Pension Indices
by TELUS Health.

January 31, 2026

Significant pension de-risking activity expected in 2026.

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 January, the funded status of a typical pension plan increased on a solvency basis but decreased on an accounting basis.

The representative pension plan portfolio returned 1.2% in January, driven by strong performance across both bond and equity markets.

Short-term Government of Canada bond yields decreased by approximately 0.02% and long-term Government of Canada bond yields increased by approximately 0.03% over the month. Corporate bond credit spreads tightened, narrowing by 0.02% for short-term bonds and 0.07% for long-term bonds.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 2.04% at the end of January, which represents a slight increase of 0.06% since the end of December.

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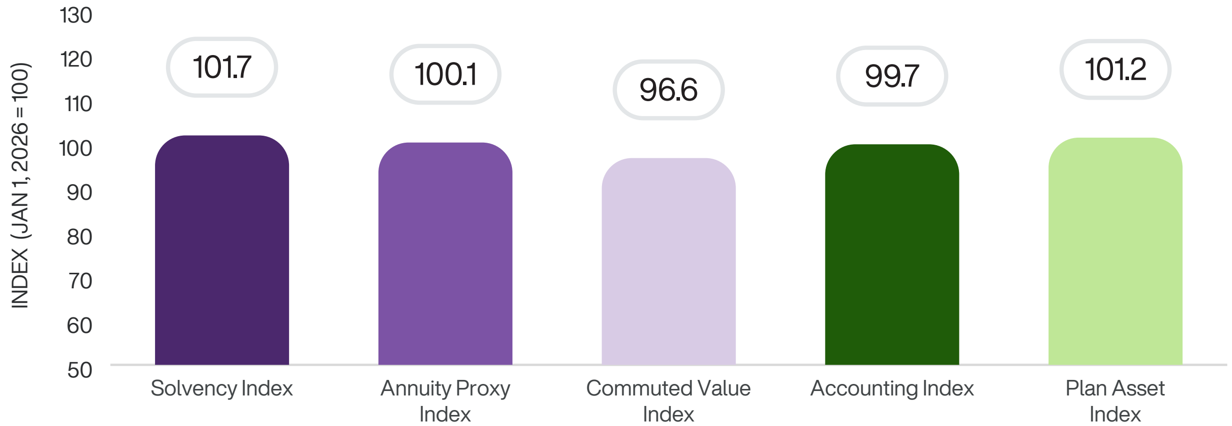


“With most DB pension plans still well-funded, we expect the continuation of de-risking activity in 2026 as plan sponsors seek to protect the gains their plans have benefited from in recent years. One of the key approaches to de-risking is to transfer risk to an insurance company through the purchase of a group annuity for all or a portion of a pension plan’s obligations” says Gavin Benjamin, Partner in TELUS Health’s Consulting team.

“An observation regarding the Canadian group annuity market is that historically the premium that the plan had to pay the insurer in order to transact was usually larger than the accounting obligations that the plan sponsor was holding on their corporate balance sheet for the liabilities being annuitized. This sometimes created a significant settlement loss that the plan sponsor had to recognize immediately in their financial statements. However, over the past two to three years the gap between annuity premiums and accounting liabilities has narrowed, and in some cases plan sponsors have been able to transact at a cost that is less than the accounting liabilities. This speaks to the increasing competitiveness of group annuity pricing over time, which is a benefit to a plan sponsor considering de-risking through a group annuity purchase, whether or not the sponsor’s organization is sensitive to the accounting effect of the transaction.”

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.

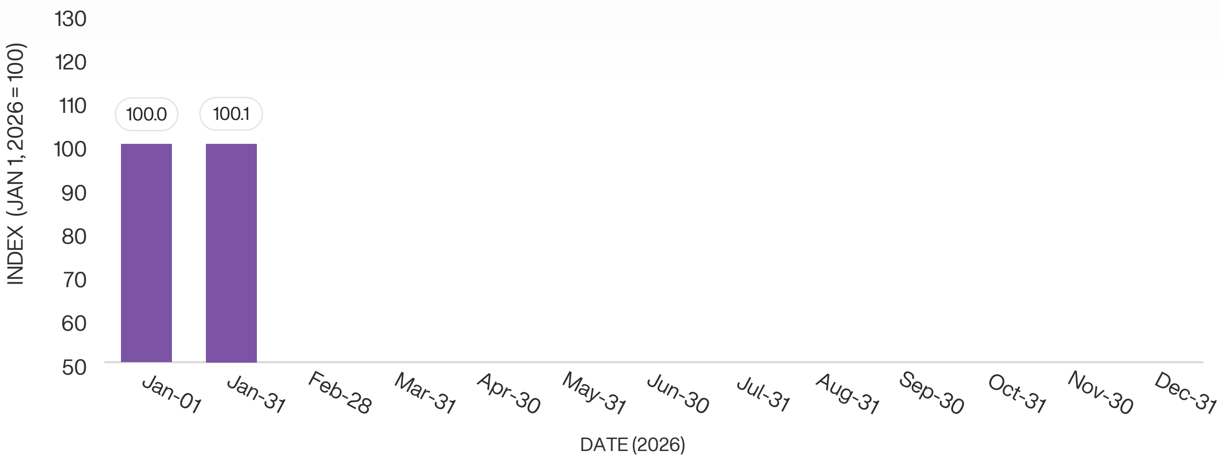
The monthly Solvency Index reflects estimates of solvency liabilities using the latest available Canadian Institute of Actuaries (CIA) annuity purchase discount rate guidance at each publication date.

