



Ryan ALM  
Asset/Liability Management

# RYAN ALM QUARTERLY

Q1'25 in Review

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## Pension Performance Monitor (Total Returns %)

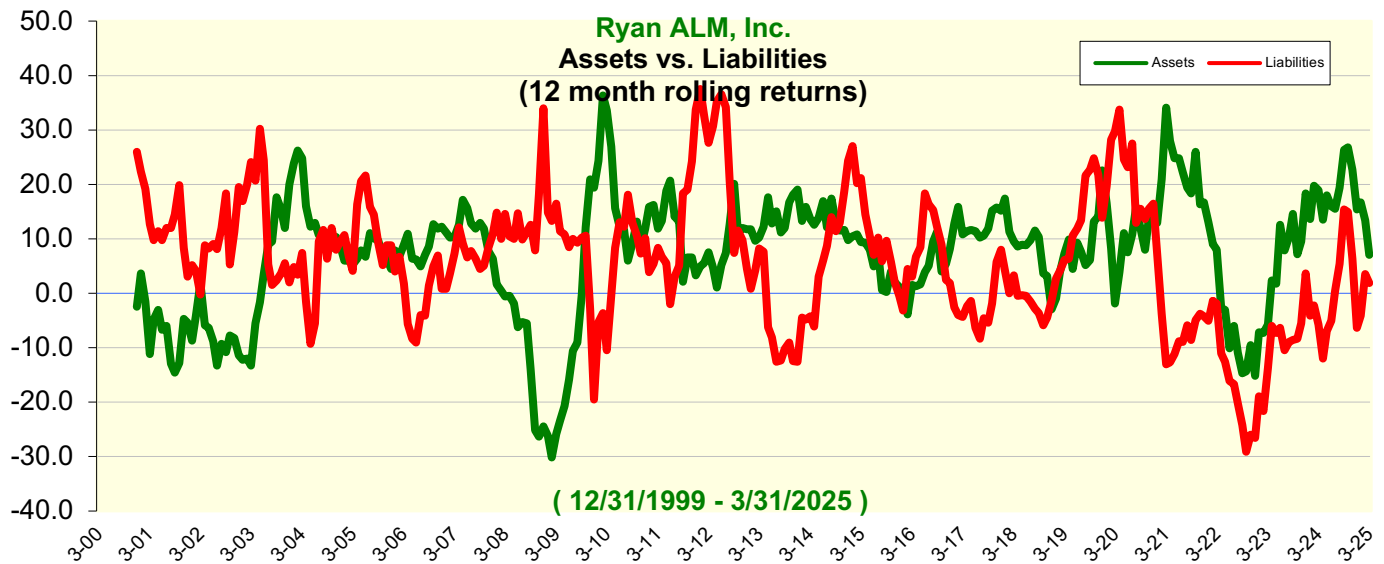
Pension Liabilities	Q1'25 (%)
Market (Treasury STRIPS)	5.4
ASC 715 (FAS 158)	1.5
PPA (MAP 21 = 3 Segments)	2.1
PPA (Spot Rates)	0.5
GASB /ASOP (7.0% ROA)	1.8

Pension Assets	
Cash (Ryan Cash Index)	1.1
Bloomberg Barclay Aggregate	2.8
S&P 500	-4.3
MSCI EAFE International	7.0
Asset Allocation Model <sup>1</sup>	-1.3

Pension Assets Minus Liabilities	
Market (Treasury STRIPS)	-6.7
ASC 715 (FAS 158)	-2.8
PPA (MAP 21 = 3 Segments)	-3.4
PPA (Spot Rates)	-1.8
GASB/ASOP (7.0% ROA)	-3.1

Based on the weights of the Ryan ALM Asset Allocation Model\*, the difference in pension asset growth versus liability growth for Q1'25 reveals a negative comparison of pension assets minus pension liabilities no matter how pension liabilities are calculated. Corporate plans showed slightly less funding losses(-2.8%) versus their liability benchmarks (ASC 715), while Public and Multiemployer plans using the ROA as the discount rate had marginally worse underperformance versus their liability growth rates (-3.1% under GASB accounting). Weak performance in U.S. equities proved to be the most important factor during the first quarter, while non-U.S. equities, as measured by the MSCI EAFE index finally woke up. U.S. rates fell during the quarter leading to gains for the BB Aggregate Index.

