

## LDI Market Updates

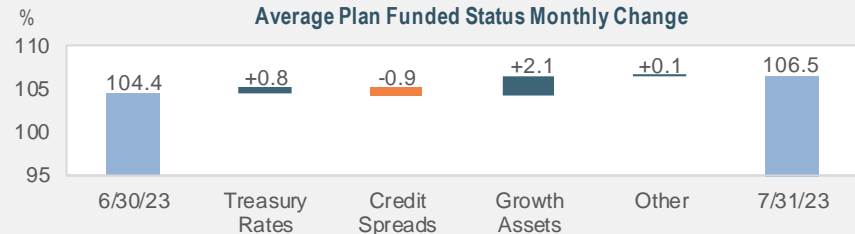
- Discount rates<sup>1</sup> increased by 0.07% in July, from 4.83% to 4.90%.
- The positive momentum in risk assets from June carried over into July as equities rose and credit spreads tightened. The S&P 500 returned 3.1% in July and the Bloomberg Long Corporate Index spreads tightened by 11bps to 139bps.
- An influx of investment-grade new issuance on the last day of the month drove primary supply to over \$88 billion for July. The long-end, however, continued to experience limited new issue supply, with just \$5.8 billion pricing in July.

Rates Monitor	07/23	06/23	MoM Change	12/22	YTD Change
IR+M Average Plan Discount Rate (%)	4.90	4.83	0.07	4.89	0.01
Bloomberg Long Corp Yield (%)	5.49	5.45	0.04	5.60	(0.11)
Bloomberg Long Corp A+ Yield (%)	5.19	5.14	0.05	5.26	(0.07)
Bloomberg Long Corp BBB Yield (%)	5.82	5.79	0.03	5.95	(0.13)
Long Corp Spreads (bps)	139	150	(11)	158	(19)
Curve (Long Corp - Int Corp) (bps)	40	41	(1)	42	(2)

## IR+M Funded Status Monitor

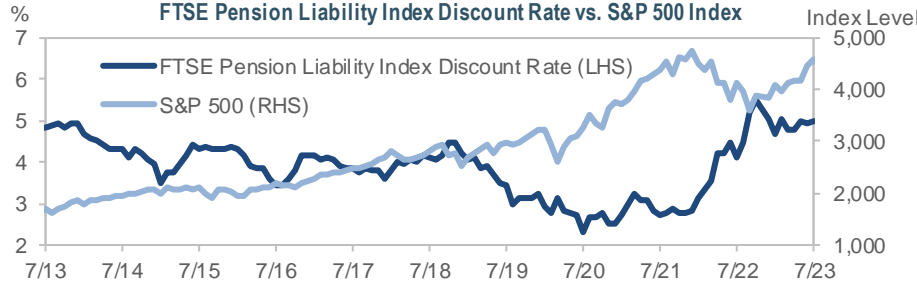
- Our sample Average Plan funded status increased by 2.1% during July, closing at 106.5%, primarily due to positive growth asset returns.

Funded Status (%)	07/23	06/23	MoM Change	12/22	YTD Change
Average Plan	106.5	104.4	2.1	100.4	6.1
End Stage Plan	107.8	107.4	0.4	105.2	2.6
Young Plan	97.8	95.3	2.5	92.1	5.7

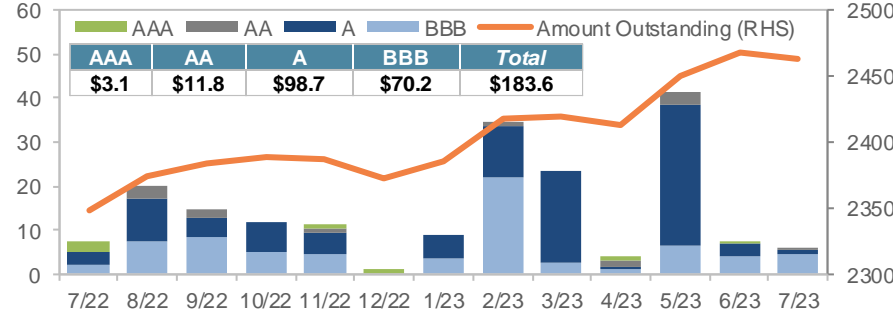


Other includes contributions, expenses, benefit accruals, and liability profile changes.

