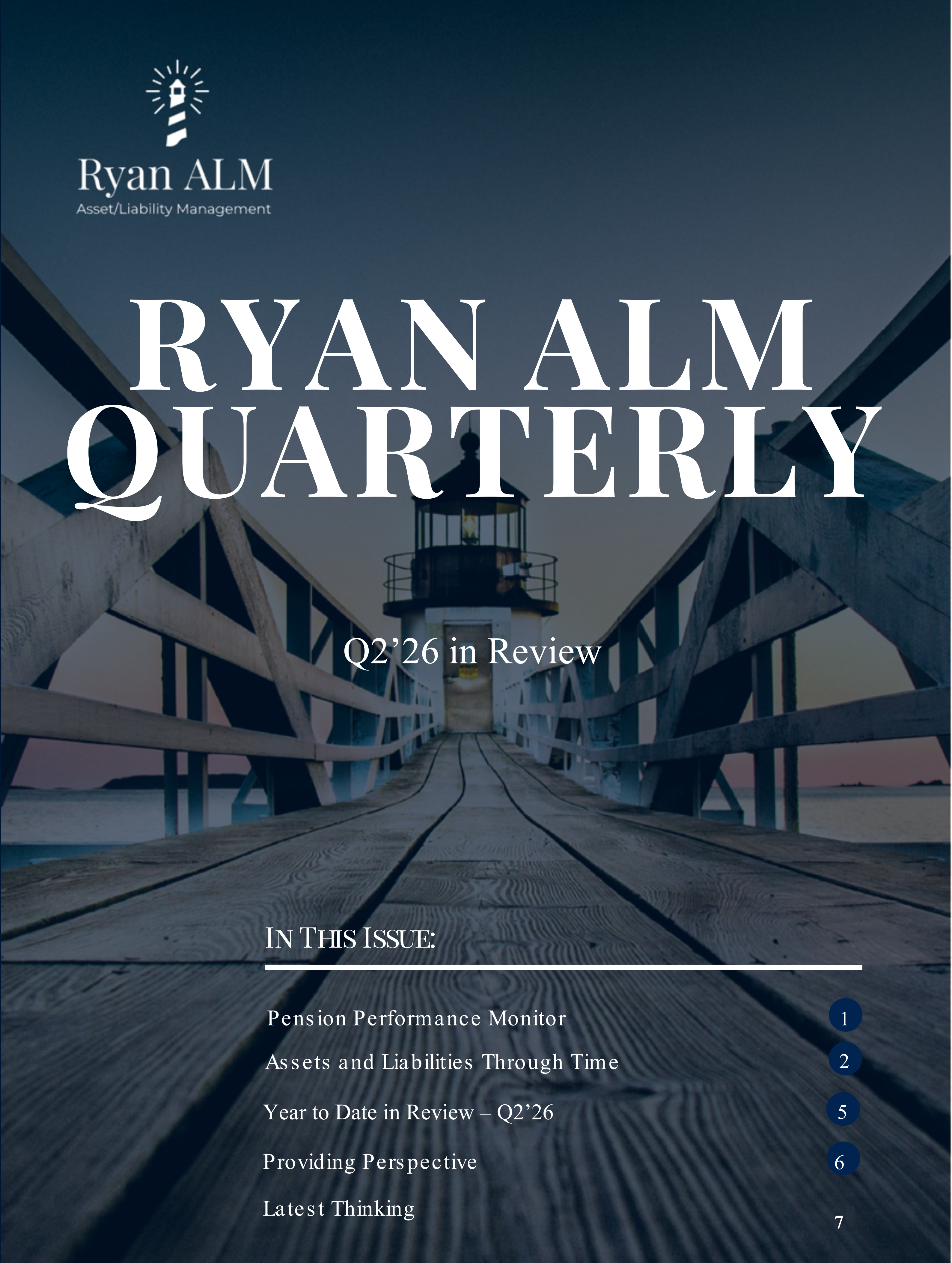


Ryan ALM
Asset/Liability Management

RYAN ALM QUARTERLY

Q2'26 in Review

In This Issue:

