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**BlackRock**

# U.S. LDI Pension MarketWatch

August 2024





# August 2024 Highlights

## 01

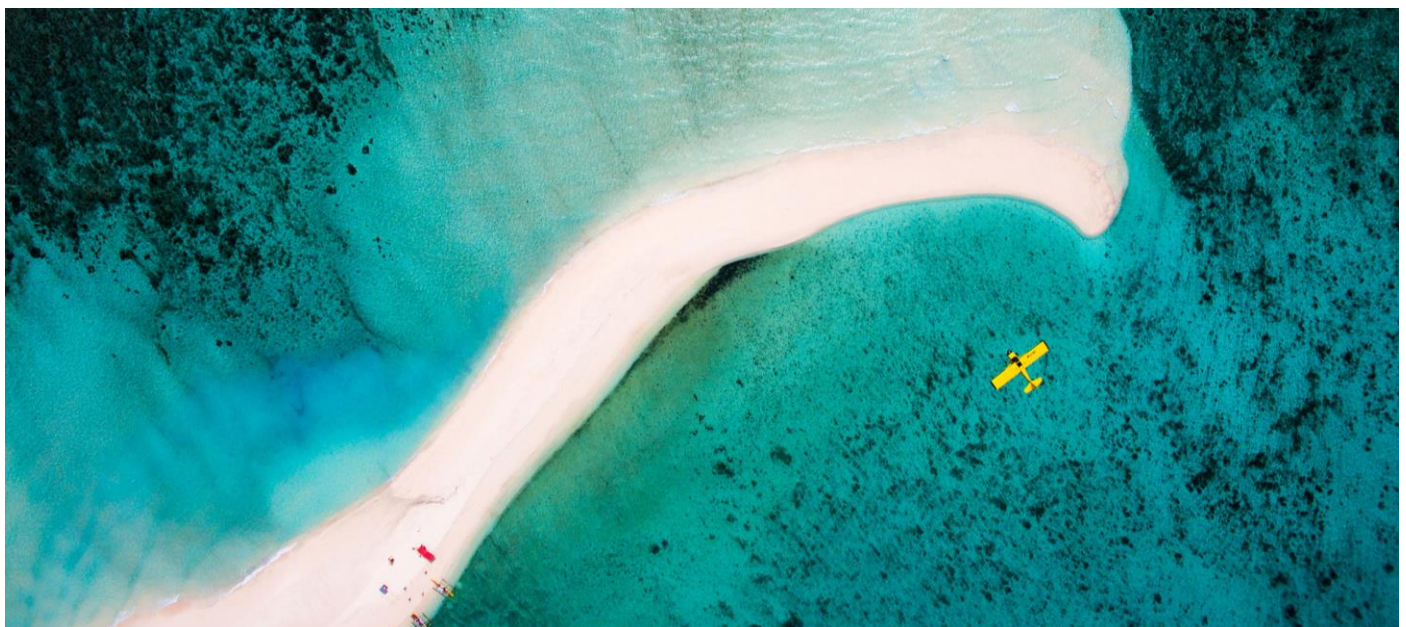
Our funded status estimate (total assets / liability present value) increased 0.4% in August, bringing our estimate to 105.8%.\*

## 02

Treasury yields moved lower again in August, with the 10yr and 30yr Treasury rates falling 12 basis points (“bps”) and 14bps, respectively.\*\*

## 03

Equity markets continued their upward trend with Global Equity and U.S. Equity returns up 2.5% and 2.4%, respectively.\*\*\*



