

LDI Market Updates

- The discount rate¹ decreased by 11bps to end the month at 4.99%.
- Equities continued their positive trajectory in March with the S&P 500 reaching another all-time high, its fifth straight month of gains, while long corporate spreads tightened by 5bps.
- Investment-grade issuance continued its record-setting pace, with \$130 billion of supply coming to market. The long-end accounted for \$20 billion, or 15% of the total investment-grade supply for March.

Rates Monitor	03/24	02/24	MoM Change	12/23	YTD Change
IR+M Average Plan Discount Rate (%)	4.99	5.10	(0.11)	4.89	0.10
Bloomberg Long Corp Yield (%)	5.46	5.57	(0.11)	5.22	0.24
Bloomberg Long Corp A+ Yield (%)	5.24	5.35	(0.11)	4.98	0.26
Bloomberg Long Corp BBB Yield (%)	5.72	5.84	(0.12)	5.51	0.21
Long Corp Spreads (bps)	108	114	(5)	116	(8)
Curve (Long Corp - Int Corp) (bps)	28	27	1	26	1

IR+M Funded Status Monitor

- Our sample Average Plan funded status increased by 0.8% during March, closing at 110.5% driven by positive growth asset returns.

Funded Status (%)	03/24	02/24	MoM Change	12/23	YTD Change
Average Plan	110.5	109.7	0.8	105.9	4.6
End Stage Plan	109.7	109.5	0.2	108.4	1.3
Young Plan	100.4	99.7	0.7	95.2	5.2



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

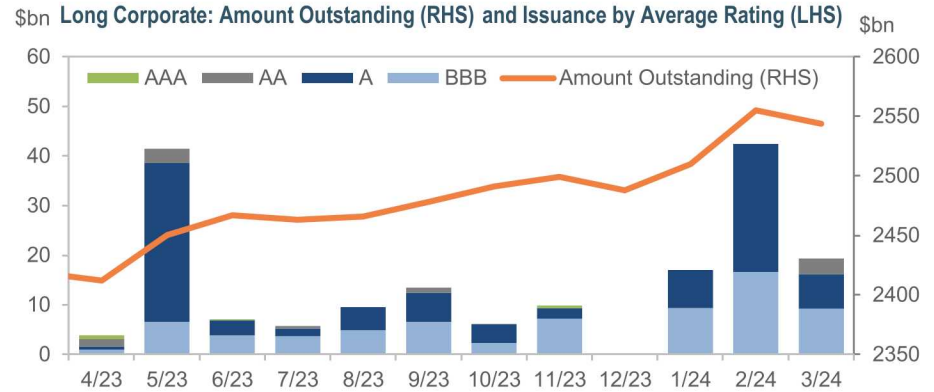


IR+M LDI Corner – Pension Risk Transfers May Be Eclipsed By Lawsuits

- Pension risk transfer (PRT) activity has been steadily climbing in response to attractive insurer pricing, rising administrative costs, and higher funded statuses. In a potential headwind for future PRT growth, retirees filed lawsuits against certain plan sponsors in March. They allege these plan sponsors breached their fiduciary responsibilities by selecting an insurer associated with a private equity parent and eliminating the plans' PBGC protections. More lawsuits are already on the horizon with solicitations to retirees from prior PRTs to join similar suits and an association expressing concerns with the use of reinsurance.
- We anticipate these lawsuits will take time to resolve. Retirees may face a high hurdle to prove they are currently disadvantaged as these insurers all remain solvent and their annuities are backed by state guarantees. Still, litigation and headline risk may cause large sponsors to hit pause on their termination plans.
- The Department of Labor is overdue in issuing clarifications for Bulletin 95-1, which describes the fiduciary responsibility in insurer selection for PRTs. We foresee these stories potentially prompting considerations for increased reporting and more stringent investment restrictions.
- Within our client base, we have seen dispersion in PRT interest. Small and mid-size plans remain committed, but large plan activity has slowed given the pension's attractive funding position on financial statements and difficulty in unwinding alternatives and private equity investments.

First Quarter 2024 Corporate Issuance

- Following a sluggish end to 2023, investment-grade corporate issuance roared out of the gates in 2024 with \$529 billion of new bonds coming to market, the highest total on record for the first quarter of any year.
 - January and February each saw all-time high levels of supply, coming in at \$189 billion and \$198 billion, respectively.
- The long end experienced a similar surge of new deals, with over \$78 billion of new bonds priced in the first quarter.
 - Increased issuance across the curve was driven primarily by heightened M&A activity. Health Care and Financial Sectors led the way, accounting for a combined 51% of the long supply.
 - Despite the influx of new issue supply, long corporate spreads remained firm around their historical tightness as unwavering demand from investors helped digest the inflow of new deals.



Trailing 12 Month Long Corporate New Issuance (bn)

AAA	AA	A	BBB	Total
\$1.5	\$9.2	\$94.1	\$71.4	\$176.2

Largest Long-Dated USD Investment Grade Deals

Ticker	Issuer Name	Maturity (yrs)	Issue Date	Average Rating (M/S&P/Fitch)	Amount Issued (\$bn)	Yield at Issue (%)	Spread at Issue (bps)	Concession to Outstanding (bps)	Order Book (\$bn)	Oversubscription Level (times)
ABBV	AbbVie Inc	20	2/22/2024	A-	0.8	5.36	75	-5.0	11.3	15.1
		30	2/22/2024	A-	3.0	5.42	95	0.0	16.7	5.6
		40	2/22/2024	A-	1.5	5.52	105	0.0	9.4	6.3
BMY	Bristol-Myers Squibb Co	20	2/14/2024	A	0.5	5.56	100	-5.0	7.0	14.0
		30	2/14/2024	A	2.8	5.58	115	0.0	11.0	4.0
		40	2/14/2024	A	1.8	5.68	125	-5.0	7.0	4.0
CSCO	Cisco Systems Inc	30	2/21/2024	A+	2.0	5.33	85	0.0 – 5.0	11.4	5.7
		40	2/21/2024	A+	1.0	5.38	90	0.0 – 5.0	6.6	6.6
LLY	Eli Lilly & Co	30	2/7/2024	A+	1.5	5.04	70	5.0	6.6	4.4
		40	2/7/2024	A+	1.5	5.11	77	5.0	3.8	2.5
UNH	UnitedHealth Group Inc	30	3/19/2024	A	1.8	5.39	95	2.5	5.2	3.0
		40	3/19/2024	A	1.1	5.51	107	0.0	3.5	3.1
HON	Honeywell International Inc	30	2/26/2024	A	1.8	5.27	85	0.0 – 5.0	3.4	1.9
		40	2/26/2024	A	0.7	5.37	95	0.0 – 5.0	1.7	2.5

IR+M DISCLOSURE STATEMENT

Disclosures:

Sources: Moody's PFaroe, FTSE Russell (formerly Citigroup), LIMRA, and Bloomberg. Unless otherwise stated, all data in the above commentary is as of 3/31/2024. 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/IRM-Funded-Status-Monitor-Whitepaper-2024.pdf>

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