



Ryan ALM
Asset/Liability Management

RYAN ALM QUARTERLY

YTD 2026 in Review

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

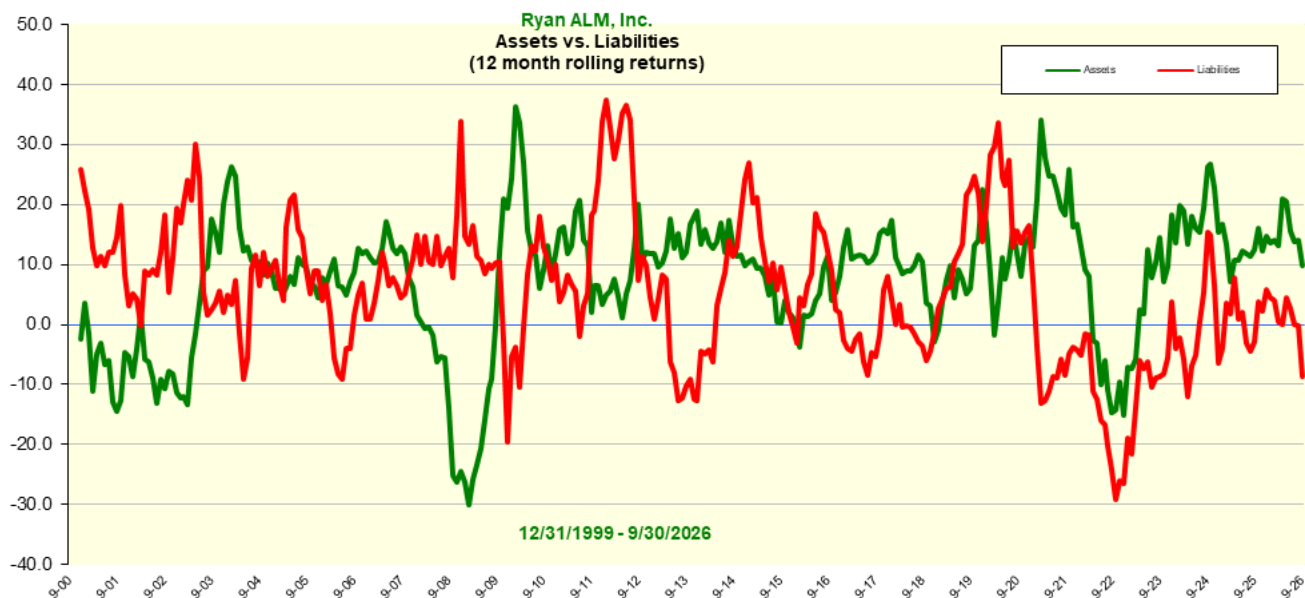
Pension Liabilities	YTD'26 (%)
Market (Treasury STRIPS)	-8.2
ASC 715 (FAS 158)	-8.6
PPA (MAP 21 = 3 Segments)	1.9
PPA (Spot Rates)	1.8
GASB /ASOP (7.0% ROA)	5.2

Pension Assets	
Cash (Ryan Cash Index)	2.6
Bloomberg U.S. Aggregate Bond Index	-2.9
S&P 500	12.8
MSCI EAFE International	10.8
Asset Allocation Model ¹	7.4

Pension Assets Minus Liabilities	
Market (Treasury STRIPS)	15.6
ASC 715 (FAS 158)	16.0
PPA (MAP 21 = 3 Segments)	5.5
PPA (Spot Rates)	5.6
GASB/ASOP (7.0% ROA)	2.2

