

## SOLUTION OVERVIEW

# FTSE Pension Liability Index

An investment performance benchmark for asset-liability management



Created in 1994, The FTSE Pension Liability Index helps plan sponsors and actuaries value defined-benefit pension liabilities in line with US GAAP and IFRS requirements. Comprising the FTSE Pension Liability Index and the FTSE Pension Discount Curve, the updated suite of rates covers a variety of credit types and ratings.

### Index Overview

Derived from the FTSE Pension Discount Curve, the FTSE Pension Liability Index reflects the discount rate that can be used to value liabilities for GAAP reporting purposes.

#### FTSE Pension Liability Index (PLI)

Used for calculating the present value of future cash flow liabilities based on zero-coupon rates on hypothetical bonds matching Liability Driven Investment risk profiles.

#### FTSE Pension Discount Curve (PDC)

Provides a set of individual discount rates at 6-month intervals which would produce the same present value as the PLI for a standardised set of liabilities.

### Key Offerings



Complete history in every monthly file



Daily history month-to-date and complete monthly history in every daily file



Above Median files with only AM-OAS securities for higher discount rates



FTSE Pension Discount Curve with individual discount rates for customised discounting

### Expanded FTSE PLI Suite

In addition to the FTSE Pension Liability Index, FTSE Russell offers an Above Median version of each curve and liability index. These variants select for the bonds with an OAS above the median of their respective maturity bucket. FTSE Russell delivers separate files for each Above Median Curve/Index.

FTSE Pension Liability Index*	FTSE Above Median Pension Liability Index*
FTSE Pension Liability AAA Index	FTSE Above Median Pension Liability AAA Index
FTSE Pension Liability A Index	FTSE Above Median Pension Liability A Index
FTSE Pension Liability BBB Index	FTSE Above Median Pension Liability BBB Index
FTSE Pension AAA/AA Liability Index	FTSE Above Median Pension AAA/AA Liability Index
FTSE Pension AAA/AA/A Liability Index	FTSE Above Median Pension AAA/AA/A Liability Index
FTSE Pension Liability Investment-Grade Index	FTSE Above Median Pension Liability Investment-Grade Index
FTSE Pension Liability Investment Grade Broad Bond Index, excl. Treasuries	FTSE Above Median Pension Liability Investment Grade Broad Bond Index, excl. Treasuries

\* Live since 31 December 2009. Files contain complete monthly history to date.

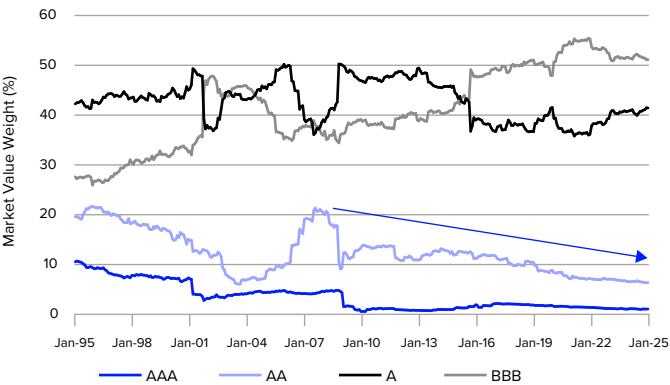
Purpose of Expansion

Expanding across liabilities and credit-ratings will better reflect pension fund discount rates and returns on liability-driven investments

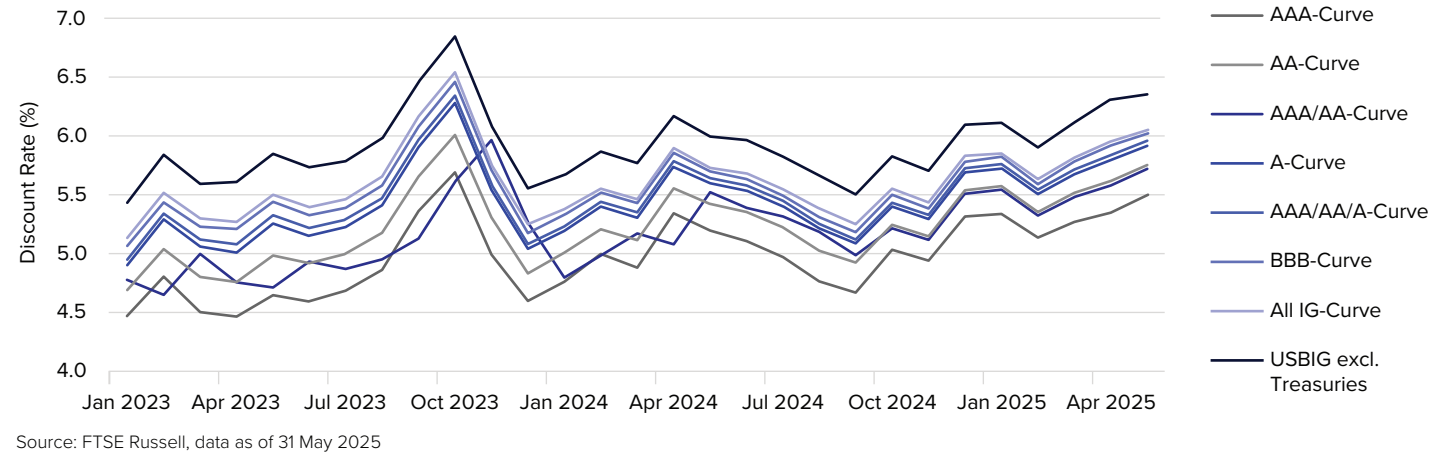
- Below AA-rated investment grade credit ratings have frequently shown higher investment returns without adding excess risk to portfolios
- Pension funds have been increasingly adding non-AA rated liabilities to their portfolios to increase expected returns
- Pension funds and asset managers have also increasingly diversified their risk across liability types, including via mortgage-backed securities and GSE issues

FTSE USBIG Corporate Bond Index by Quality

AA-rated bonds are representing a progressively narrower slice of the investment-grade corporate universe



Pension Liability Index History – Discount Rates per Index in Expanded Suite



Case Study of Use-Cases for the Pension Discount Curve

Client Type	Objective	FTSE PLI Solution
Pension Asset Manager	Attribute asset-liability performance to liability-specific factors	A set of custom pension discount curves can be produced that enables the client to attribute the returns of their liabilities to market factors, carry, credit rating changes, and discount curve rules.
Pension Asset Manager	Evaluate the impact of credit rating changes on liability returns	To help clients isolate the impact of upgrades and downgrades, a custom discount curve is produced using ratings unchanged from the previous month and compare with the official pension discount curve.
Pension Asset Manager	Evaluate the spread exposure of pension liabilities to issuers and sectors	Bespoke analysis can determine the exact exposure of pension liabilities to industry sectors and each issuer in the PLI universe.
Pension LDI Advisor	Determine the timing of asset allocation changes for a glide-path strategy	The daily Pension Discount Curve can be used to monitor liability values on a daily basis to identify when trigger funding levels have been reached, enabling them to adjust their investment mix according to glide-path requirements.

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