Pension Performance Monitor (Total Returns %) – Q2'26

Pension Liabilities	Q2'26 (%)
Market (Treasury STRIPS)	0.7
ASC 715 (FAS 158)	1.3
PPA (MAP 21 = 3 Segments)	1.0
PPA (Spot Rates)	1.4
GASB /ASOP (7.0% ROA)	3.4

Pension Assets	
Cash (Ryan Cash Index)	1.7
Bloomberg Barclay Aggregate	0.6
S&P 500	10.2
MSCI EAFE International	9.9
Asset Allocation Model[1]	7.0

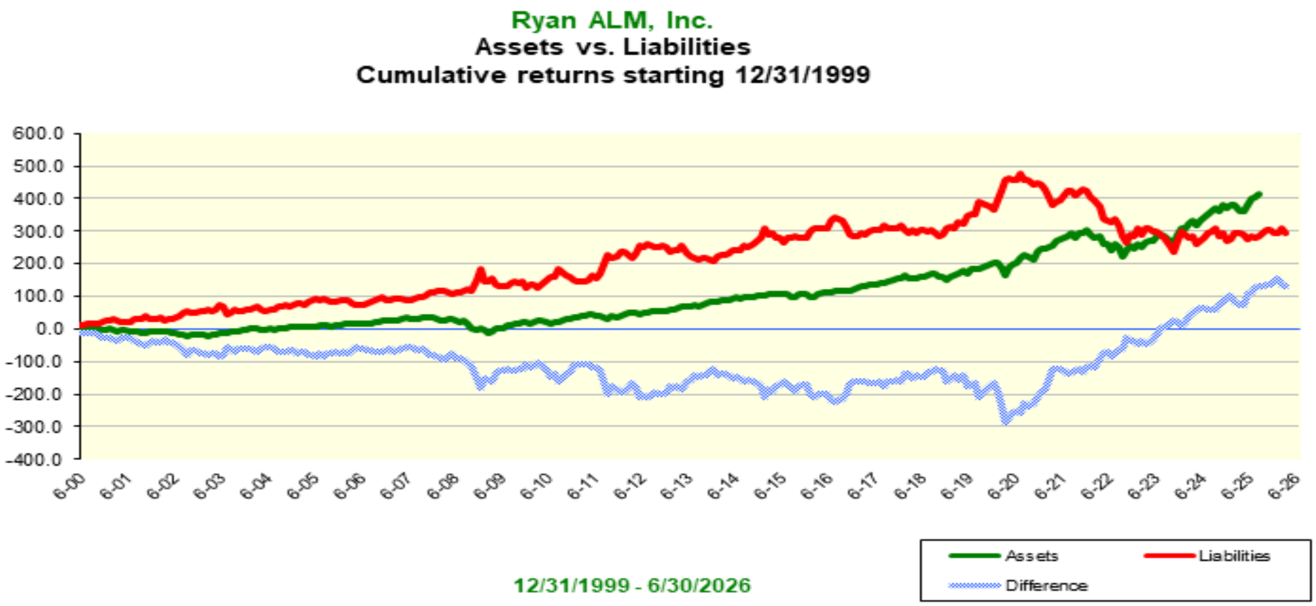
Pension Assets Minus Liabilities	
Market (Treasury STRIPS)	6.3
ASC 715 (FAS 158)	5.7
PPA (MAP 21 = 3 Segments)	6.0
PPA (Spot Rates)	5.6
GASB/ASOP (7.0% ROA)	3.6

Based on the weights of the Ryan ALM Asset Allocation Model*, the difference in pension asset growth versus liability growth for Q2'26 reveals outperformance of pension assets minus pension liabilities no matter how pension liabilities are calculated. Corporate plans exceeded their liability benchmarks (ASC 715) by 5.7%, while Public and Multiemployer plans using the ROA as the discount rate had a slightly smaller advantage of 3.6% under GASB accounting. Equities, both U.S. and international, outperformed significantly during the second quarter reversing what had been a challenging beginning to 2026. U.S. interest rates have risen to start the year, putting pressure on fixed income to hold onto a slight positive return that trails cash's return by 1.1%.

