IR+M's approach to LDI is to offer practical solutions that address the biggest drivers of funded status volatility at any time throughout the LDI journey.

- Curve risk, relating to non-parallel movements in interest rates, tends to be a minor driver of volatility, except for late-stage plans looking to minimize funded-status risk.
- As more plans consider end-game options, we are increasingly looking at fine-tuned solutions. For sponsors that wish to retain control over their plans, these types of strategies can be an effective alternative to a buyout strategy.
- Curve risk can usually be addressed by hedging specific key-rate exposures, as this approach hedges the majority of the curve risk while maintaining a degree of active management freedom within the portfolio.
- For sponsors looking to fully immunize their plans by aligning fixed-income proceeds with liability cashflows, they should consider a practical hybrid solution of immunizing short-term cashflows and key-rate hedging longer-dated ones.

Sources:
- Milliman (Historical numbers revised as of 3/31/18)
- FTSE Russell (formerly Citigroup), Bloomberg Barclays, Bloomberg, and JPMorgan

All data in the above commentary is as of 11/30/18. Yields are represented as of the aforementioned date and are subject to change. The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations for, or projected returns of any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management.