



The Ryan ALM Quarterly Pension Letter™ September 30, 2019

Index	Returns YTD 2019	Weights
Pension Liabilities:		
Market (Tsy STRIPS)	17.63%	100 %
ASC 715 (FAS 158)	21.64	
PPA (MAP 21 = 3 Segments)	4.80	
PPA (Spot Rates)	25.95	
GASB /ASOP (7.50% ROA)	5.63	
Pension Assets:		
Ryan Cash	2.07 %	5 %
Bloomberg Barclay Aggregate	8.52	30
S&P 500	20.55	60
MSCI EAFE Int'l	13.28	5
Asset Allocation Model	15.73 %	100 %
Pension Assets – Liabilities:		
Market	-1.90	
ASC 715 (FAS 158)	-5.91	
PPA (MAP 21 = 3 Segments)	10.93	
PPA (Spot Rates)	-10.22	
GGASB/ASOP (7.50% ROA)	10.10	

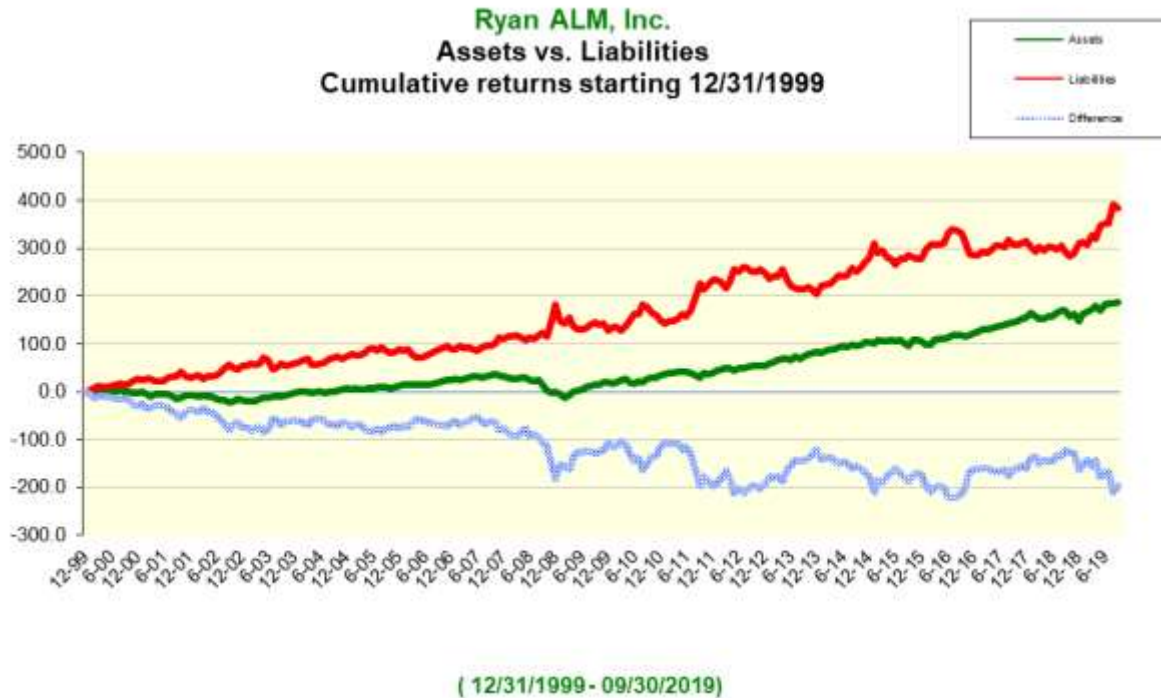
Year -to-Date

Using the Asset Allocation return above, the difference in pension asset growth vs. liability growth in 2019 year-to-date is: **-1.90%** (market valuation STRIPS), **-5.91%** (ASC 715), **10.93%** (PPA 3-segment rates), **-10.22%** (PPA-Spot Rates) and **10.10%** (GASB/ASOP). Such valuations show the significant difference in not using *market* valuations. Although asset growth has been strong this year, most corporate plan sponsors will underperform liability growth (ASC 715) resulting in lower funded status. Public plan sponsors will see assets outperform liability growth based on a 7.50% ROA (GASB). However, given the trend to reducing the ROA will increase liability growth for Public plan sponsors. A 25 basis point decrease in the ROA from 7.75% to 7.50% would show liability growth at @ 10.25% based on a 10-year liability duration.

Since 1999

Most pension funds enjoyed a funded ratio surplus in 1999 but **pension asset growth has underperformed liability growth since by an estimated -196.07%** on a compounded index basis starting at 100 on 12/31/99! Starting at a Funded Ratio of 100.00 on 12/31/99, the estimated funded ratio today would be 59.41%.