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

Despite the ongoing conflict in the Middle East, U.S. equities mounted a significant rally. It didn't matter whether one was invested in the S&P 500 up 15.2%, mid-caps advancing 14.5% or small-cap stocks generating a 19.7% result. However, those returns paled in comparison to the return generated by the NASDAQ Composite which produced a 21.6% return, marking its strongest quarterly result since Q2'20. As strong as that return is, it is less than half Q4'99's 49.1% result! Not surprisingly, it was the Information Technology sector that once again generated the most robust performance producing 31.8%, 45.4%, and 53.8% returns across large cap, mid cap, and small cap indexes. Energy, Q1'26's performance leader, was the largest drag on index performance producing negative results in each cap range.

U.S. interest rates briefly dipped to start 2026 but began to elevate once again during the later stages of Q2'26. The significant rise in oil prices elevated inflationary concerns. The recent easing of tensions in the Middle East has led to an oil price decline, but the impact on inflation tends to lag. As a result, bonds, as represented by the Barclays Aggregate Index advanced only 0.6%, capturing only a portion of the interest earned while seeing principal loss. The uncertainty surrounding the future path of interest rates, inflation, and economic activity should lead sponsors to seek an alternative to active fixed income. As a reminder, cash flow matching (CFM) eliminates interest rate risk as assets are used to defease liabilities that are future values, which are not interest rate sensitive.



As we've mentioned previously, most pension funds enjoyed a funded ratio surplus in 1999, but pension asset growth severely underperformed liability growth (based on the Ryan ALM Treasury STRIPS discount rate) consistently for much of the next two decades. Fortunately, that funding deficit has been eradicated as a result of the Fed's tightening campaign, which saw interest rates rise, from historic low levels, and pension liabilities fall, as rising interest rates reduce the present value of those future pension obligations. The cumulative difference is now 179.9% on a compound index basis starting at 100 on 12/31/99. The difference had been much worse at -197.1% in 2020. Starting at a funded ratio of 100 on 12/31/99, the estimated funded ratio today would be 145.4%, which is based on the Ryan ALM liability calculations and our hypothetical asset allocation. Q2'26 saw assets outperform liabilities, establishing a high-water mark for the funded ratio since our analysis began in 2000.

US interest rates are not high relative to history, as I entered this industry in 1981 when the yield on the 10-year Treasury was roughly 15%, but they are at an attractive level providing the plan sponsor community with the opportunity to reduce funding costs related to future liabilities. We recommend defeasing a portion of the liabilities, such as the Retired Lives Liability (RLL). That allocation should be predicated on the plan's funded status. You'll read more on this in the "Latest Thinking Section", but the higher rates and a steepening yield curve are creating an opportunity that hasn't been available in decades. We encourage you to act today before this opportunity fades, or worse, your current asset allocation is impacted by a market correction brought about by significant uncertainty related to both the economy and geopolitical actions. Unfortunately, a similar opportunity existed at the end of 1999, but that went unheeded.

Cumulative returns of assets versus liabilities (%)

Calendar Year	Assets	Liabilities	Difference	Cumulative Difference	Funded Ratio
2000	-2.5	26.0	-28.5	-28.5	77.4
2005	4.4	8.9	-4.4	-76.8	59.2
2006	12.3	0.8	11.4	-64.6	66.0
2007	6.4	11.0	-4.6	-77.5	63.2
2008	-24.5	33.9	-58.4	-181.6	35.7
2009	15.7	-19.5	35.3	-106.9	52.9
2010	11.9	10.1	1.8	-115.7	53.8
2011	3.3	33.8	-30.5	-195.7	41.5
2012	11.8	4.5	7.3	-194.3	44.4
2013	19.0	-12.6	31.6	-120.7	60.5
2014	9.7	24.4	-14.6	-177.1	53.4
2015	1.2	-0.5	1.7	-172.8	54.3
2016	8.1	1.9	6.2	-163.4	57.6
2017	15.2	7.9	7.2	-160.3	60.9
2018	-3.0	-1.3	-1.7	-162.7	60.4
2019	22.8	13.9	8.9	-163.9	65.0
2020	14.4	16.5	-2.1	-197.1	63.8
2021	17.4	-4.2	21.6	-116.1	77.8
2022	-15.2	-26.6	11.4	-39.0	89.8
2023	18.3	3.7	14.6	9.9	102.5
2024	15.4	-6.4	21.8	97.9	126.3
2025	14.7	5.9	8.8	145.2	136.9
Q2'26	7.0	0.7	6.3	179.9	145.4