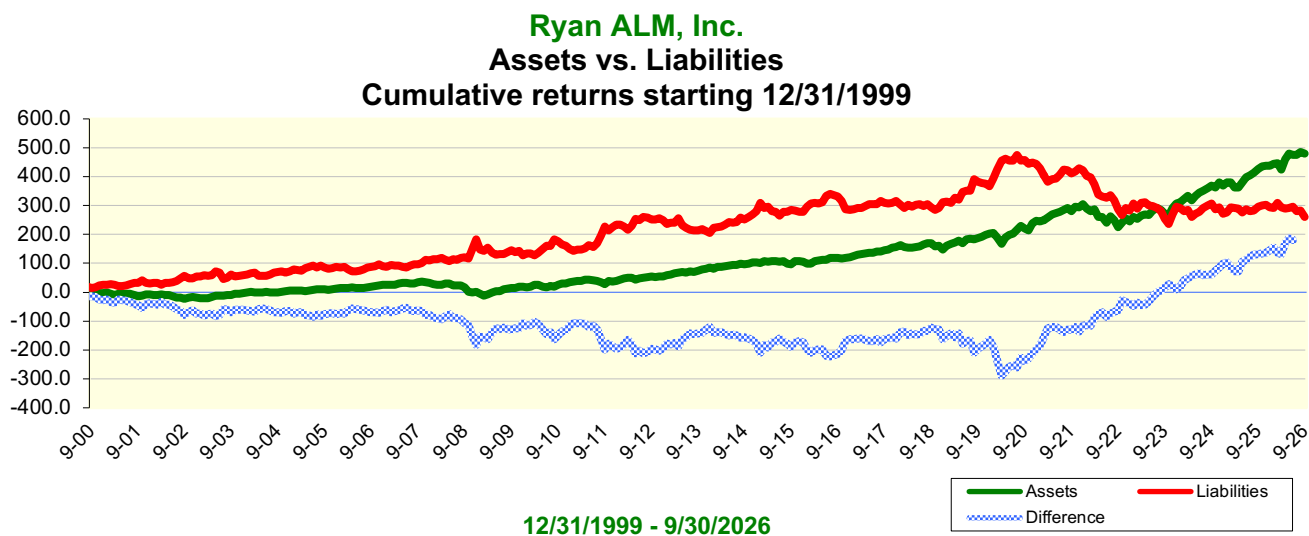
Based on the weights of the Ryan ALM Asset Allocation Model*, the difference in pension asset growth versus liability growth for YTD'26 reveals significant outperformance of pension assets minus pension liabilities no matter how pension liabilities are calculated. Corporate plans exceeded their liability benchmarks (ASC 715) by an impressive 16.0%, while Public and Multiemployer plans using the ROA as the discount rate had a much smaller advantage of 2.2% under GASB accounting. Equities, both U.S. and international, outperformed significantly during the first nine months of 2026. U.S. interest rates continue to rise putting pressure on fixed income. The Bloomberg U.S. Aggregate Bond Index is down -2.9% YTD, while cash's return is now up 2.6% through nine months.

* 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, and the uncertainty it has created for oil prices, inflation, and interest rates, U.S. equities continue to defy gravity. The S&P 500 is up 12.8% YTD, while mid-cap stocks have advanced 9.9% and small-cap stocks have generated a 13.7% return. Yet each of those results trails the NASDAQ Composite, which has advanced 16.1% so far in 2026. Surprisingly, Information Technology was not the strongest-performing sector during the last three months. That distinction belongs to Energy, which advanced 17.2% and is now up an impressive 40.3% YTD. Energy stocks have also fueled strong performance within the mid- and small-cap indexes, advancing 34.3% and 37.1%, respectively. Only three S&P 500 sectors failed to produce positive returns through the first nine months of the year, with Consumer Discretionary experiencing the largest decline at -5.8%.

The story in the bond market has been quite different. U.S. interest rates briefly declined to begin 2026, but started moving higher during the latter stages of Q2. That upward momentum accelerated during Q3, with Treasuries experiencing one of their worst quarters in years. Oil prices remain elevated, inflationary concerns have not abated, and uncertainty regarding the future path of interest rates remains significant. As a result, bonds, as represented by the Bloomberg U.S. Aggregate Bond Index, have declined nearly 3% this year. There may be additional pressure building within the investment-grade corporate bond market. As we have discussed in recent Ryan ALM blog posts, several of the major hyperscalers have exhausted—or significantly reduced—the free cash flow available to finance their enormous AI-related capital expenditures. With Microsoft the notable exception, these companies are increasingly turning to the debt markets to raise significant amounts of capital. That surge in issuance could eventually place pressure on investment-grade corporate spreads, which remain historically tight.



The cumulative difference between asset and liability growth is now 217.6% on a compound index basis, with both beginning at 100 on December 31, 1999. The relative position had been dramatically worse in 2020, when the difference stood at -197.1%. Assuming a funded ratio of 100% on December 31, 1999, our hypothetical pension plan would have an estimated funded ratio today of 160.2%, based on Ryan ALM’s liability calculations and our hypothetical asset allocation. During Q3 2026, assets significantly outperformed liabilities, pushing the estimated funded ratio to its highest level since we began this analysis in 2000.

Are U.S. interest rates historically high? Hardly. I entered this industry in 1981, when the 10-year U.S. Treasury yield was roughly 15%. But today’s rates are attractive, particularly when compared with the extraordinarily low yields that prevailed for much of the last 15 years. More importantly, they provide pension plan sponsors with something that has been largely unavailable for decades: an opportunity to secure future pension benefits at a substantially lower cost.