Total Returns										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Assets	-2.50	-5.40	-11.41	20.04	8.92	4.43	12.25	6.36	-24.47	15.73
Liabilities	25.96	3.08	19.47	1.96	9.35	8.87	0.81	10.99	33.93	-19.52
Difference:										
Annual	-28.46	-8.48	-30.89	18.08	-0.43	-4.44	11.44	-4.94	-58.40	35.25
Cumulative		-37.60	-73.40	-60.08	-66.13	-76.75	-64.60	-77.50	-181.53	-106.9
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assets	11.89	3.27	11.79	19.04	9.74	1.22	8.12	15.15	-2.96	15.73
Liabilities	10.13	33.77	4.46	-12.59	24.35	-0.49	1.92	7.94	-1.26	17.63
Difference:										
Annual	1.76	-30.50	7.33	31.63	-14.61	1.71	6.20	7.21	-1.70	-1.90
Cumulative	-115.67	-195.73	-194.30	-120.74	-177.14	-172.78	-163.36	-160.34	-162.68	-196.07



More From Ryan ALM

Make Whole Callable Bonds in a Cash Flow Matched Portfolio

We recently got a question from one of our client's consultants regarding the use of Callable Bonds in our cash flow matched bond portfolio. The consultant seemed surprised that we would include them in the universe of acceptable investment-grade bonds to use in an immunized portfolio. Here is the answer from our head of trading that we provided.

"These days it is very difficult to find corporate bonds that do not have a call feature. The majority of them have call provisions. The calls are most often "Make-Whole" call provisions. [Read More](#)

ASOP 51 – Are They Prepared?

When I first heard someone mention ASOP 51, I immediately thought that this individual was speaking about Aesop, a slave and storyteller believed to have lived in ancient Greece between 620 and 564 BCE, and one of his many fairy tales. I suspect that many of our regular readers would accuse me of being the "Boy Who Cried Wolff" for my consistent pronouncements regarding the retirement crisis that continues to unfold. [Read more](#)

The Benefits of Becoming More Liability Aware

For decades, Pension America has focused almost exclusively on cobbling together a portfolio designed to exceed the return on asset assumption (ROA), and for decades many plans have failed. As a result, the ROA objective continues to fall. As we discussed yesterday, in 2010 the median ROA target for public pensions was 8% and today it has fallen to 7.25%. During that period assets have continued to underperform liability growth insuring that the plan's funded status would decline despite the tremendous equity bull market, while contribution expenses have grown exponentially. Is there another approach that should be explored? Absolutely! [Read More](#)

Ryan ALM hires Russ Kamp as Managing Director

July 29, 2019 – Ryan ALM, Inc., a well-known asset/liability manager, custom liability index, and ASC 715 discount rate provider has hired Russell D. Kamp, formerly head of Kamp Consulting Solutions, as Managing Director. Russ will be involved in all aspects of the Ryan ALM business, but his primary focus will be to head sales/marketing and client service.

Ron Ryan, founder of Ryan ALM, reports "Ryan ALM is honored and excited to have Russ Kamp join us. In his capacity as managing director, Russ will oversee our marketing efforts and be directly involved with all aspects of our business. I know of few people with the investment knowledge, acumen and refinement as Russ. He will serve us and our clients well."

Russ Kamp responded, “This is a great opportunity to work with Ryan ALM and especially Ron Ryan, with whom I’ve worked closely for the past 6 years. I believe in the Ryan ALM mission statement to secure benefits in a cost-effective manner with low risk. The financial models here are unique in the pension world (Liability Beta Portfolio and Custom Liability Index) and provide a true synergistic value to any client and their consultant. As a former consultant who appreciates the challenges that plan sponsors face today, I understand the value added that Ryan ALM brings to every plan sponsor.”

Mr. Kamp was formerly founder of Kamp Consulting Solutions (KCS), a full-service asset/liability consulting firm. Prior to KCS, Russ was Director, Asset Management at Two Sigma Investments as well as the Global CEO at Invesco’s IQS Group (Quantitative Strategies). He is a frequent speaker at industry seminars, where he is usually the chairperson, and a prolific author of pension articles and blogs.

Ryan ALM and Ronald J. Ryan, CFA: Awards and Recognition



*William F. Sharpe
Index Lifetime Achievement Award
ETF Product of the Year Award*



Lifetime Achievement Award



*Bernstein Fabozzi/Jacobs Levy Award
Research Paper of the Year*



Most Innovative ETF of the Year Award



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