PAMIC
Pennsylvania Association of Mutual Insurance Companies

State of the Investment Market

September 2025

SLC Management

Biography

Tom Klem, ASA, MAAA

Managing Director, Head of Insurance Product Specialty, SLC Management

In this role, Tom leverages his deep experience in portfolio management, insurance solutions, actuarial, regulation, and relationship management to analyze and assess the investment approach for current and future clients of SLC Management, so that they might achieve their investment objectives.

Tom joined the firm (then Prime Advisors) in 2005 and has over 28 years of investment and actuarial experience. In his current role, Tom oversees multiple insurance client relationships, ensuring that investment opportunities are integrated with insurance operational requirements, based on financial modeling, peer comparisons, stress testing and other quantitative analyses.

Tom's portfolio of work at SLC Management includes portfolio management, insurance solutions and overall strategy for our insurance clients. Past experience includes a variety of life actuarial and investment roles at Travelers, as well as property and casualty actuarial roles at Insurance Services Office.

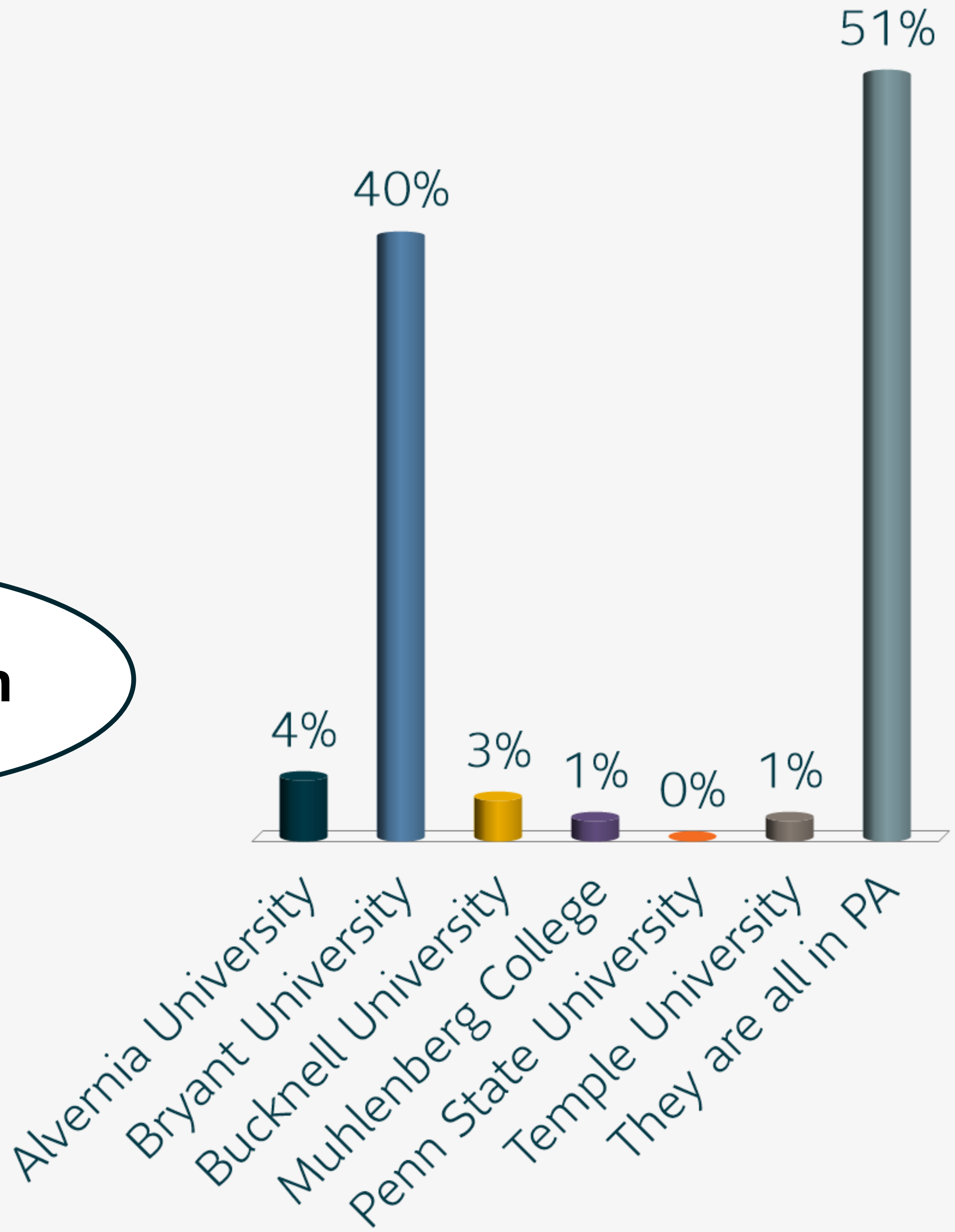
Tom graduated with a Bachelor of Arts from Bucknell University, with a double major in Mathematics and Computer Science. Tom is an Associate in the Society of Actuaries (ASA) and a member of the American Academy of Actuaries (MAAA).

