Pension Indices
by TELUS Health.

July 31, 2026

The importance of understanding and managing interest rate risk

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

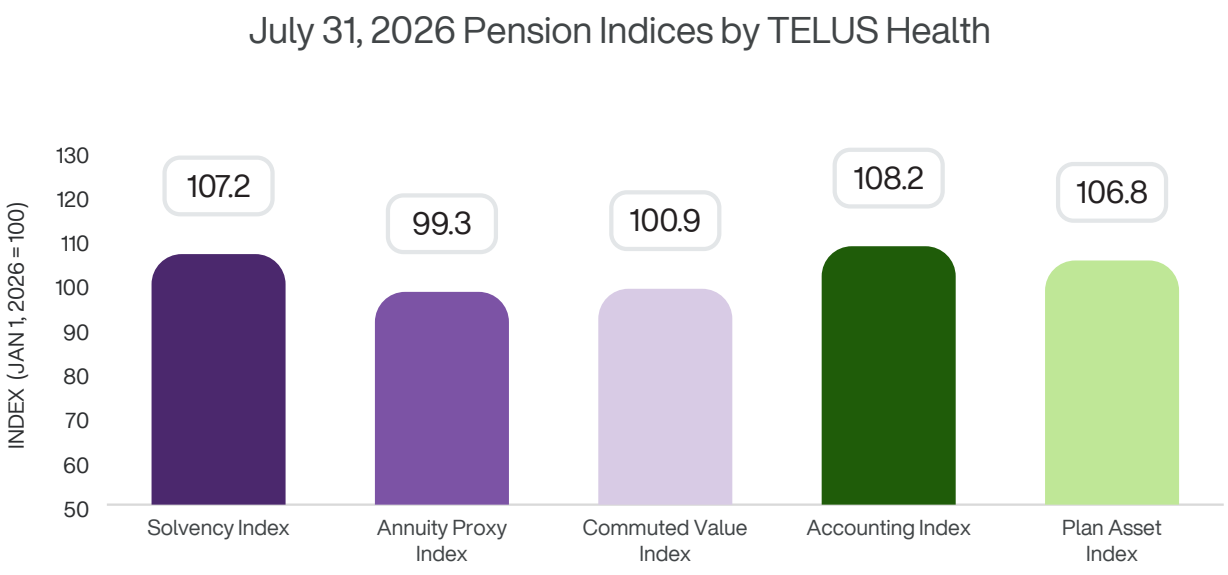
In July, the funded status of a typical pension plan improved on both the solvency basis and accounting basis.

The representative pension plan portfolio reduced by 1.4% in July, driven by poor performance of global equity markets and Canada bonds.

The global developed and emerging equity markets index returned -1.1% in Canadian dollar terms and Canadian equities finished the month with a return of 1.1%.

Short-term Government of Canada bond yields increased by approximately 0.17% and long-term Government of Canada bond yields increased by approximately 0.27% over the month. Corporate bond credit spreads increased by 0.02% for short-term bonds and by 0.05% for long-term bonds.

Market expectations for long-term inflation (the break-even inflation rate) were approximately 2.09% at the end of July, which represents a slight increase of 0.03% since the end of June.



"July was a useful reminder that pension plan funded positions are driven by more than investment returns. Although plan assets did not perform well in July, the typical pension plan's solvency funded position improved due to an increase in long-term interest rates, with long-term Government of Canada bond yields increasing by 0.27% during the month. DB pension liabilities are sensitive to changes to long-term interest rates. When long-term interest rates increase, pension liabilities decrease. Similarly, a decrease in long-term rates will increase liabilities" says Gavin Benjamin, Partner in TELUS Health's Retirement & Benefits Solutions practice.

"It is interesting to consider how much long-term interest rates have changed in recent years. At the end of July 2026, long-term Government of Canada bond yields were 4.04%, 2.34% higher than at the end of July 2019. The increase in long-term interest rates over recent years is one of the key reasons why many DB plans have surpluses today. However, the same dynamics that have helped pension plan funded positions could work in reverse. Without proper risk management, a decrease in future long-term rates could quickly turn today's surpluses into tomorrow's deficits. With most DB plans currently in a strong funded position, now is an ideal time for sponsors to assess their plan's exposure to interest rate risk and to take action, if appropriate, to reduce this risk so that their plan is protected against future interest rate volatility."

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.

