FTSE Pension Liability Index and Discount Curve - Above Medium

Corporate | US Dollar

The FTSE Pension Liability Index reflects the discount rate that can be used to value liabilities for GAAP reporting purposes. Along with the rate, monthly returns and durations for the index's liabilities are made available. Created in 1994, it is a widely used tool for plan sponsors and actuaries to value defined-benefit pension liabilities in compliance with the SEC's and FASB's requirements on the establishment of a discount rate. The index also provides an investment performance benchmark for asset-liability management. By monitoring the index's returns over time, investors can gauge changes in the value of pension liabilities.

The FTSE Pension Liability Index is derived from Pension Discount Curve, which is a set of yields on hypothetical AA zero coupon bonds whose maturities range from 6 months up to 30 years. The yields of the FTSE Pension Discount Curve are used to discount pension liabilities. It is calculated based on a universe of AA rated corporate bonds from the FTSE US Broad Investment-Grade Bond Index (USBIG) and the yields of the Treasury model curve produced by the Yield Book.

CONSTRUCTION OF THE FTSE PENSION DISCOUNT CURVE

The FTSE Pension Discount Above Median Curve is constructed by combining two curves: the Treasury Model Curve and a double-A corporate spread curve. The Treasury Model Curve is taken from the Yield Book as is, while the double-A corporate spread curve is generated using the following steps:

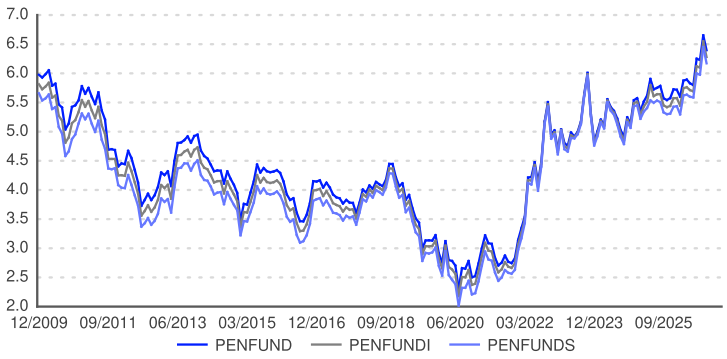
1. From the FTSE USBIG Corporate Bond Index, create an universe of corporate bonds with rating of Aa1, Aa2, and Aa3 by Moody's or AA+, AA, and AA- by Standard & Poor's.
2. Remove callable bonds with less than three years of call protection and less than ten points between the earliest call price and the market price.
3. Divide the bonds into five maturity buckets: 1-3 years, 3-7 years, 7-15 years, 15-25 years, and 25+ years.
4. Within each maturity bucket, remove any bonds with an option-adjusted spread (OAS) of more than two standard deviations above the market-weighted option-adjusted spread within the bucket. The option-adjusted spread is calculated as the spread to the Treasury Model Curve.
5. Within each maturity bucket, select for the bonds with an OAS above the median of their respective maturity bucket.
6. Calculate the market-weighted average OAS of the remaining bonds in each maturity bucket.
7. The spread curve is then interpolated between the averages from each bucket, assuming the averages are "placed" at the mid-point of each bucket (except for the 25-30 year bucket, in which case the average is placed at the 29.5-year point).
8. Combine the spread curve with the Treasury Model Spot Curve to create a spot double-A above median corporate curve.

FTSE Russell offer customization options for the Pension Liability Index and Pension Discount Curve that accommodate investor-specific liability schedules, use alternate construction of the initial universe of bonds, or calculate credit exposure of pension liabilities relative to the Pension Discount Curve.

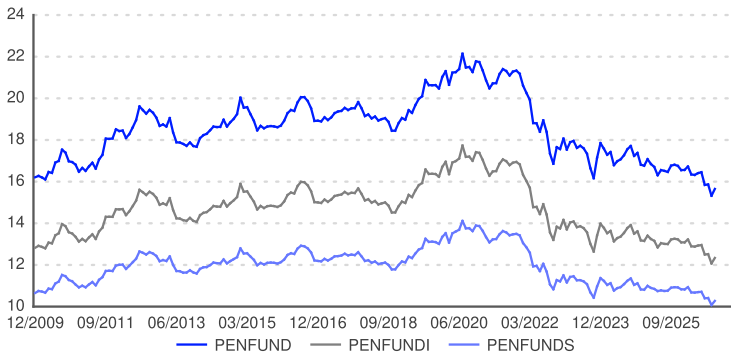
INDEX PROFILE

Description	Discount Rate (%)	Duration	Monthly Return (%)	YTD Return (%)
FTSE Pension Liability Index	**6.396006**	**15.650804**	**4.438500**	**-5.397053**
FTSE Pension Liability Index - Intermediate	6.279892	12.337682	3.741854	-3.791010
FTSE Pension Liability Index - Short	6.171297	10.274492	3.327978	-2.799822

HISTORICAL DISCOUNT RATE



HISTORICAL DURATION



Source: FTSE Russell as of October 31, 2026. Past performance is no guarantee of future results.
Returns shown before the index launch date reflect hypothetical historical performance.
Please see the end for important legal disclosures.

ANNUALIZED RETURNS (in %)

	FTSE Pension Liability Index AM	Intermediate	Short
	USD Unhedged	USD Unhedged	USD Unhedged
YTD*	-5.397053	-3.791010	-2.799822

* Not annualized

INDICES IN PENSION LIABILITY INDEX SUITE

FTSE Pension Liability AAA Index

FTSE Above Median Triple-A Index

FTSE Pension Liability Index

FTSE Above Median Double-A Index

FTSE Pension Liability A Index

FTSE Above Median Single-A Index

FTSE Pension Liability BBB Index

FTSE Above Median Triple-B Index

FTSE Pension AAA/AA Liability Index

FTSE Above Median AAA/AA Index

FTSE Pension AAA/AA/A Liability Index

FTSE Above Median AAA/AA/A Index

FTSE Pension Liability Investment-Grade Index

FTSE Above Median Investment-Grade Index

FTSE Pension Liability Investment-Grade Broad Bond Index, excl. Treasuries

FTSE Above Median Investment-Grade Broad Bond Index, excl. Treasuries

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