

# The Monthly Pension Review: April 2022

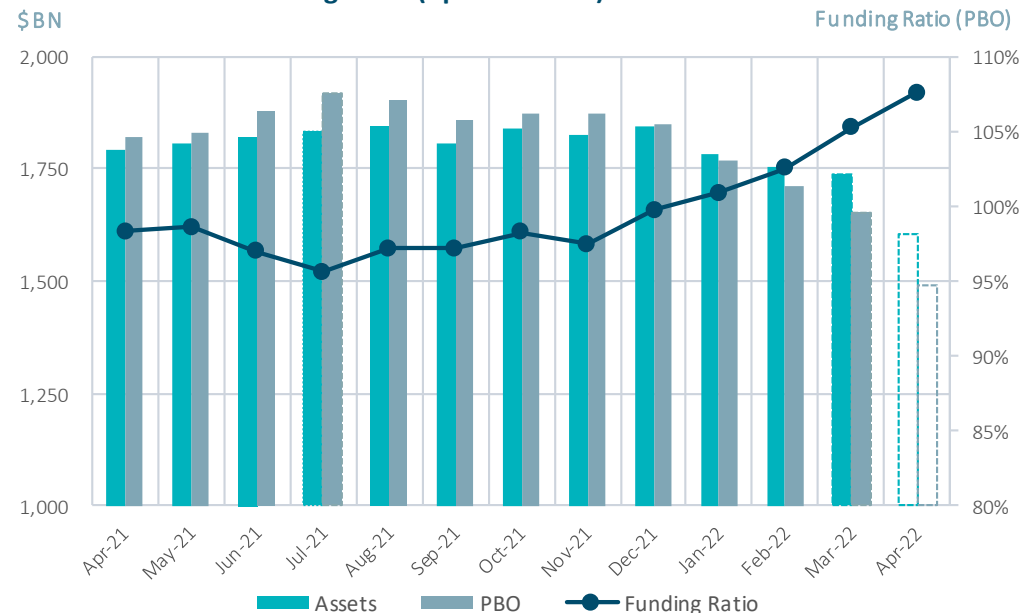
Higher discount rates offset falling equity markets and increased funded status by 2%

## April Market Summary

- Despite a large selloff in equity markets, funded status improved in April – Higher discount rates offset equity market drawdowns resulting in a funded status increase of 2.3%. Assets returned -7.8% while liabilities fell by 9.8%.<sup>(1)</sup>
- U.S. equity markets had their worst monthly return since March 2020 – The S&P 500 Index fell by 8.8% and is now down 13.3% since the start of the year.
- The yield on the Bloomberg Barclays Long Credit Index increased 76 basis points (bps) – Long credit spreads widened 19 bps while the underlying Treasury basis increased 57 bps.

Market Watch	Dec-2020	Dec-2021	Mar-2022	Apr-2022
Funded Status	90.3%	99.7%	105.2%	107.5%
FTSE Discount Rate <sup>(2)</sup>	2.23%	2.63%	3.43%	4.11%
Long Credit Yield <sup>(2)</sup>	2.78%	3.10%	4.02%	4.78%
US 30Y TSY Yield	1.64%	1.90%	2.45%	3.00%
S&P 500	3,756	4,766	4,530	4,132

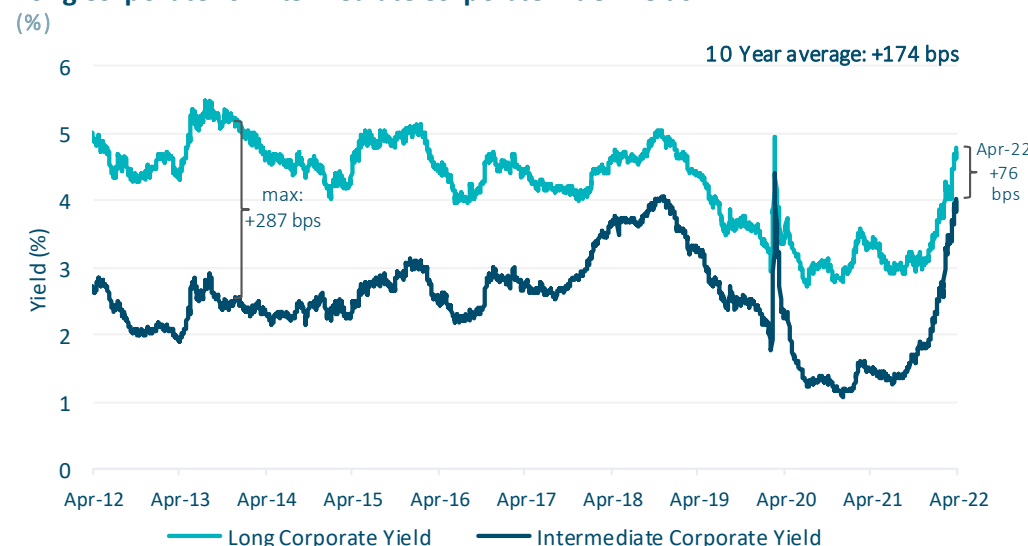
## Milliman Pension Funding Index (April Estimate)



## SPOTLIGHT: OPPURTUNITIES IN INTERMEDIATE CREDIT

- Plan sponsors should consider the intermediate part of the credit curve as they continue to de-risk and rebalance into fixed income.
- The yield spread between Long and Intermediate credit has flattened 52bps since the start of the year to just 76 bps, far from it's 10 year average of 174 bps.<sup>(3)</sup>
- Adding intermediate credit exposure (especially if plans had none) can improve front end key rate hedging, which is particularly important for well funded or mature plans focused on minimizing funding volatility.
- Taking advantage of the recent yield surge in intermediate credit can also better align a plans credit exposure vs. their liabilities.
- The yield pick up in intermediate private credit is particularly attractive because of observed flatter credit curves compared to public markets.
- This is largely driven by stronger demand in the long end, which creates a dynamic where relative value in the intermediate portion of the curve exceeds other parts of the market.

## Long Corporate vs. Intermediate Corporate Index Yields



(1) Funded Status for the current month is estimated and subject to change as final numbers are released. Data from reference Bloomberg Indices.  
 (2) The Long Credit yield corresponds to the Bloomberg Long Credit Index. The Citi Discount Rate corresponds to the FTSE short pension liability index.  
 (3) Reference data is from Bloomberg indices.