

MAKE FUNDED STATUS GREAT AGAIN (AGAIN)

December 2, 2016

Topics: [Risk Management](#)

Contributors: Jess B. Yawitz, PhD



[Subscribe](#) to NISA Perspectives, Primers, News and Quarterly Economic Webinar Updates.

The ongoing equity rally and the rise in Treasury yields prompted us to revisit [this analysis](#). Between yesterday's close (December 1) and November 10, when we originally calculated these estimates, the yield of the 30-year Treasury increased 15 bps while the MSCI ACWI climbed 0.3% higher. As a consequence, plan sponsors have likely continued to experience additional funded status gains since the election.

As before, the table below gives a rough estimate of the market's effect on funded status for an 80% funded 14-year duration plan with three different asset allocations and interest rate hedges. For comparison, we've included the improvement in funded status from the Friday before the election (11/4) to both November 10 and December 1.

	% Equity	Interest Rate Hedge	Funded Status Improvement (11/4 - 11/10/16)	Funded Status Improvement (11/4 - 12/01/16)
Allocation A	70%	30%	5.0%	6.8%
Allocation B	60%	40%	4.2%	5.8%
Allocation C	40%	60%	2.8%	3.9%

Source: NISA calculations. Illustrative analysis ignores yield curve effects and assumes equity allocations are entirely invested in ACWI.

Individual results may vary, of course, but these are material funded status gains for only a month's time. Plan sponsors would be prudent to consider locking them in by taking additional steps down their de-risking glidepaths.

Disclaimer: By accepting this material, you acknowledge, understand and accept the following:

This material has been prepared by NISA Investment Advisors, LLC ("NISA"). This material is subject to change without notice. This document is for information and illustrative purposes only. It is not, and should not be regarded as "investment advice" or as a "recommendation" regarding a course of action, including without limitation as those terms are used in any applicable law or regulation. This information is provided with the understanding that with respect to the material provided herein (i) NISA is not acting in a fiduciary or advisory capacity under any contract with you, or any applicable law or regulation, (ii) that you will make your own independent decision with respect to any course of action in connection herewith, as to whether such course of action is appropriate or proper based on your own judgment and your specific circumstances and objectives, (iii) that you are capable of understanding and assessing the merits of a course of action and evaluating investment risks independently, and (iv) to the extent you are acting with respect to an ERISA plan, you are deemed to represent to NISA that you qualify and shall be treated as an independent fiduciary for purposes of applicable regulation. NISA does not purport to and does not, in any fashion, provide tax, accounting, actuarial, recordkeeping, legal, broker/dealer or any related services. You should consult your advisors with respect to these areas and the material presented herein. You may not rely on the material contained herein. NISA shall not have any liability for any damages of any kind whatsoever relating to this material. No part of this document may be reproduced in any manner, in whole or in part, without the written permission of NISA except for your internal use. This material is being provided to you at no cost and any fees paid by you to NISA are solely for the provision of investment management services pursuant to a written agreement. All of the foregoing statements apply regardless of (i) whether you now currently or may in the future become a client of NISA and (ii) the terms contained in any applicable investment management agreement or similar contract between you and NISA.