

The Monthly Pension Review: March 2024



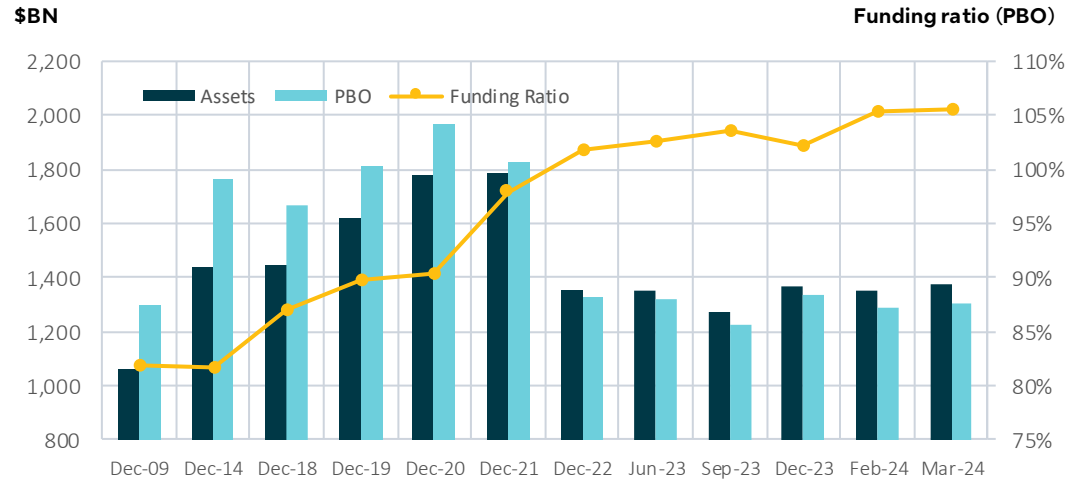
Equity gains in March led to the continued rise in funded status

March Market Summary

- **Funded status increased by 0.4% through March** – Assets returned 1.4% while liabilities returned 1.1%.⁽¹⁾
- **Equity performance remained strong** – The S&P 500 Index returned 3.1% last month, as equity investors remain optimistic about the U.S. economy.
- **The Long Credit Index yield fell 11 basis points (bps) in March** – Long Treasury yields fell and credit spreads tightened marginally.

Market Watch	Dec-22	Dec-23	Feb-24	Mar-24
Funded Status ⁽¹⁾	101.9%	102.2%	105.3%	105.6%
FTSE Discount Rate	4.95%	4.76%	5.16%	5.06%
Long Credit Yield ⁽²⁾	5.59%	5.22%	5.57%	5.46%
US 30Y TSY Yield	3.96%	4.03%	4.38%	4.34%
S&P500	3,840	4,770	5,096	5,254

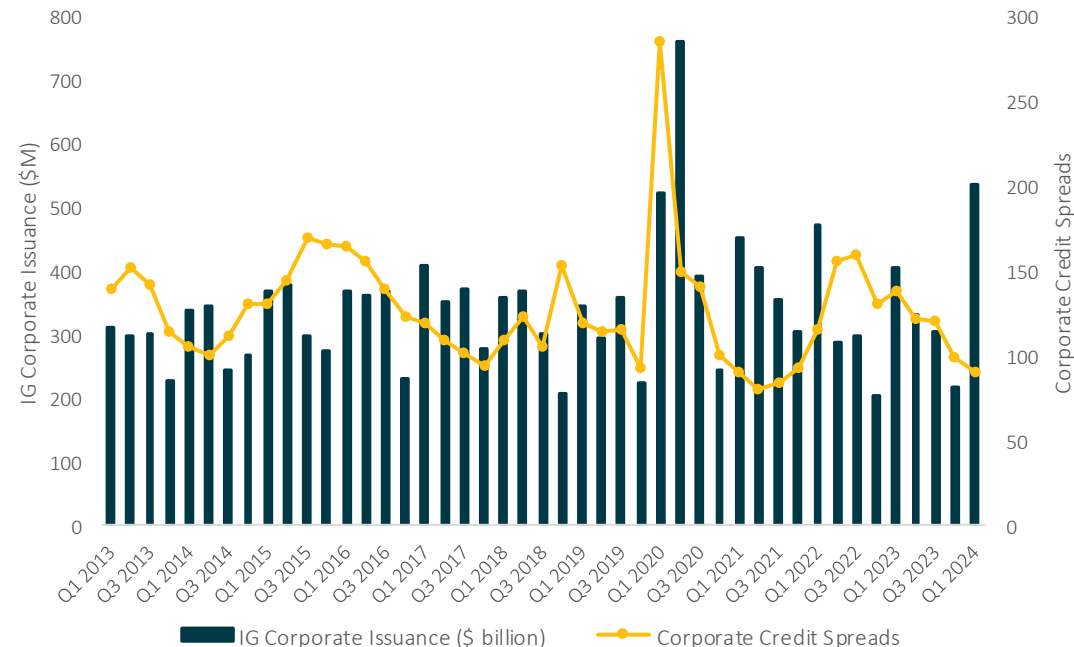
Milliman Pension Funding Index (March 2024)¹



RECORD IG CORPORATE ISSUANCE AND TIGHT SPREADS EMPHASIZE THE NEED FOR PLANS TO BE STRATEGIC WITH FIXED INCOME ALLOCATIONS

- Investment grade corporate credit issuance in the first quarter represented the largest Q1 issuance on record and registered as the second largest individual quarter in the history of the bond market. IG issuers brought \$556 billion to market.
 - Issuers have presumably been taking advantage of relatively lower borrowing costs compared to recent highs. Following the market rally at the end of 2023, corporate yields were near their lowest levels since mid-2022, when the U.S. Federal Reserve began hiking rates.
 - Borrowers may also be anticipating elevated market volatility on the horizon, as geopolitical tensions, the 2024 U.S. presidential election and uncertainty regarding the U.S. economy, inflation, and the Fed's next steps with monetary policy are front of mind for market participants.
- Despite record issuance, demand for corporate credit has kept pace with supply, as new issue concessions are at significantly tight levels. Corporate spreads have continued to grind tighter, finishing Q1 at new cycle tight, with the average option-adjusted spread of the Bloomberg US Corporate Index registering a value of 89 bps over Treasuries.
- Rich corporate credit valuations present challenges to bond buyers in terms of sector allocation and security selection. We believe this underscores the importance of working with an active fixed income manager who can assess the full investment landscape and identify pockets of relative value within and across various bond subsectors.

IG corporate spreads remain at cycle tight despite record issuance in the first quarter²



¹ Data from reference Bloomberg Indices. Funded status is in reference to Pension Funding Index of the top 100 US corporate pension plans sourced from Milliman. Funded Status source: Milliman. FTSE Discount Rate source: FTSE. Long credit, US 30Y TSY yield, S&P 500 index value source: Bloomberg.

² Data source: Lipper (quarterly investment grade corporate credit issuance), Bloomberg US Corporate Index OAS. Data as of 3/31/24.

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Market chart indices:

- AAA Non-Agency CMBS and A Corporate source: Index data from Bloomberg.

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