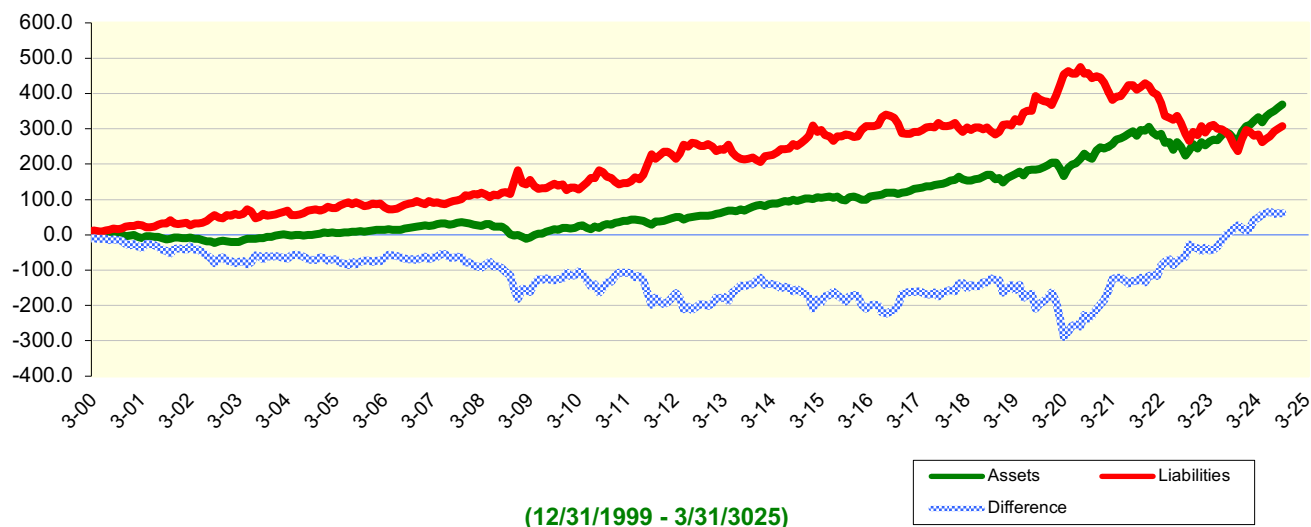
\* Model weights are: 5% Ryan Cash, 30% Bloomberg Barclay Aggregate, 60% S&P 500, and 5% MSCI EAFE International



US equities as measured by the S&P 500, were down -4.3% during the first quarter of 2025. This result comes on the heels of an incredible run during 2023 and 2024. Most of the underperformance is attributable to the growth stocks present within the index, especially within the consumer discretionary (-13.8%) and Information Technology (-12.7%) sectors, reversing to some extent their price performance from last year. Value-oriented stocks were slightly positive during the quarter, as the S&P 500 Value index posted a 0.3% return, while the growth index was down -8.5%. Both mid cap and small cap stocks continued to underperform large cap stocks whether value- or growth-oriented.

US interest rates have ridden a rollercoaster during the initial months of 2025, rising sharply to begin the year only to see rates fall during March, as market participants were becoming more comfortable with the idea that the Fed had achieved its goal in combating inflation. However, we at Ryan ALM remain concerned that current administrative policy decisions (i.e. tariffs) will ignite inflation once more leading to U.S. interest rates rising again. Falling rates coupled with declining asset values will negatively impact the funded ratios of most defined benefit plans.

**Ryan ALM, Inc.**  
**Assets vs. Liabilities**  
**Cumulative returns starting 12/31/1999**



Most pension funds enjoyed a funded ratio surplus in 1999, but pension asset growth had underperformed liability growth (based on the Ryan ALM Treasury STRIPS discount rate) fairly consistently for much of the next two decades. We are pleased to report that the funding deficit has been eliminated as a result of the Fed's tightening campaign, despite the recent Fed Fund's Rates cut of -1.0%, as rising interest rates reduce the present value of those future pension obligations. The cumulative difference is now 71.6% on a compound index basis starting at 100 on 12/31/99. The difference had been as much as -197.1% in 2020. Starting at a funded ratio of 100 on 12/31/99, the estimated funded ratio today would be 118.33%, which is based on the Ryan ALM liability calculations and our hypothetical asset allocation. It is trending in the same direction to the estimated funded ratio provide by Milliman in the Milliman 100 Pension Funding Index (PFI). Public pension funded ratios have recently pulled back a little given the falling asset values after showing strong improvement during the last couple of years.