**Hypothetical and past performance do not guarantee future results.**

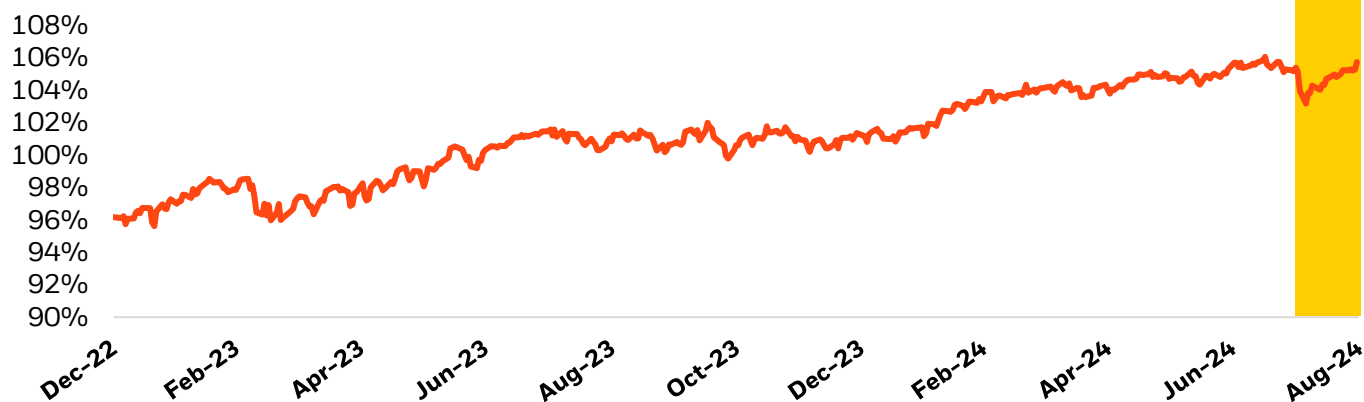
Source: \*The asset class weights are based on 10-K data from the top 200 public corporate pension plans as of 12/31/2023. The data was sourced using Capital IQ and subsequently aggregated and categorized into asset classes by BlackRock. Using the 10-K asset and liability data sourced by Capital IQ, the funded ratio of the top 200 corporate pension plans was estimated to be 101.37% as of 12/31/2023. \*\* ICE Bank of America Merrill Lynch spot curves published as of 8/30/2024. \*\*\*As measured by MSCI Developed – US Gross TR Index and MSCI All Country World Net TR Index. Indexes do not reflect the deduction of fees and expenses but do reflect the reinvestment of dividends, capital gains, and interest. Indexes are unmanaged and one cannot directly invest in an index.

# Pension Funding Update

In August 2024, BlackRock estimates the average funded status for the top 200 U.S. corporate pension plans\* was:

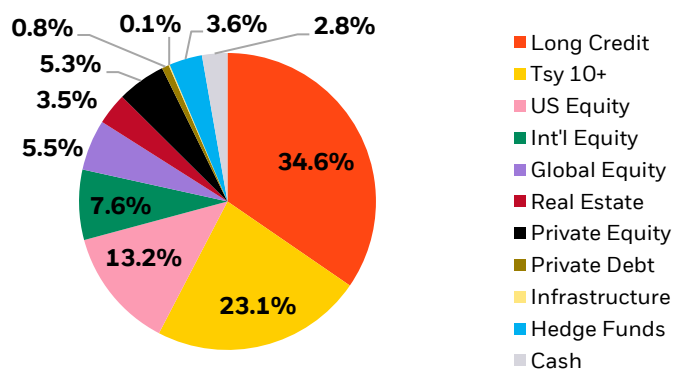
**105.8%** +0.4% MTD\*\*\*  
+4.4% YTD\*\*\*

Highlighted portion denotes current month



Est. Return**	Aug 24	YTD
<b>Assets</b>	<b>2.41%</b>	<b>6.86%</b>
Fixed Income	2.10%	1.29%
Equity	2.73%	16.57%
Alternatives/Cash	2.70%	11.07%
<b>Liabilities</b>	<b>2.05%</b>	<b>2.44%</b>
<b>Funded Status</b>	<b>0.37%</b>	<b>4.35%</b>