We believe plan sponsors should take advantage of this environment by defeasing a portion of their pension liabilities; perhaps beginning with the Retired Lives Liability (RLL). How much should be secured will depend on each plan’s funded status, liquidity needs, and liability profile. As we discuss further in our “Latest Thinking” section, the combination of higher interest rates and a steeper yield curve has created an unusually attractive environment for cash flow matching (CFM).

We saw a similar opportunity at the end of 1999. Most pension plans were over-funded, yet rather than securing those gains and defeasing future benefit payments, the industry largely continued to pursue a return objective through traditional asset allocation. What followed were two decades in which liability growth frequently overwhelmed asset growth. We shouldn’t make the same mistake twice. **The objective today should not simply be to celebrate improved funded status—it should be to secure it.**

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
YTD'26	7.4	-8.2	15.6	217.6	160.2

Source: Ryan

ECONOMIC SNAPSHOT AS OF SEPTEMBER 30, 2026

	2025	Q3'26
U.S. GDP	3.0%*	3.7%*
US Debt	\$38.4T	\$40.1T
CPI - U	2.7%[^]	3.4%[^]
Unemployment Rate	4.6%	4.2%
30-Year Treasury Yield	4.85%	5.64%
10-Year Treasury Yield	4.17%	5.29%
2-Year Treasury Yield	3.48%	4.87%
3 Mo. T-Bills Yield	3.63%	4.12%
S&P 500	6,845.50	7,651.54
Nasdaq 100	23,241.99	26,861.06
R2000	2,481.91	2796.86
Gold	4,342.90	4,213.50
Oil	\$57.56	\$91.56
Existing Single Family sales	3.75M**	3.62M**

*GDPNow forecast as of September 30, 2026, [^]annual # through August 31, 2026, ** as of June 9, 2026

Year-to-date change in the Treasury Yield Curve



Sharing Perspective at [RyanALM.com/white-papers](https://ryanalm.com/white-papers) or [Ryanalm.com/Blog](https://ryanalm.com/Blog)

Is Your Asset Allocation Responsive to Your Funded Status

According to the Milliman Public Fund Survey of 2025, funded ratios improved significantly from June 30, 2020, where the average funded ratio was 71.0% versus 88.7% as of June 30, 2026. The prudent plan sponsor should want their asset allocation to be responsive to this marked improvement by shifting...

Negative Cash Flow

Negative cash flow occurs when a defined benefit pension plan pays out more in benefits and expenses than it receives in contributions. Don't panic if your DB plan is experiencing this phenomenon, as negative cash flow... i

At 31.6%, How Well Will the Economy Function in the Future?

I occasionally receive emails from Glen Eagle Wealth, LLC, which often contain a nugget of information that inspires me to write. Yesterday's email provided such impetus. You see, Glen Eagle provided startling statistics...

It's Yield AND Principal

I hope that you've had a great week. I very much enjoyed my three days at the NCPERS Funding Forum in Chicago, where I spoke about bringing **certainty** to pension plans through...

DB Pension Plans: Only One Certainty

As you look at the landscape for defined benefit pension plans, it is readily apparent that there is only one CERTAINTY. Each month your fund must fulfill a promise. Benefit payments (and expenses) can't wait to be paid.

Is AI Investment Reaching A Natural Limit?

I've been spending a lot of time recently thinking about the incredible amount of capital being thrown at Artificial Intelligence (AI). There is no question that AI has the potential to dramatically change how we live and work. But does that mean

And There You Go: 6.5% YTM On A 30-year CFM Assignment – Incredible!

For those of you responsible for the management of public DB pension systems, the news that we can build a 30-year cash flow matching (CFM) portfolio with a **YTM of 6.5%** through an investment-grade corporate bond portfolio while restricting quality to BBB+ or better should be incredibly exciting and enticing!

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 168 multiemployer plans through September 30, 2026, totaling \$78.1 billion (including supplemental filings and interest) in government grants.

The first nine months of 2026 continued the positive momentum 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. Given the rapidly rising interest rate environment, we are seeing tremendous interest from DB plan sponsors to discuss de-risking. 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, higher US long-dated interest rates remain supportive of de-risking, enhanced liquidity, and greater cost savings on future benefits. 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 (-70.5%)!

LBP Summary

	ASC 715	LBP Model	Cost Savings (\$ and %) *	
Future Value	\$281,046,597	\$281,046,597		
Present Value	\$83,065,083	\$82,918,792	\$198,127,804	70.50%
YTM	5.67%	6.09%		
MDuration	13.64	12.90		
LBP Model Efficiency		100.25%		
Total Assets		\$83,042,238		

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

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