US interest rates are not high relative to history, but they do provide the plan sponsor community with the opportunity to reduce the risk within their plans by defeasing a portion of the liabilities such as the Retired Lives Liability (RLL). You'll read more on this in the "latest thinking section", but the higher rates are creating an opportunity that hasn't been available in decades when US rates plummeted to historic lows (through 2022). We encourage you to act today before this opportunity fades.



**Cumulative returns of assets versus liabilities (%)**

	<b>Assets</b>	<b>Liabilities</b>	<b>Difference</b>	<b>Cumulative Difference</b>	<b>Funded Ratio</b>
<b>2000</b>	-2.5	26.0	-28.5	-28.5	77.4
<b>2001</b>	-5.4	3.1	-8.5	-37.6	71.0
<b>2002</b>	-11.4	19.5	-30.9	-73.4	52.7
<b>2003</b>	20	2.0	18.1	-60.1	62.0
<b>2004</b>	8.9	9.4	-0.4	-66.1	61.8
<b>2005</b>	4.4	8.9	-4.4	-76.8	59.2
<b>2006</b>	12.3	0.8	11.4	-64.6	66.0
<b>2007</b>	6.4	11.0	-4.6	-77.5	63.2
<b>2008</b>	-24.5	33.9	-58.4	-181.6	35.7
<b>2009</b>	15.7	-19.5	35.3	-106.9	52.9
<b>2010</b>	11.9	10.1	1.8	-115.7	53.8
<b>2011</b>	3.3	33.8	-30.5	-195.7	41.5
<b>2012</b>	11.8	4.5	7.3	-194.3	44.4
<b>2013</b>	19.0	-12.6	31.6	-120.7	60.5
<b>2014</b>	9.7	24.4	-14.6	-177.1	53.4
<b>2015</b>	1.2	-0.5	1.7	-172.8	54.3
<b>2016</b>	8.1	1.9	6.2	-163.4	57.6
<b>2017</b>	15.2	7.9	7.2	-160.3	60.9
<b>2018</b>	-3.0	-1.3	-1.7	-162.7	60.4
<b>2019</b>	22.8	13.9	8.9	-163.9	65.0
<b>2020</b>	14.4	16.5	-2.1	-197.1	63.8
<b>2021</b>	17.4	-4.2	21.6	-116.1	77.8
<b>2022</b>	-15.2	-26.6	11.4	-39.0	89.8
<b>2023</b>	18.3	3.7	14.6	9.9	102.5
<b>2024</b>	15.4	-6.4	21.8	97.9	126.3
<b>Q1'25</b>	-1.3	5.4	-6.7	71.6	118.3

Source: Ryan ALM, Inc.

## ECONOMIC SNAPSHOT AS OF MARCH 31, 2025

	2024	Q1'25
U.S. GDP	2.8%	-2.8%*
US Debt	\$35.5 T	\$36.1T
CPI - U	2.7%^	2.8%^
Unemployment Rate	4.2%	4.2%
30-Year Treasury Yield	4.79%	4.59%
10-Year Treasury Yield	4.58%	4.23%
2-Year Treasury Yield	4.25%	3.89%
3 Mo. T-Bills Yield	4.32%	4.32%
S&P 500	5,881.63	5,633.07
Nasdaq 100	19,310.79	17,279.29
R2000	2,230.16	2,011.91
Gold	2,639.30	3,150.30
Oil	\$71.87	\$71.48
Existing Single Family sales	4.15M**	3.89M**

\*GDPNow forecast as of April 2, 2025, ^annual # through February 28, 2025, \*\* as of February 28, 2025

## Year-to-date change in the Treasury Yield Curve



## Sharing Perspective

### The Pension Crisis of 2000-02... Déjà Vu?

In my 2013 book “The U.S. Pension Crisis” I detailed the causes of the 2000-02 pension crisis where funded ratios deteriorated significantly from a surplus position in the 1990s. This created a spike in contribution costs for many years...

### ARPA Update as of March 31, 2025

Now onto the task at hand. Regarding ARPA and the PBGC's implementation of this critical legislation, last week was fairly busy. Three non-priority group funds, including...

### An Element of Certainty Can Be Achieved

For those addressing the current state of our capital markets and pension asset allocation, the common theme has been uncertainty. Uncertainty as to the direction of equity markets, inflation, and interest rates.