## Estimated pension asset allocation\*



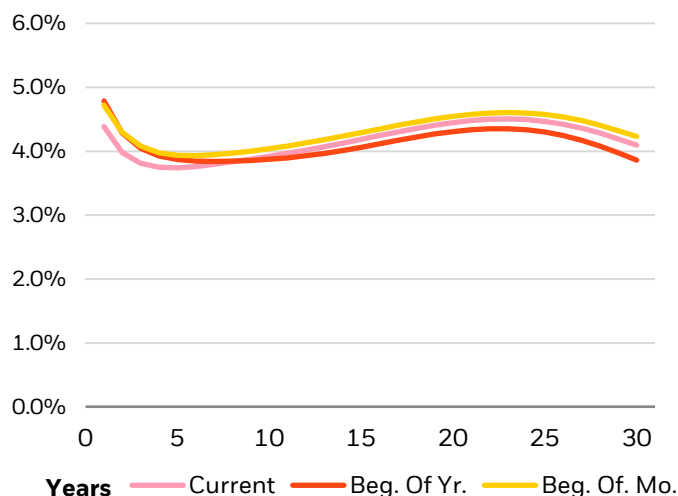
## Highlights

- We estimate that the average funded status for a top 200 U.S. corporate pension plan is now 105.8%.\*
- Despite a sharp drop in the beginning of the month, funded status increased month-over-month (MoM), up 0.4% from July.\*\*
- Returns across asset classes were positive in August. Returns were led by Equities at 2.7%, followed closely by Alternatives and Fixed Income with 2.7% and 2.1%, respectively.\*\*

\*The asset class weights are based on 10-K data from the top 200 public corporate pension plans as of 12/31/2023. The data was sourced using Capital IQ and subsequently aggregated and categorized into asset classes by BlackRock. Using the 10-K asset and liability data sourced by Capital IQ, the funded ratio of the top 200 corporate pension plans was estimated to be 101.37% as of 12/31/2023. Neither asset allocation nor diversification can guarantee profit or prevent loss. \*\*All data as of market close at 8/30/2024. No allowance has been made for active management or costs. Asset returns are based on the historical levels of indices modeled on Page 7. Returns are calculated by taking a weighted average of the asset allocation weights and the returns of the underlying indices listed on Page 7. Liability returns are based on the historical levels of the Bank of America Merrill Lynch Mature U.S. Pension Plan AAA-A Index. Asset and liability returns are rolled forward on a daily basis based on underlying returns to calculate an estimated funded status for the top 200 plans using the estimated pension asset allocation above. \*\*\*MTD and YTD changes are based on 12/31/2023 asset allocation weights rolled forward. **Hypothetical and past performance do not guarantee future results.** Models are for illustrative purposes only, hypothetical, based on assumptions, and subject to significant limitations. Models should not be relied upon as actual results may vary significantly. Indexes do not reflect fees and expenses but do include the reinvestment of dividends, capital gains, and interest. Indexes are unmanaged and one cannot invest directly in an index.

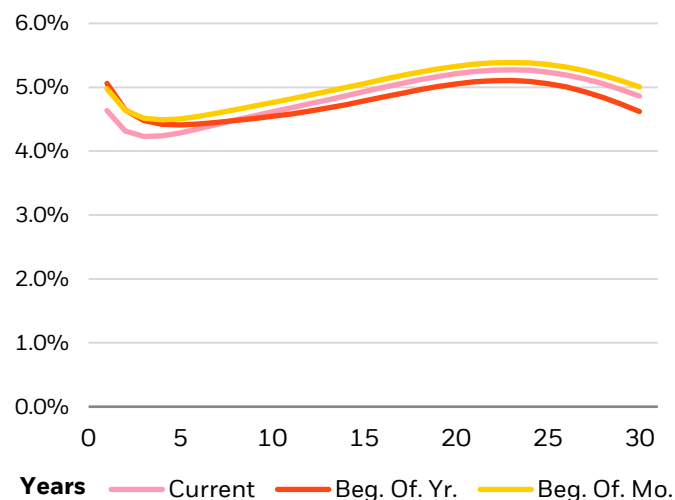
# Treasury market and corporate yield curves

## Treasury Yield Curves - Spot



Yields (%)	5 yr	10 yr	20 yr	30 yr
Beg. of Yr.	3.87	3.87	4.31	3.86
Beg. Of. Mo.	3.94	4.04	4.55	4.23
Current	3.74	3.92	4.45	4.09