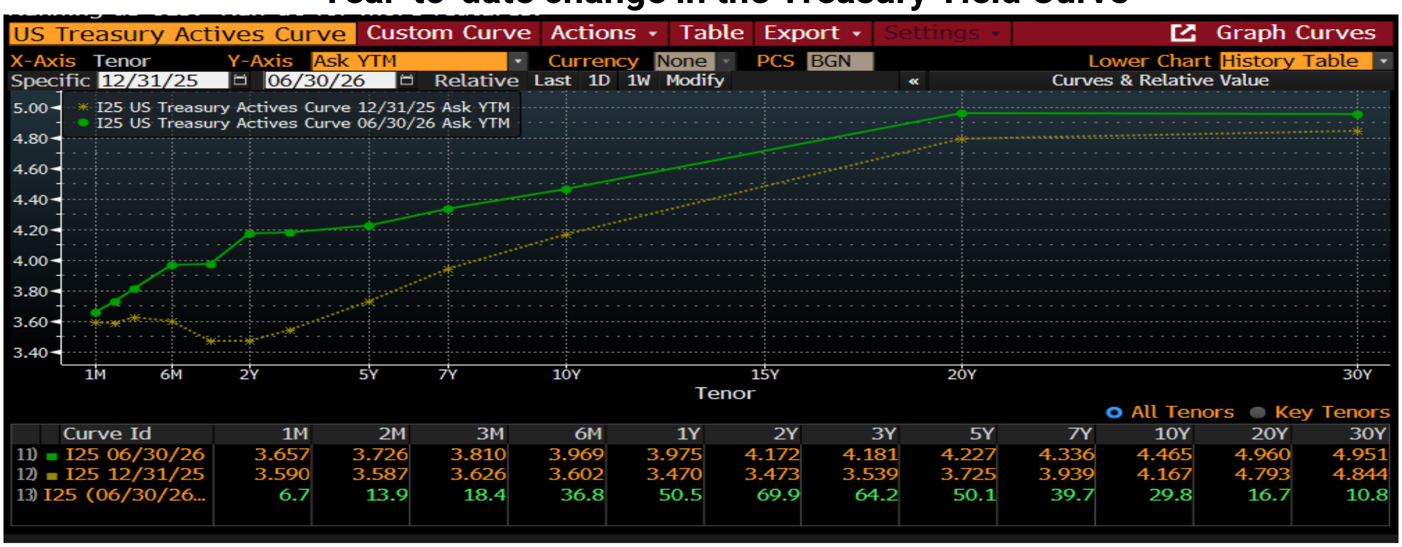
Source: Ryan

ECONOMIC SNAPSHOT AS OF JUNE 30, 2026

	2025	Q2'26
U.S. GDP	3.0%*	2.5%*
US Debt	$38.4T	$39.4T
CPI - U	**2.7%^**	**4.2%^**
Unemployment Rate	4.6%	4.3%
30-Year Treasury Yield	4.85%	4.97%
10-Year Treasury Yield	4.17%	4.46%
2-Year Treasury Yield	3.48%	4.18%
3 Mo. T-Bills Yield	3.63%	3.83%
S&P 500	6,845.50	7,499.36
Nasdaq 100	23,241.99	26,213.72
R2000	2,481.91	3,024.37
Gold	4,342.90	4,038.40
Oil	**$57.56**	**$70.09**
Existing Single Family sales	3.75M**	4.17M**

*GDPNow forecast as of June 25, 2026, ^annual # through February 2026, ** as of June 9, 2026

Year-to-date change in the Treasury Yield Curve



	Curve Id	1M	2M	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	20Y	30Y
11)	I25 06/30/26	3.657	3.726	3.810	3.969	3.975	4.172	4.181	4.227	4.336	4.465	4.960	4.951
12)	I25 12/31/25	3.590	3.587	3.626	3.602	3.470	3.473	3.539	3.725	3.939	4.167	4.793	4.844
13)	I25 (06/30/26...	6.7	13.9	18.4	36.8	50.5	69.9	64.2	50.1	39.7	29.8	16.7	10.8

