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## Why trying to time de-risking strategy is a 'big mistake'

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'The idea is to not do it on a timing basis, but rather take it as a journey basis,' says Normandin Beaudry



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The question of whether to de-risk defined benefit (DB) pension plans is one that many plan sponsors are grappling with, particularly as market volatility over the past few months has put pension de-risking back on the table.

Several experts argue that while now remains an opportune time to start or continue the de-risking journey, not everyone agrees on the specifics.

As Claude St-Laurent, principal, pension and savings at Normandin Beaudry pointed out, despite recent market dips, the financial footing of many pension plans remains strong. He noted that [current funded statuses are healthy](#), with going concern ratios in the 120 per cent range and solvency ratios around 110 per cent.

“That’s still a very good financial position,” he said.

While that stability has fueled de-risking efforts, St-Laurent emphasized that if one could predict the market, the best time to de-risk would be “right before a financial crisis but that’s not the way it works in the pension plan environment,” he said, underscoring that de-risking is not a one-time move but an ongoing process.

Mathieu Tessier believes the current environment remains **favourable for de-risking**, primarily because insurers continue to offer strong support, citing stable pricing, available market capacity, and consistent benefits such as reducing volatility and lowering administrative burden.

However, he stressed that the key factor now is whether plan sponsors are prepared to act, acknowledging that tariffs are adding to the volatility already affecting pension plan funding and investment strategies.

“That roller coaster has been exacerbated by market volatility in general,” said Tessier, vice president of client relationships and innovations, defined benefit solutions at Sun Life.

But market volatility shouldn't hinder a plan sponsor's approach to de-risk because St-Laurent believes for plan sponsors to orient their de-risking strategy based on timing “would be a big mistake,” asserting the lesson is to always be prepared, not reactive.

That means strengthening portfolios through diversification and spreading exposures not only across equities and bonds but also into real estate, infrastructure, and other alternative assets.

“The idea is to not do it on a timing basis, but rather take it as a journey basis,” he said. “It's not too late to do it, you can start it now. But the idea is ideally to do this over a long period and be able to weather market volatility when it comes.”

Philippe Rickli, principal, pension and savings at Normandin Beaudry also agrees with that perspective and builds on it by describing de-risking as a spectrum, outlining how different plans require different actions depending on where they fall along that spectrum.

For closed plans with matched assets and liabilities, the path may lead directly to annuity purchases. For open plans, a more incremental approach may be needed, perhaps targeting only retiree liabilities.

For well-funded plans, Tessier suggested the current moment could still be an opportunity to move forward with de-risking.

“If the volatility is undesirable, it's finding the time to go through the motions of de-risking the pension plan right now and to be able to refocus on their core business,” he said. “It's doable in any environment.”

However, he recognized that not every organization will react the same way. While some may hit pause on pension-related projects, others might accelerate plans due to mounting uncertainty.

“Tariffs can trigger some emotions by some investors, pension funds included,” he said, while cautioning against letting emotion drive decision-making. That's why he stressed the importance of sticking to a structured governance framework.

“Governance should be your compass, you don't want to make any emotionally based decision,” he said. “You're not going to sell off your entire equity portfolio in one day when it's a minus 30 per cent return. You want to do it smart.”

Rather than chase market signals, Dean Newell, vice president of Actuarial Solutions Inc., urged a strategic approach rooted in fundamentals.

“Plan sponsors should ultimately start by understanding the time frame and long-term strategy for their pension plan. That's really the place to start when considering de-risking options,” he said.

According to Newell, any de-risking decision should be built on a clear understanding of risk tolerance. That foundation then guides the development of an appropriate investment strategy, one that aligns with the sponsor's capacity and comfort level.

He believes 2025 has presented a unique window for some plans, particularly those that have benefited from recent funding improvements without shifting their investment mix.

"Now may be a good time for a plan sponsor to lock down a plan surplus before it disappears," he said. "In some cases, we're seeing the instability of 2025 causing plan sponsors to more seriously consider the risks, the merits of de-risking locking and locking down their current financial status. In other instances, we're seeing plan sponsors staying the course, even though there's lots of talk of volatility out there."

Rickli emphasized that while de-risking is indeed a long-term journey, it needs to be guided by specific, plan-level triggers. He pointed to surplus funding as a common signal, where a plan sponsor might conduct [an annuity purchase](#).

Other triggers might include interest rate conditions or the relative risk-return trade-offs between annuities and fixed income portfolios or even a transfer to a jointly sponsored pension plan or defined contribution structure.

Meanwhile, St-Laurent agreed that precision in de-risking isn't universal and cautioned against believing it's appropriate for every plan. For closed plans nearing the end of their lifecycle, for example, full de-risking is appropriate. But that's not the case for every plan.

"There are still a lot of pension plans that are open, and a certain amount of risk is necessary to have an affordable cost of the plan," he explained, adding that fully de-risking these plans could make them prohibitively expensive to maintain.

St-Laurent highlighted the flexibility of annuity purchases as a strategy that works for both ends of the spectrum as it allows sponsors to reduce exposure in one area while maintaining necessary risk on the active member side.

He emphasized that successful de-risking requires a broader risk management strategy, not just investment policy changes. This includes decisions on surplus usage, funding margins, and overall governance.

"With the proper cushions, plans can still tolerate a certain level of volatility and maintain proper financial health," he said.