Overview
S&P STRIDE Indices measure the performance of a liability-driven investment (LDI) strategy that incorporates a traditional glidepath approach within a multi-asset framework with a focus on theoretical inflation-adjusted (“real”) retirement income. Each vintage reflects a target year for retirement.

The “Cost of Retirement Income” reflects the cost of an inflation-adjusted stream of cash flows equal to USD 1 per year, starting at the assumed retirement date and ending 25 years later. The interest rates used to discount the hypothetical future cash flows to the present are derived from the current U.S. TIPS curve.

Decumulation Rates represent theoretical distributions from net decumulation rate (“NDR”) indices. They are computed by dividing an index’s decumulation points (hypothetical distributions from NDR indices) by the index levels prior to the distribution. The ratios are annualized to calculate the decumulation rate.

Monthly decumulation points are calculated by: 1) multiplying the index level by the corresponding TIPS-LDI weight, and then 2) dividing by 12 times the Cost of Retirement Income. For each calendar year after the target date maturity, decumulation points are determined based on the index levels as of the end of January. The same number of decumulation points will then be distributed on a monthly basis for the rest of the calendar year.

For more information, please see the S&P STRIDE Index Series Methodology and the S&P STRIDE Supplemental Data Guide.

Commentary
The cost of retirement income rose across the board in the second quarter. Higher inflation expectations and low nominal yields contributed to negative real interest rates, sending the cost of retirement income above USD 25 for most vintages.

Longer-dated vintages were particularly impacted given their higher sensitivities to real interest rate changes. For example, the 19.07% quarterly increase in the cost of retirement income for the 2065 vintage nearly matched the S&P Composite 1500’s 20.8% quarterly gain.

Focusing on income volatility instead of returns volatility impacted asset allocations within a traditional glidepath approach. Nearer-dated S&P STRIDE indices had significantly higher allocations to Treasury Inflation-Protected Securities (TIPS) than their S&P Target Date counterparts.
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Charts and graphs are provided for illustrative purposes. Past performance is not an indication or guarantee of future results. The charts and graphs may reflect hypothetical historical performance. All information presented prior to the launch date is back-tested. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index(es) was officially launched. However, it should be noted that the historic calculations of an Economic Index may change from month to month based on revisions to the underlying economic data used in the calculation of the index. Complete index methodology details are available at www.spdji.com. It is not possible to invest directly in any index.

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Another limitation of using back-tested information is that the back-tested calculation is generally prepared with the benefit of hindsight. Back-tested data and/or information reflects the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities, fixed income, or commodities markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

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