

Pension Indices by LifeWorks

December 31, 2021



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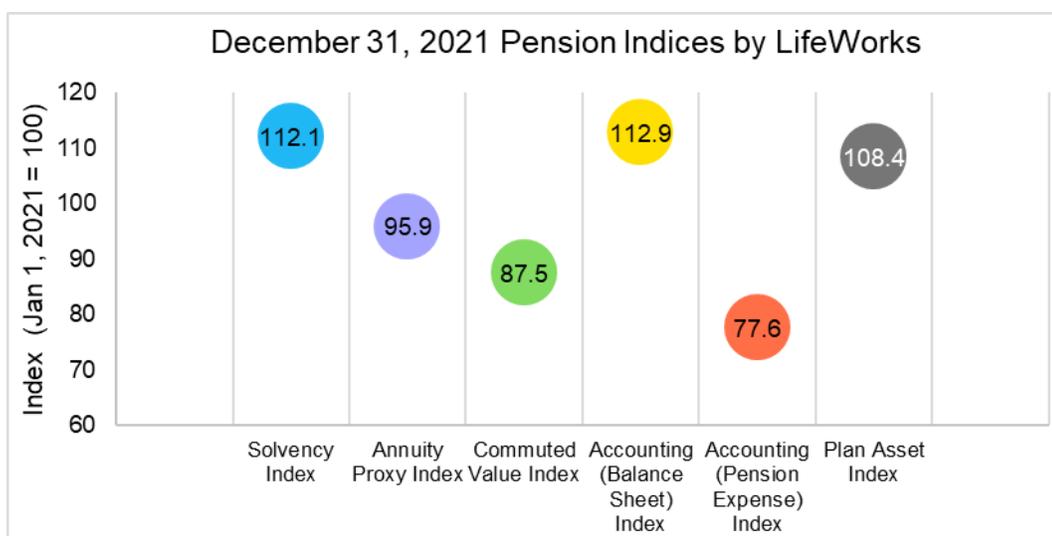
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The Pension Indices by LifeWorks, released monthly, condense the journey that pension plans have experienced during the year into a few key statistics. More importantly, they also provide an early indicator of the challenges and opportunities that are yet to come for plan sponsors and administrators to help with the monitoring and management of their pension plans.

Highlights:

- The funded positions of a typical plan improved on both solvency and accounting bases over the month of December, ending 2021 in a significantly better position relative to December 31, 2020.
- In December, investment returns were positive. A typical pension plan achieved a return of approximately 2.6%. Canadian as well as foreign equity markets largely rose as worries surrounding Omicron, the latest COVID-19 variant, appeared to abate. Returns for Canadian bond indices were also positive, as yields decreased across the curve. Corporate credit spreads remained broadly stable.
- Over the course of 2021, most pension plans benefited from the combination of positive equity returns and increasing bond yields, the latter helping to push liability measures lower. Looking ahead to 2022, plan sponsors continue to face considerable financial market uncertainty.
- The accounting pension expense index shows an anticipated 22% reduction in next year's pension expense as compared to December 31, 2020.



Equity markets rallied in December as worries surrounding Omicron, the latest COVID-19 variant, appeared to abate. The Canadian equity index, the S&P/TSX Composite, rose 3.1%, while the global developed and emerging markets equity index, the MSCI ACWI, rose 2.4% in Canadian dollar terms. Returns for Canadian bond indices were also positive as yields decreased across the curve. Corporate credit spreads remained broadly stable.

“During 2021, most pension plans benefited from the combination of positive equity returns and higher bond yields and are therefore better funded than at year-end 2020. Looking ahead to 2022, plan sponsors can expect continued uncertainty and periods of volatility as issues such as COVID-19 variants, the uneven economic recovery, inflationary pressures, and the gradual normalization of monetary policy impact the economy and the financial markets,” says Gavin Benjamin, Partner in LifeWorks’ Retirement and Financial Solutions team. “In this uncertain environment, plan sponsors that closely monitor the financials of their plans and are able to act quickly when windows of de-risking opportunities arise will be best positioned to weather financial market volatility.”