## FTSE Pension Liability Index Discount Rate vs. S&P 500 Index



## Long Corporate: Amount Outstanding (RHS) and Issuance by Average Rating (LHS)



## IR+M LDI Corner – New Color on Permissible Investments for SFA

- The PBGC recently issued [FAQs](#) further explaining permissible asset classes for Special Financial Assistance (SFA) funds. The highlights include:
  - The PBGC will review permissible assets as part of the Annual Statement of Compliance or an audit but will not proactively respond to questions.
  - Allowable Investment Grade Fixed Income (IGFI) securities are generally those included in a typical aggregate U.S. bond index, specifically Treasuries, Government Agencies, Corporates, Asset-backed, Mortgage-backed, and Commercial mortgage-backed securities.
  - The following are explicitly not allowed as IGFI: 144As, fixed-to-float securities, high yield, convertible bonds, preferred stock, collateralized loan obligations, annuity purchases, and private credit. Investment grade 144A securities and high yield securities (which were investment grade at time of purchase) are permissible Return Seeking Asset (RSA) investments.
  - A fund is classified as “predominantly” IGFI or RSA if the potential to invest in impermissible securities or funds is less than 20% of the market value.
  - These clarifications largely align with our original understanding of the Final Rule, and we welcome the opportunity to discuss our compliant and custom solutions for SFA recipients.

<sup>1</sup>The single effective discount rate shown is for the IR+M Sample Average Plan, calculated from the FTSE Pension Discount Curve. Long corporate issuance sourced from Bloomberg. Long issuance figures exclude 10-year bonds. The table in the long issuance chart shows the 12-month running total investment grade issuance by rating, through 7/31/2023 in USD billions. Totals may not sum due to rounding.

# IR+M DISCLOSURE STATEMENT

## Disclosures:

Sources: Moody's PFaroe, FTSE Russell (formerly Citigroup), and Bloomberg. All data in the above commentary is as of 07/31/2023. Yields are represented as of the aforementioned date and are subject to change. The views contained in this report are those of Income Research & Management ("IR+M") and are based on information obtained by IR+M from sources that are believed to be reliable but IR+M makes no guarantee as to the accuracy or completeness of the underlying third-party data used to form IR+M's views and opinions. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. Investing in securities involves risk of loss that clients should be prepared to bear. More specifically, investing in the bond market is subject to certain risks including but not limited to market, interest rate, credit, call or prepayment, extension, issuer, and inflation risk. "Bloomberg®" and Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by IR+M. Bloomberg is not affiliated with IR+M, and Bloomberg does not approve, endorse, review, or recommend the products described herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to any IR+M product. Moody's Analytics PFaroe® product used by IR+M includes market data and other information sourced from third parties under license. Certain licensors require Moody's Analytics to make disclosures to, or to obtain acknowledgements or agreements from, IR+M and parties receiving the information from IR+M, which is effected by the disclosures and disclaimers available at <https://static.pfaroe.com/DisclosuresAndDisclaimers/index.html>.

## IR+M Funded Status Monitor Assumptions:

Detailed methodology and assumptions for the IR+M Funded Status Monitor can be found at:

<https://www.incomeresearch.com/wp-content/uploads/2023/02/IRM-Funded-Status-Monitor-Whitepaper-2023.pdf>

	End Stage	Average	Young
<b>Target Liability Duration (Years)</b>	7-9	10-12	13-15
<b>Funded Ratio at Inception (i.e., 12/31/2019)</b>	100.0%	89.8%	80.0%
<b>Asset Allocations</b>	<b>End Stage</b>	<b>Average</b>	<b>Young</b>
<b>US All Cap Equity</b>	8%	27%	38%
<b>International Equity</b>	2%	17%	22%
<b>US REITS</b>	0%	2%	5%
<b>Private Equity</b>	0%	4%	5%
<b>Growth Assets Allocation</b>	10%	50%	70%
<b>Long Government Fixed Income</b>	5%	10%	15%
<b>Long Credit Fixed Income</b>	30%	25%	15%
<b>Intermediate Government Fixed Income</b>	5%	5%	0%
<b>Intermediate Credit Fixed Income</b>	50%	10%	0%
<b>Fixed Income Allocation</b>	90%	50%	30%