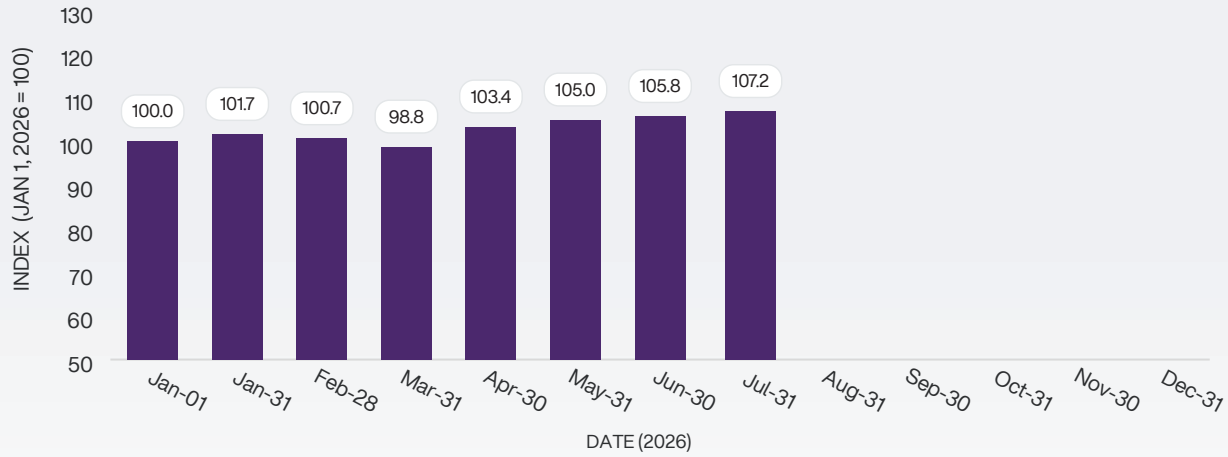
The plan liabilities are for a medium duration pension plan.

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.

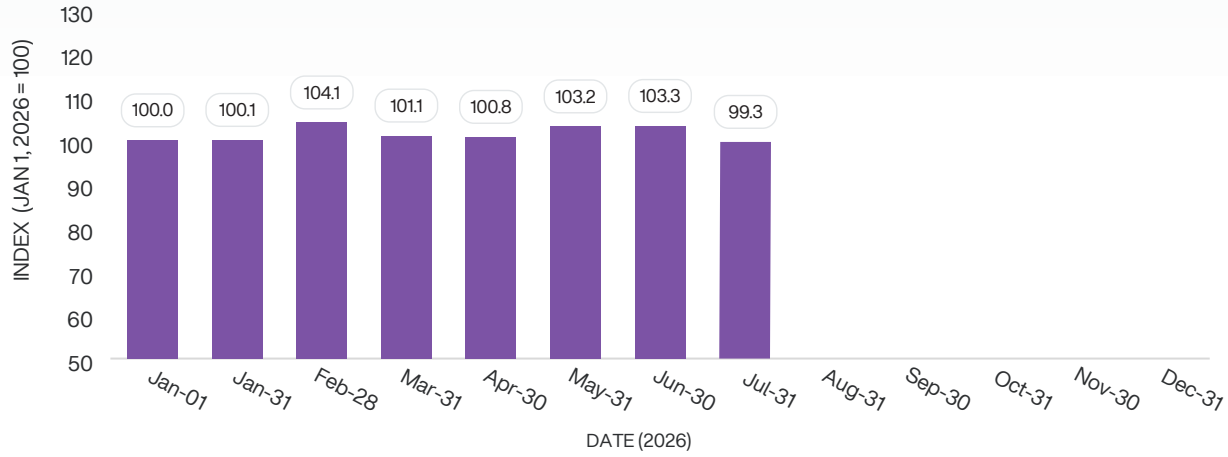
The monthly Commuted Value Index reflects an estimate of a commuted value for an average plan member using the method for calculating commuted values set out in the CIA's actuarial Standards of Practice.