## ML AA Corporate Yield Curves



Yields (%)	5 yr	10 yr	20 yr	30 yr
Beg. of Yr.	4.41	4.54	5.05	4.62
Beg. Of. Mo.	4.51	4.76	5.33	5.01
Current	4.29	4.62	5.21	4.86

Data shown in the tables is a numerical representation of the yield curve charts and highlights the yield at a specific tenor of the yield curve. "Current" represents the yield curve as of 8/30/2024. "Beg. Of. Mo." represents the yield curve as of 7/31/2024. "Beg. Of. Yr." represents the yield curve as of 12/29/2023.

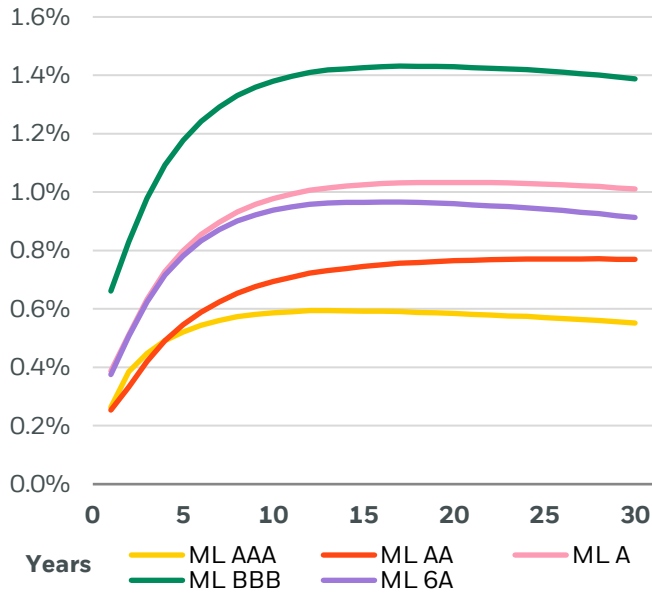
## Highlights

- Rates fell across the curve for the fourth consecutive month, lowering 20bps at the 5yr, -12bps at the 10yr and -14bps at the 30yr point.\*
- With sharper fall in 5yr rates relative to other points on the curve, the 5s30s curve steepened further by 6bps on the month.\*\*
- Corporate yields also moved lower across the curve in the month of August. Consistent with prior months, most of the decline in corporate yields was driven by the rate component.\*\*

Source: \*Bureau of Labor Statistics. \*\*ICE Bank of America Merrill Lynch spot curves published as of 8/30/2024. All yields are spot rates. All data as of market close at 8/30/2024. **Hypothetical and past performance do not guarantee future results.** Indexes do not reflect fees and expenses but do include the reinvestment of dividends, capital gains, and interest. Indexes are unmanaged and one cannot invest directly in an index.