### FOMC and Powell Deliver Worrying Message

I produced a post recently titled, [“Parallels to the 1970s?”](#) in which I discussed the challenging economic environment that existed during the 1970s as a result of two oil shocks and some sketchy decision making on the part of the US Federal Reserve.

### Risk On or Risk Off?

I have the pleasure of speaking at the Opal/LATEC conference on Thursday. My panel has been given the topic of *Risk On or Risk Off: How Are You Adjusting Your Portfolio, and Which Investment Risks Concern You Most?*

### Nothing Here! Really?

Yesterday's financial news delivered an inflation surprise (0.5% vs. 0.3%), at least to me and the bond market, if not to the U.S. equity market. The Federal reserve had recently announced a likely *pause* in their rate reduction activity given their concerns about the lack of pace in the inflation march back to its 2% target.

## Latest Thinking

We continue to be thrilled that the American Rescue Plan Act (ARPA) was passed as part of the \$1.9 trillion stimulus package. This legislation has many of the elements of the Butch Lewis Act which Ryan ALM's Ron Ryan was instrumental in providing the defeasance language. As a reminder, any Special Financial Assistance (SFA) received must be kept separate and managed conservatively ( >66.7% in bonds) to ensure that the funds received and earmarked to pay the promised benefits (through 2051) are actually available. The PBGC has approved the SFA applications for 116 multiemployer plans through March 31, 2025, totaling \$71.3 billion (including supplemental filings and interest) in government grants.

2025 has continued to be a very good environment for Ryan ALM, Inc. as we try to protect and preserve the promised benefits for as many DB pension plans as possible. Following 2024, in which we more than doubled the number of full discretion CFM clients that we are fortunate to support, we've been asked to provide detailed analysis to a number of funds, some very large, on what could be achieved through a CFM program. We thank you for your trust. Please don't hesitate to reach out to us if you'd like to learn more about what we can do for DB pension plans.

We are very committed to educating plan sponsors and their advisors about the positive impact of rising interest rates and the impact those have on the ability to de-risk DB pensions through Cash Flow Matching (CFM). The US Federal Reserve's most recent action on Interest rates (-1% since the initial cut on 9/17) has reduced the Fed Fund's Rate to 4.25%-4.5%, but market participants remain concerned about the economy's current level of inflation. As such, US interest rates remain at levels supportive of de-risking and they might rise from here, although we don't forecast rates at Ryan ALM, Inc. The below info is for a representative client. The rate environment provides an incredible opportunity to secure the promises at low cost!

### LBP Summary

	ASC 715	LBP Model	Cost Savings (\$ and %) *	
<b>Future Value</b>	<b>\$133,194,611</b>	<b>\$133,194,611</b>		
<b>Present Value</b>	<b>\$89,673,447</b>	<b>\$88,580,725</b>	<b>\$44,613,886</b>	<b>33.50%</b>
<b>YTM</b>	<b>4.82%</b>	<b>5.06%</b>		
<b>MDuration</b>	<b>6.37</b>	<b>6.67</b>		
<b>LBP Model Efficiency</b>		<b>106.47%</b>		
<b>Total Assets</b>		<b>\$92,956,886</b>		



# Ryan ALM's mission is to solve liability driven problems through low cost, low risk unique solutions.

## About Ryan ALM, Inc.

Ryan ALM was founded by Ronald J. Ryan, CFA on June 15, 2004 (happy 20<sup>th</sup> anniversary to us!) as an Asset/Liability Management firm. The firm has built a turnkey system of proprietary synergistic products designed to measure liabilities as a Custom Liability Index (CLI) and manage assets to the CLI as Liability Beta Portfolios.

Ryan ALM is unique in having its own proprietary Index company named ALM Research Solutions, LLC. This company builds both custom and generic bond indexes. Such indexes range from Custom Liability Indexes to ETF Indexes.

Our Liability Beta Portfolio™ is our proprietary cost optimization model that "cash flow matches" clients projected liability benefit payment schedules at the least cost using investment grade bonds. In this higher interest rate environment, our portfolios are producing cost savings of >2%/year. Our LBP best represents the core portfolio (or liquidity bucket) of a pension plan or endowment/foundation.

***FASB requires corporations and nonprofit organizations to price their liabilities at certain discount rates. Importantly, Ryan ALM provides these discount rates in conformity ASC 715: Pensions. For more info: [Read here](#)***

Our team has been recognized for our expertise and results including Ron Ryan having won the William F. Sharpe Index Lifetime Achievement Award.



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