Ryan ALM
Asset/Liability Management

Sharing Perspective at [RyanALM.com/white-papers] or [Ryanalm.com/Blog]

Ryan ALM's Turnkey System

To ***secure*** and fund the projected benefit payments in a cost-efficient manner with prudent risk. Pensions are all about asset cash flows versus liability cash flows. In addition, corporate pensions want the annual dollar growth of pension assets to match or…

As A Fiduciary, Would you…

Regrettably, the investment industry has trained pension fiduciaries to think in terms of **returns**:

- "Can we earn 7.25%?" or "Can we outperform the benchmark?"

Will You Be Wearing A Bathing Suit?

I read a very interesting email yesterday that referenced the tragic events in Venezuela by saying that the "earthquake doesn't write the verdict. It audits the books." My initial reaction: that's harsh…

Source Ryan ALM, Inc.

At Ryan ALM, Inc., we pride ourselves on being a resource for our clients beyond providing our three products – Cash Flow Matching (CFM), Custom Liability Index (CLI), and our ASC 715 Discount Rates. As regular readers of this blog will recall, we are always highlighting our willingness to provide a free analysis

Try Clapping With One Hand

The only reason that your DB pension plan exists is because a promise was given to your participants that they would receive a monthly benefit for life upon meeting some requirements such as years employed and retirement age.

It Is Our Mission!

The individual professionals on the Ryan ALM, Inc. team have both a personal and professional mission which drives us every day! What is that mission? We are driven with the goal of protecting and preserving defined benefit pension plans, which we believe are the only true retirement plans.

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 segregated and managed conservatively (at least 66.7% in IG 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 162 multiemployer plans through June 30, 2025, totaling $77.9 billion (including supplemental filings and interest) in government grants.

The first half of 2026 continued the positive momentum established in 2025, for Ryan ALM, Inc. as we strive to protect and preserve the promised benefits for as many DB pension plans and E&Fs, as possible. So far in 2026, we have added three full discretion CFM clients and we received additional contributions from another eight. We thank you for your continued trust. Please don't hesitate to reach out to us if you'd like a **FREE** analysis to learn more about what CFM can do to **SECURE** your liabilities. We've already had a number of pension plans take us up on our offer.

We continue to educate plan sponsors and their advisors about the positive effect of the current interest rate environment and the impact higher rates have on the ability to de-risk DB pensions through Cash Flow Matching (CFM). Furthermore, market participants remain concerned about the liquidity available to meet ongoing monthly benefits. Fortunately, US long-dated interest rates remain at levels supportive of both de-risking and liquidity enhancement. The information below is from a recent study we did for a prospect. The rate environment provides an incredible opportunity to secure the promises at low cost (-49.6%)!

LBP Summary

	ASC 715	LBP Model	Cost Savings ($ and %) *	
Future Value	$1,995,350,033	$1,995,350,033		
Present Value	$1,017,944,495	$1,004,827,801	$990,522,232	49.64%
YTM	5.24%	5.58%		
MDuration	9.88	10.00		
LBP Model Efficiency		100.00%		
Total Assets		$1,004,848,075		

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 as an Asset/Liability Management firm, with a specific expertise in Cash Flow Matching (CFM). 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 low cost and with prudent risk using investment grade bonds (rated BBB+ or better). 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 to 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.

Ryan ALM
Asset/Liability Management

Contact Us

Russell D. Kamp
CEO
rkamp@ryanalm.com
+1 (201) 675-8797

500 Ocean Trail Way
Unit 410
Jupiter, FL 33477

Disclaimer
The material herewith is for informational purposes only, and does not contend to address the financial objectives, situation, or specific needs of any individual investor. Any information is for illustrative and educational purposes only and is not intended to serve as investment advice since the availability and effectiveness of any strategy is dependent upon your individual facts and circumstances. Results will vary, and no suggestion is made here about how any specific solution or strategy will perform in reality.