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

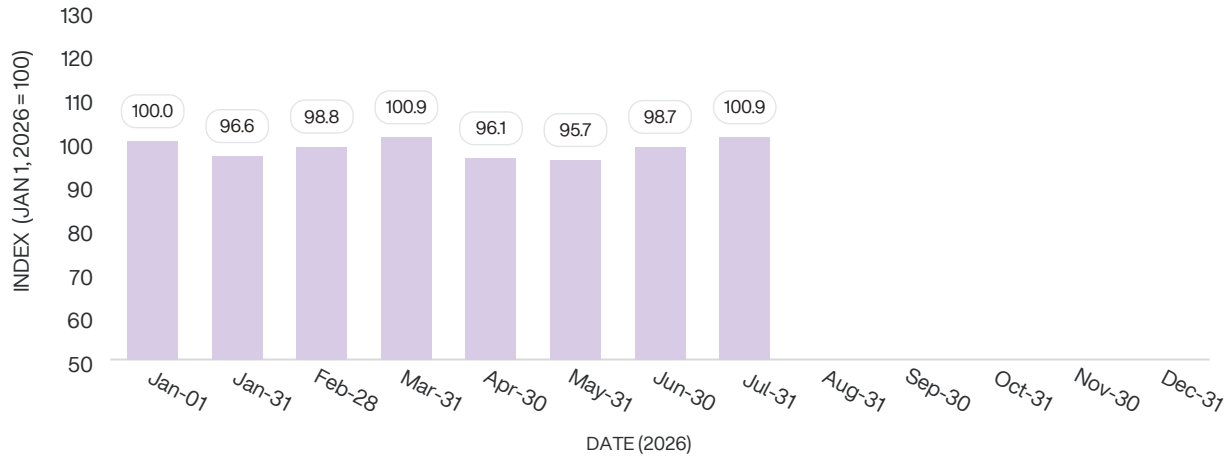
Solvency index



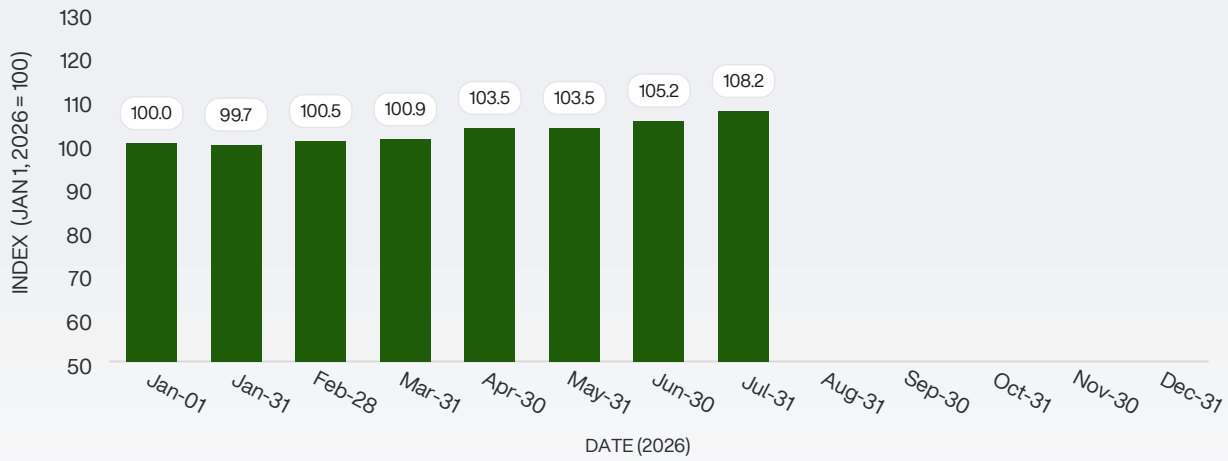
Annuity proxy index



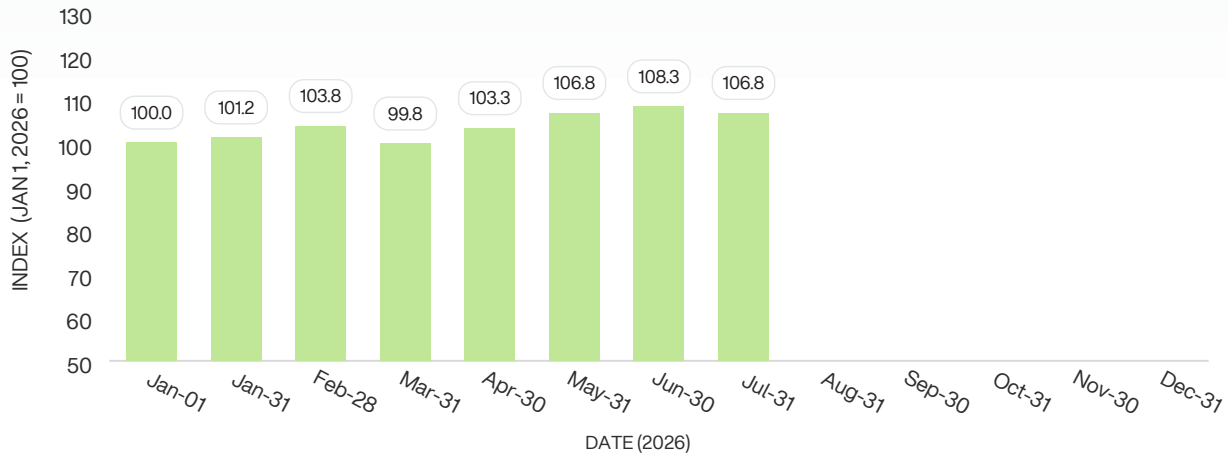
Commuted value index



Accounting index



Plan asset index



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