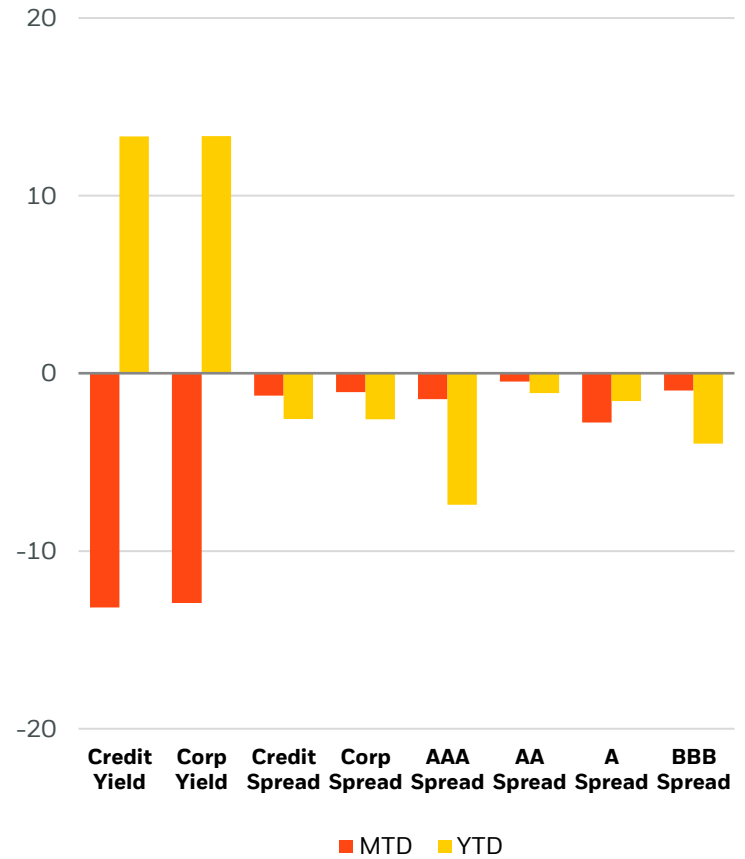
# Credit market

## Credit spread curves



Term Yr	ML AAA	ML AA	ML A	ML BBB	ML 6A
5	0.52%	0.55%	0.80%	1.18%	0.78%
10	0.59%	0.69%	0.98%	1.38%	0.94%
20	0.58%	0.77%	1.03%	1.43%	0.96%
30	0.55%	0.77%	1.01%	1.39%	0.91%

## Change of 10+yr bond index maturities (in bps)



Data shown in table is a numerical representation of the credit spread curves chart.\* The table highlights the yield of a particular spread curve at a specific tenor.\*

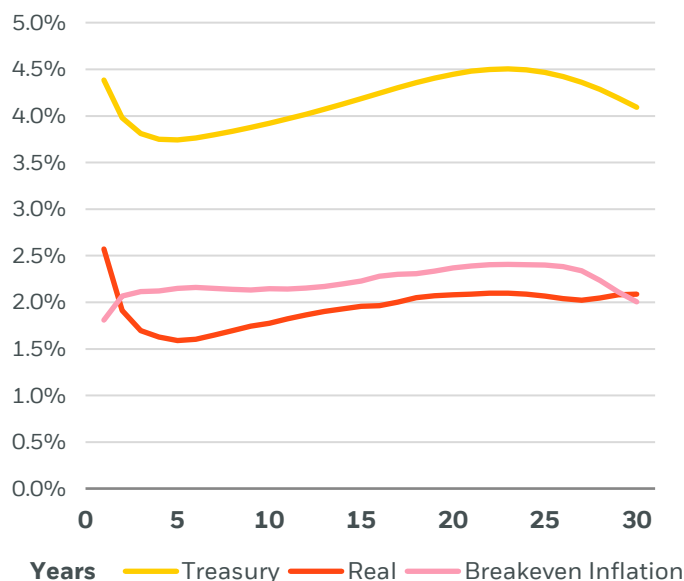
## Highlights

- Corporate yields moved lower by 13bps, primarily due to the rate component and spreads were largely flat in aggregate.\*
- Looking across investment grade credit qualities, single As led the move tighter at 3bps with AAAs and BBBs moving ~1bp tighter.\*