In order to be able to take advantage of windows of de-risking opportunities, technology and strong governance are key. LifeWorks is pleased to be the first Canadian organization to utilize Moody's Analytics' PFaroe™ DB platform as part of its risk management offering. This cutting-edge tool enables real-time and data-driven decision-making that enhances the financial risk management of DB pension plans.

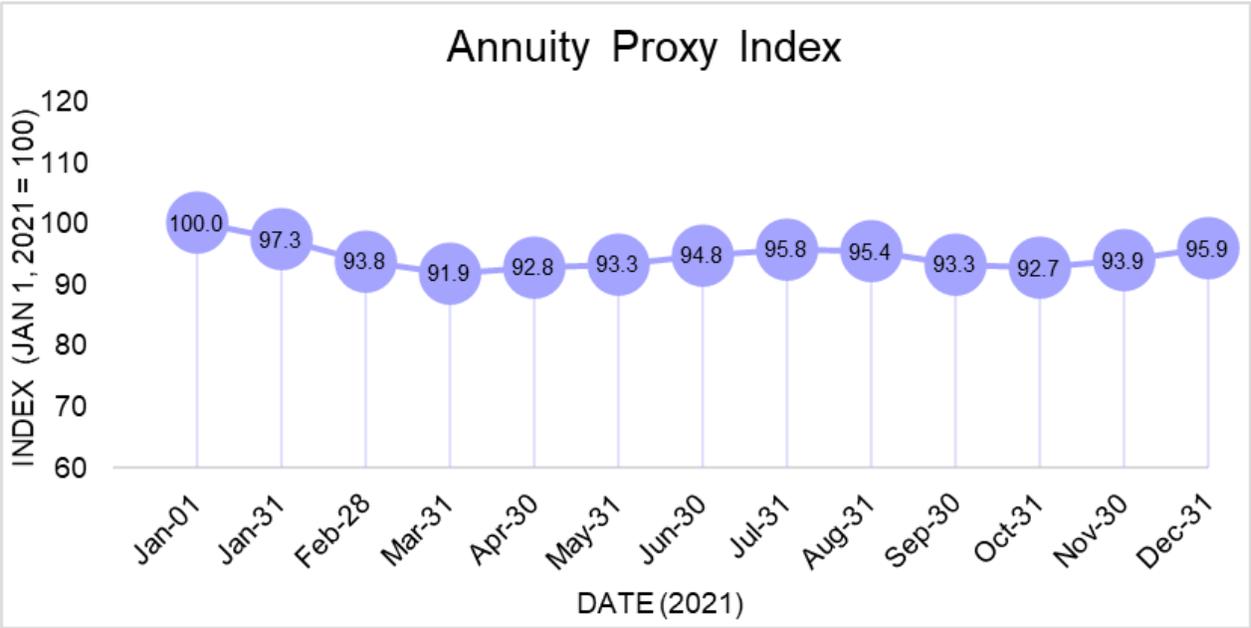
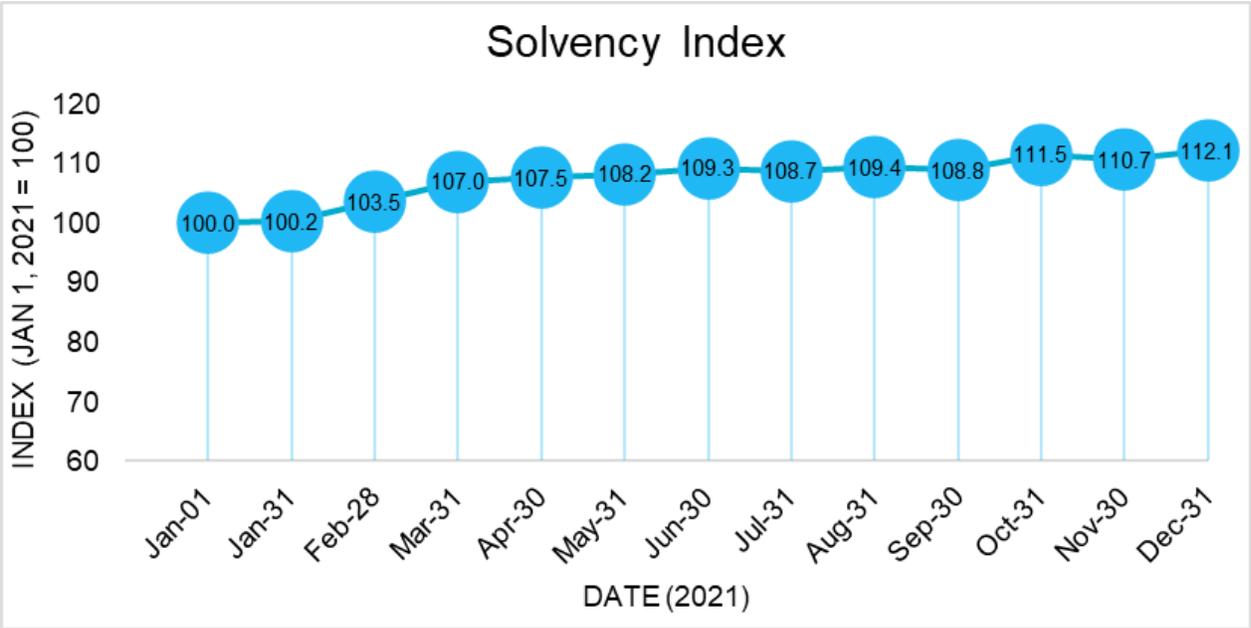
The graphs below show the month-to-month evolution of each index.