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.

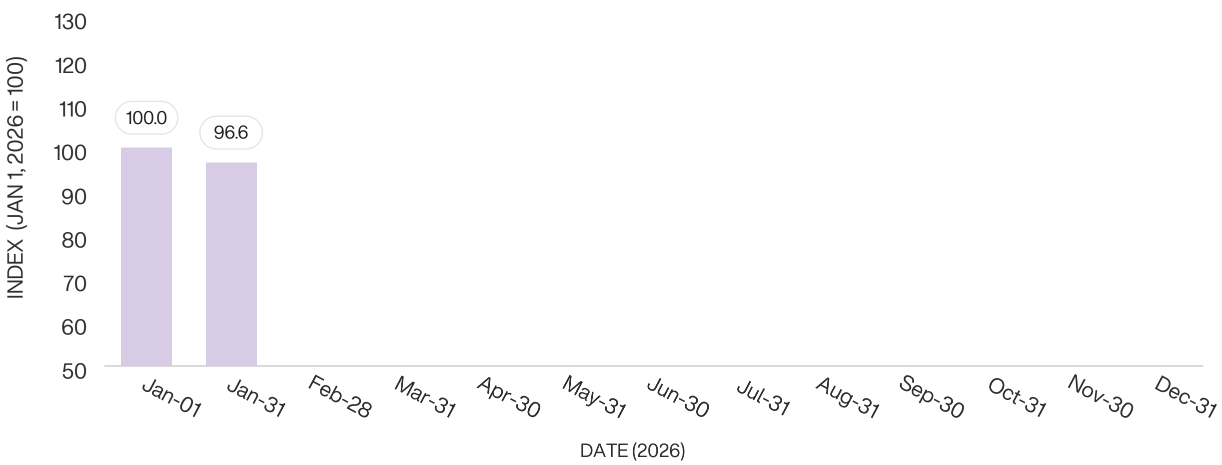
The monthly Accounting Index reflects an estimate of accounting liabilities using a discount rate derived from the TELUS Health AA Corporate Bond Yield Curve.

Solvency index

Annuity proxy index

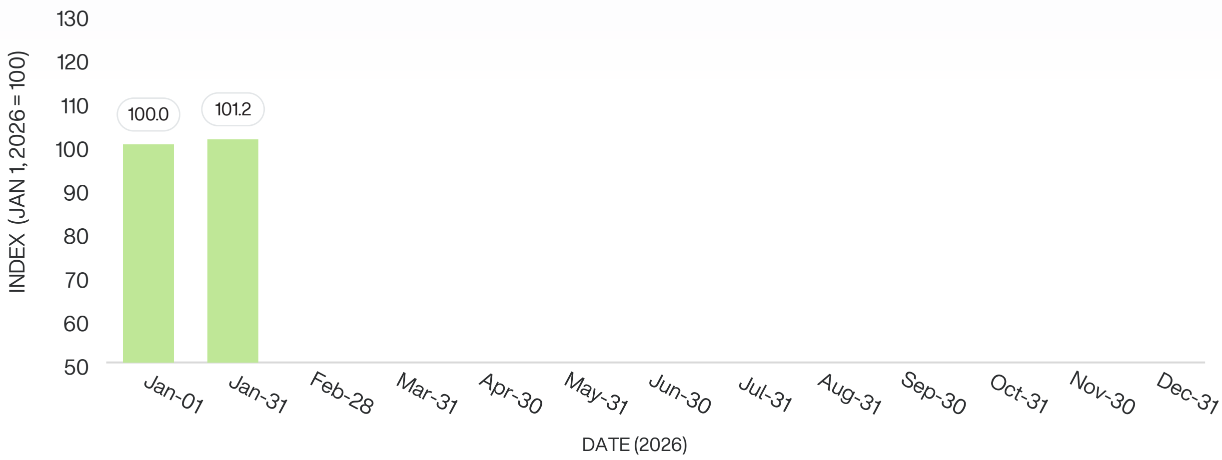


Commuted value index



Accounting index

Plan asset index



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