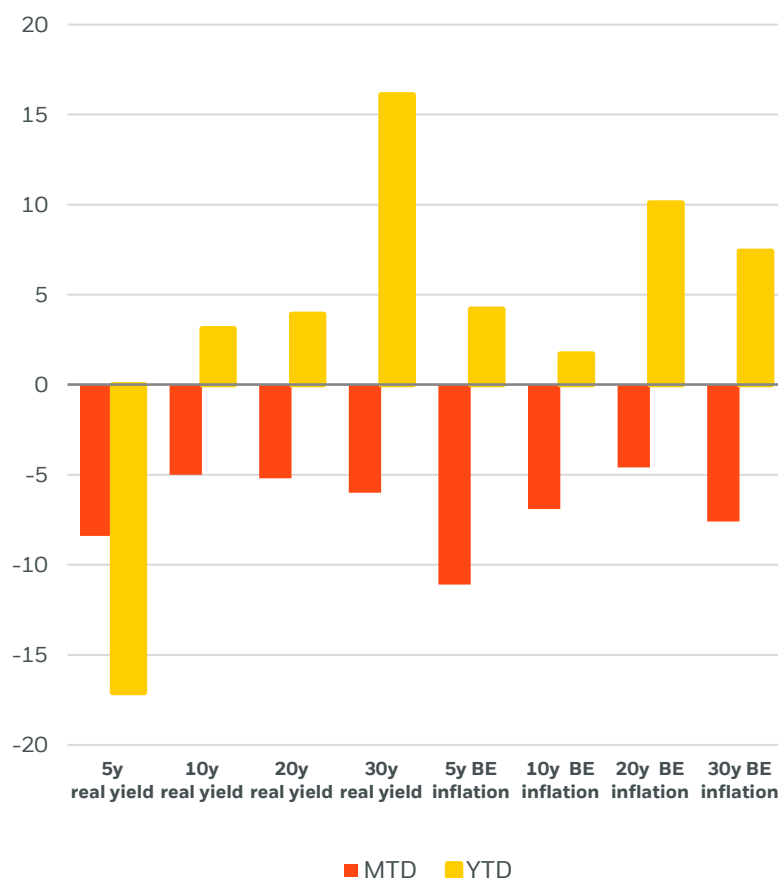
Source: \*ICE Bank of America Merrill Lynch yield curves; Barclays 10+ year bond maturity indices. All data as of market close at 8/30/2024. **Hypothetical and past performance do not guarantee future results.** Indexes do not reflect fees and expenses but do include the reinvestment of dividends, capital gains, and interest. Indexes are unmanaged and one cannot directly invest in an index.

# Inflation and breakevens

## Real Yields



## Periodic Change (in bps)



Term Yr	Treasury Yield (%)	Real Yield (%)	BE Inflation (%)
5	3.74	1.59	2.15
10	3.92	1.77	2.15
20	4.45	2.08	2.37
30	4.09	2.09	2.01

Table is a numerical representation of the chart above, which highlights the Treasury yield, breakeven inflation level and real yield at a specific term.\*\*

## Highlights

- Core Consumer Price Index ("CPI") rose 0.2% month-over-month (MoM) for July (released August 14, 2024). The year-over-year (YoY) Core CPI slowed 0.1% to 3.2% from 3.3% in June.\*
- Breakeven inflation levels continued lower MoM in August, with the 5yr and 30yr breakeven levels down by 11bps and 8bps, respectively.\*\*
- Real yields, the interest rate adjusted to remove the effects of inflation, were also lower across the curve with the 5yr and 30yr real yields down by 8bps and 6bps, respectively.\*\*

Source: \*Bureau of Labor Statistics. \*\*ICE Bank of America Merrill Lynch. All yields are spot rates. All data as of market close at 8/30/2024. **Hypothetical and past performance do not guarantee future results.** Indexes do not reflect fees and expenses but do include the reinvestment of dividends, capital gains, and interest. Indexes are unmanaged and one cannot directly invest in an index. BE = breakeven. MTD = month-to-date. YTD = year-to-date.

# Modeling assumptions for Pension Funding Update

## Asset allocation mapping for funding ratio calculation on Page 3

Type	Asset Class	Index Assumption	Weight
Fixed Income	Long Credit	BBG U.S. Long Credit Index	34.6%
	Tsy 10+	BBG Treasury 10+ Yr Index	23.1%
Equity	U.S. Equity	MSCI Developed – U.S. Gross TR Index	13.2%
	Int'l Equity	MSCI World Ex U.S. Index	7.6%
	Global Equity	MSCI All Country World Net TR Index	5.5%
Alts/Cash	Real Estate	Dow Jones U.S. Real Estate Index	3.5%
	Private Equity	S&P Listed Private Equity Index	5.3%
	Private Debt	BBG Private Debt 10+ Years Custom Index	0.8%
	Infrastructure	Dow Jones Brookfield Global Infrastructure Index	0.1%
	Hedge Funds	HFRX Global Hedge Fund Index	3.6%
	Cash	BBG T-Bill 1-3 Month Index	2.8%
		Liability	

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