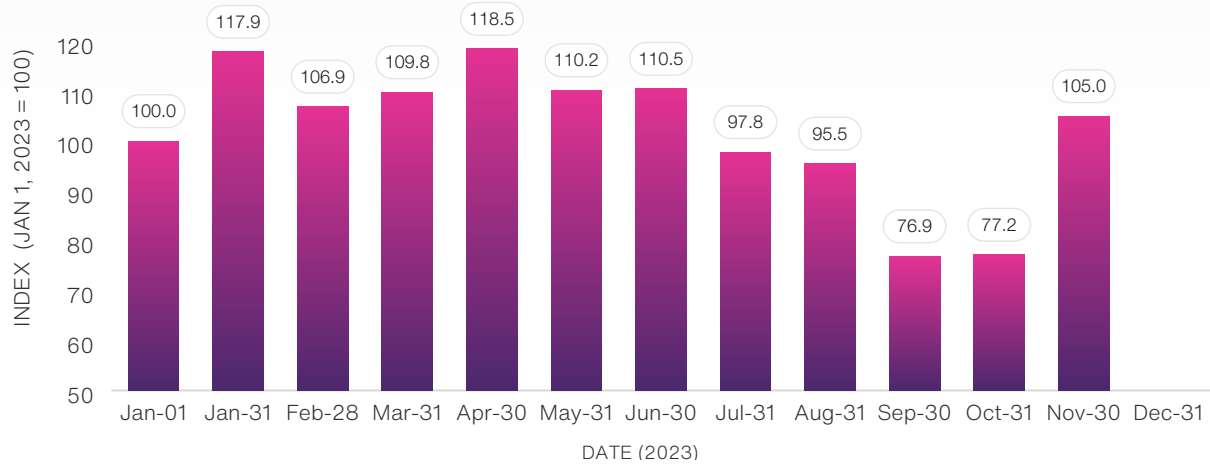




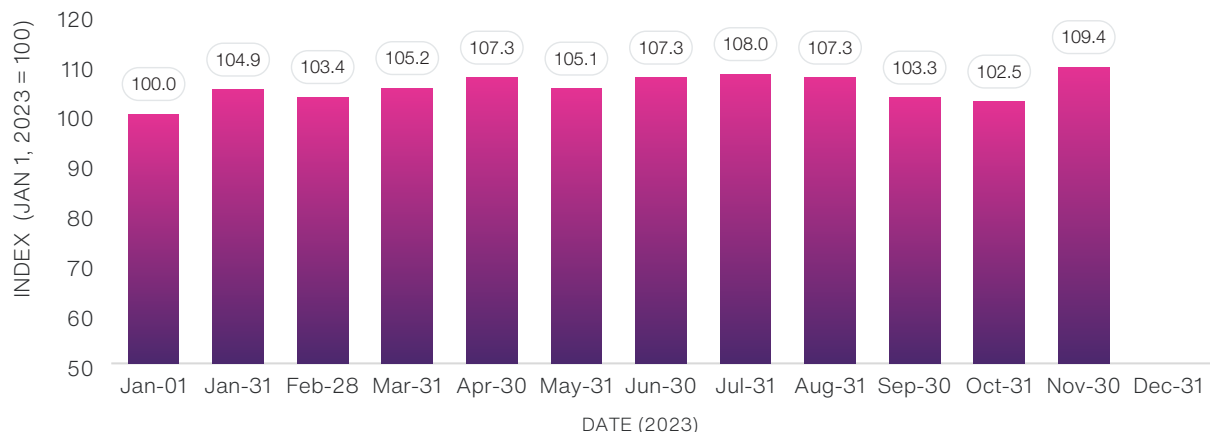
Accounting (balance sheet) index.



Accounting (pension expense) index.



Plan asset index.



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