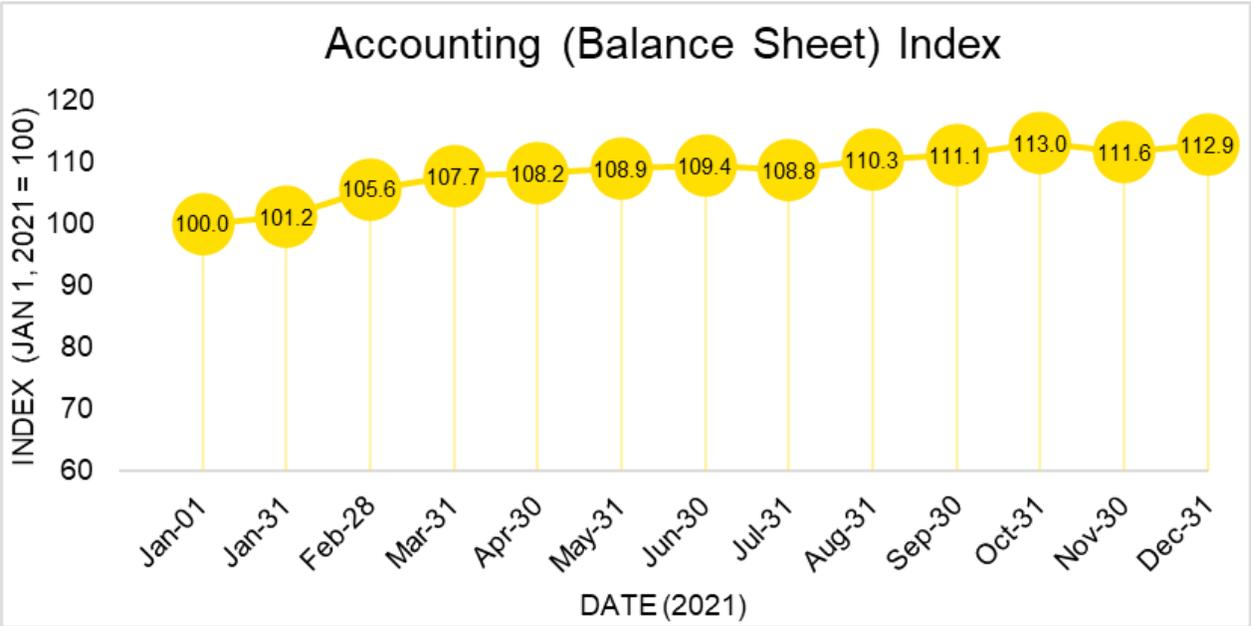
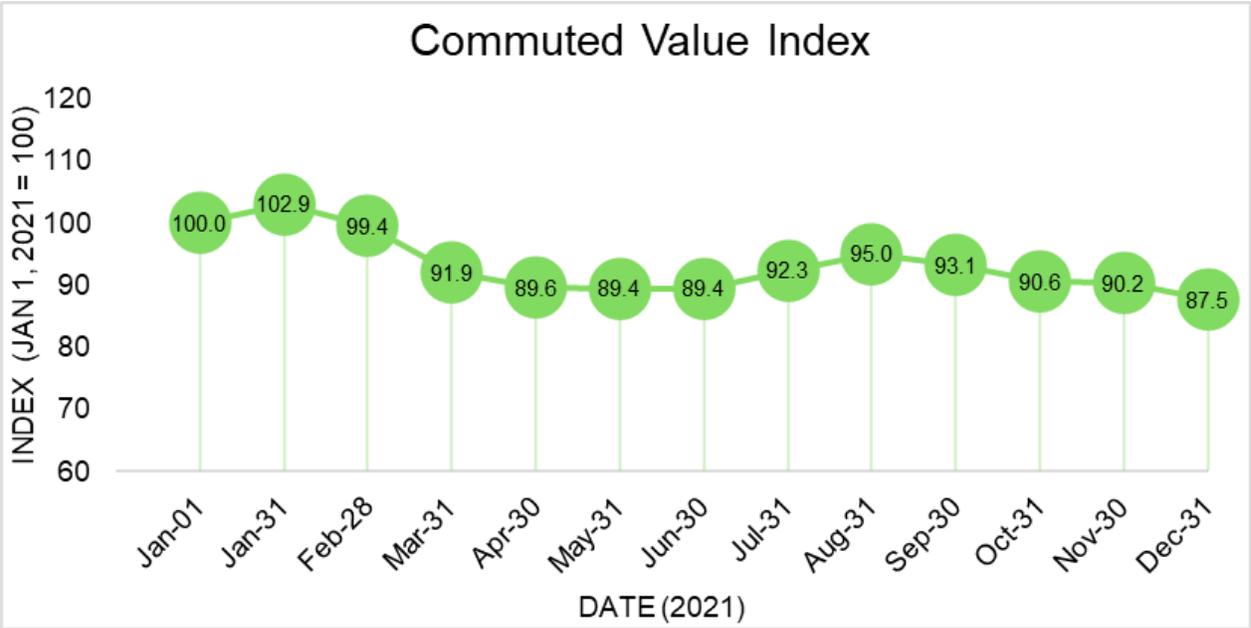
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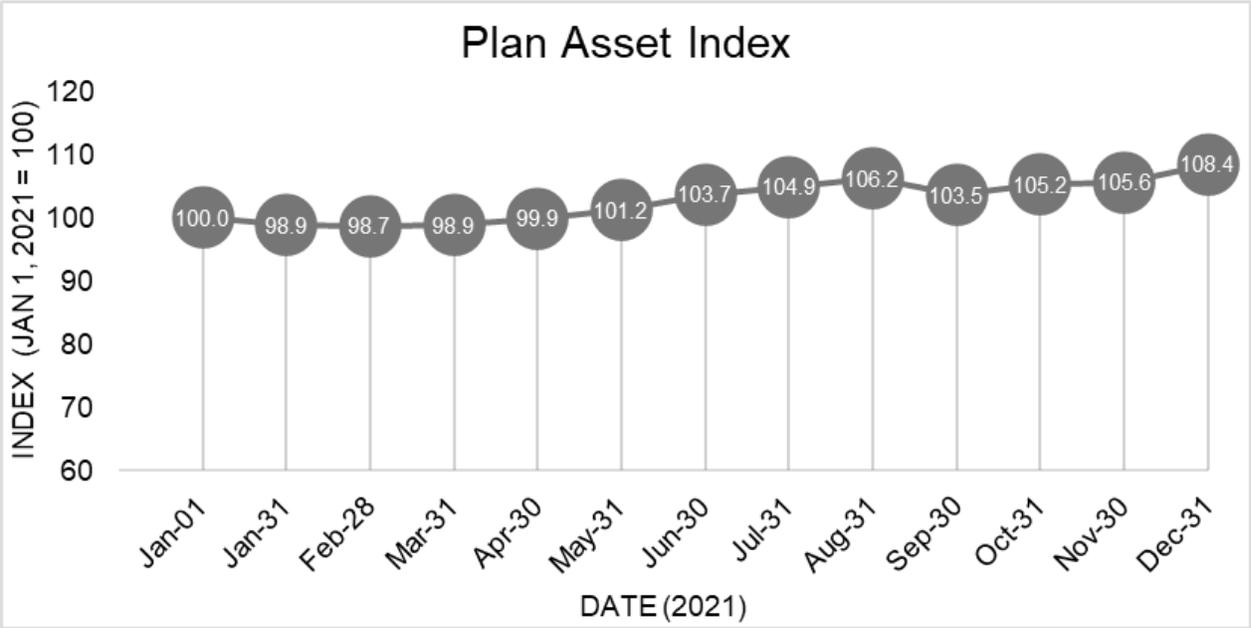
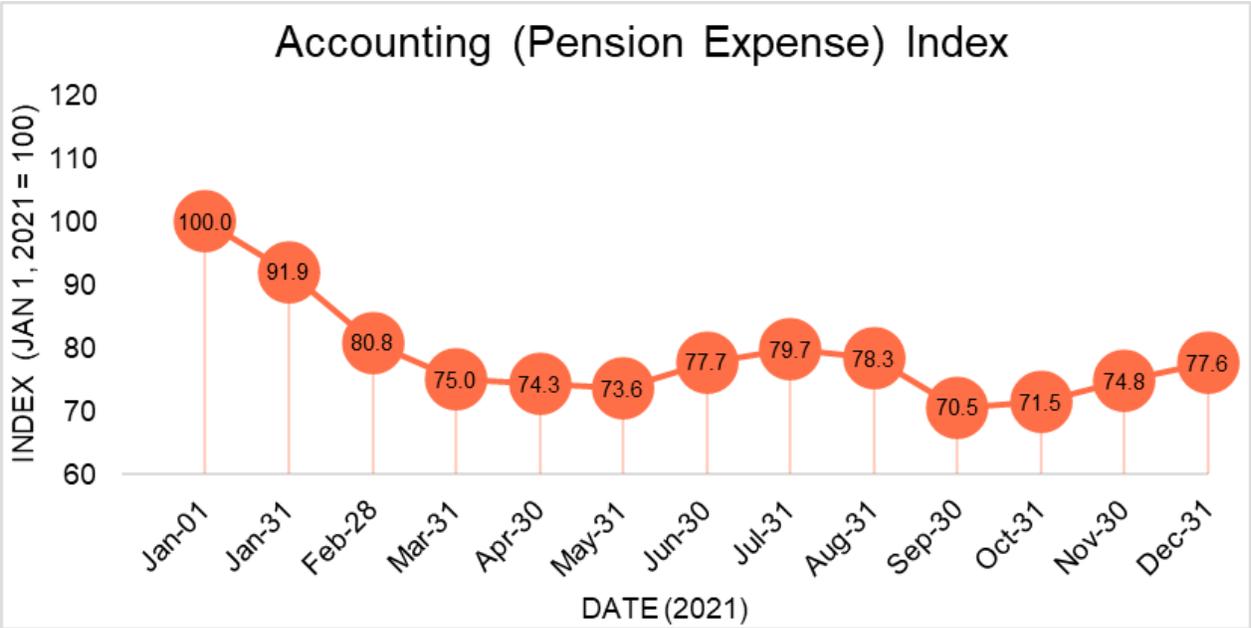
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| Solvency Index | Provides an indication of changes in the solvency funding level of an average pension plan since the start of the year |
| Annuity Proxy Index | Provides an indication of changes in the estimated annuity purchase premium since the 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 LifeWorks Benchmark portfolio, 50% equities and 50% fixed income (2% in 91-day T-Bills, 24% FTSE TMX Canada Universe, 24% FTSE TMX Canada LT, 25% S&P/TSX, 25% 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 LifeWorks AA Corporate Bond Yield Curve.









About LifeWorks

LifeWorks is a world leader in providing digital and in-person solutions that support the total wellbeing of individuals. We deliver a personalized continuum of care that helps our clients improve the lives of their people and by doing so, improve their business.

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