Audience participation

Which of the following colleges is <u>NOT</u> in Pennsylvania?

1. Alvernia University
2. Bryant University
3. Bucknell University
4. Muhlenberg College
5. Penn State University
6. Temple University
7. They are all in PA

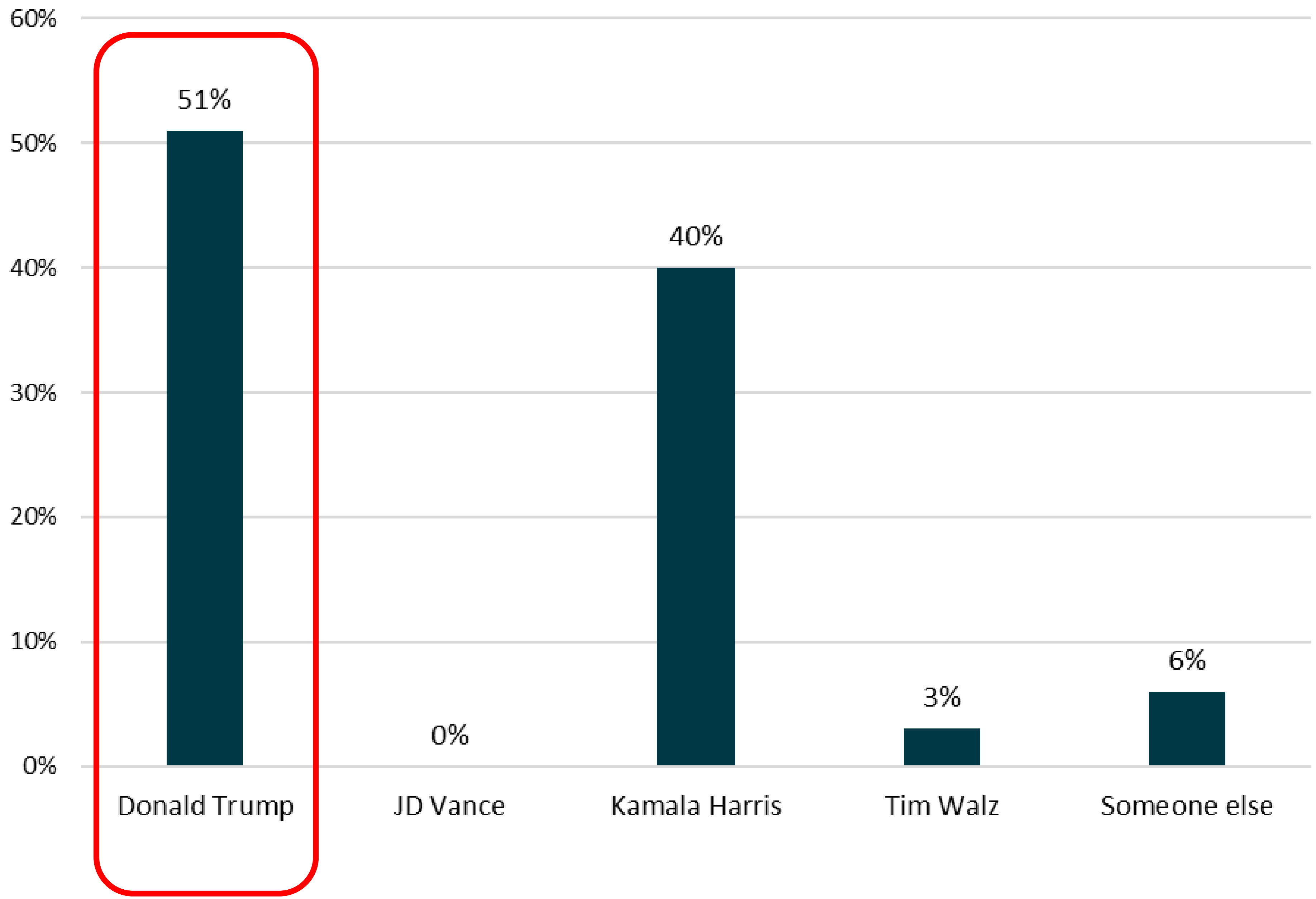
7 years of college, down the drain



ECONOMIC UPDATE

2024 Survey Question

9/9/2024: Who will be President a year from now?



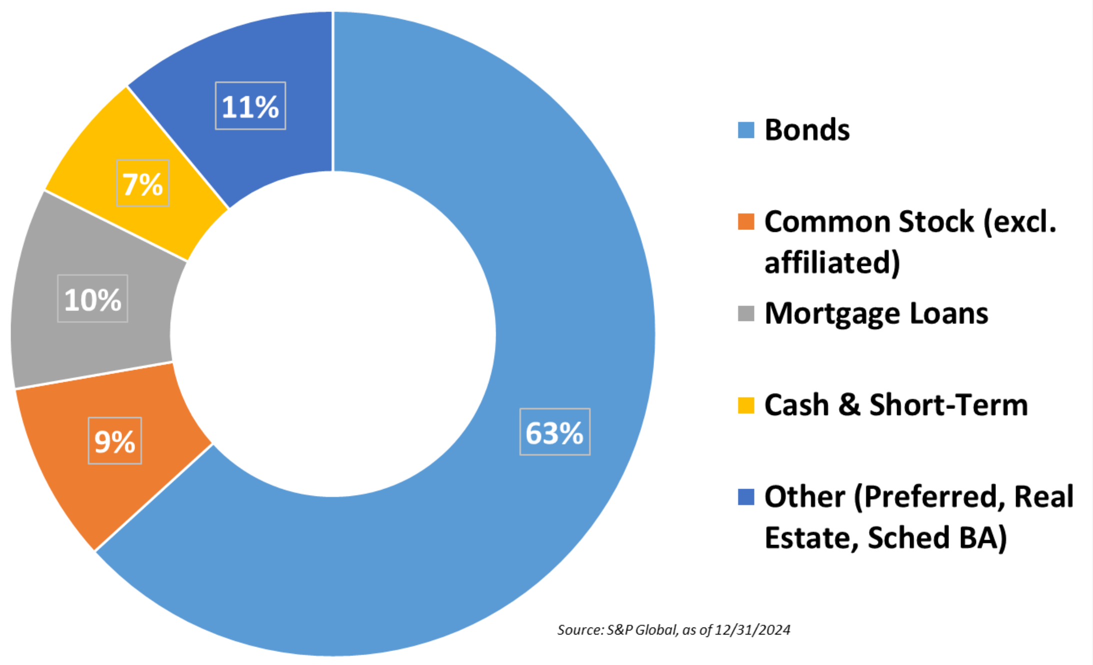
IASA NYNJ MID-ATLANTIC

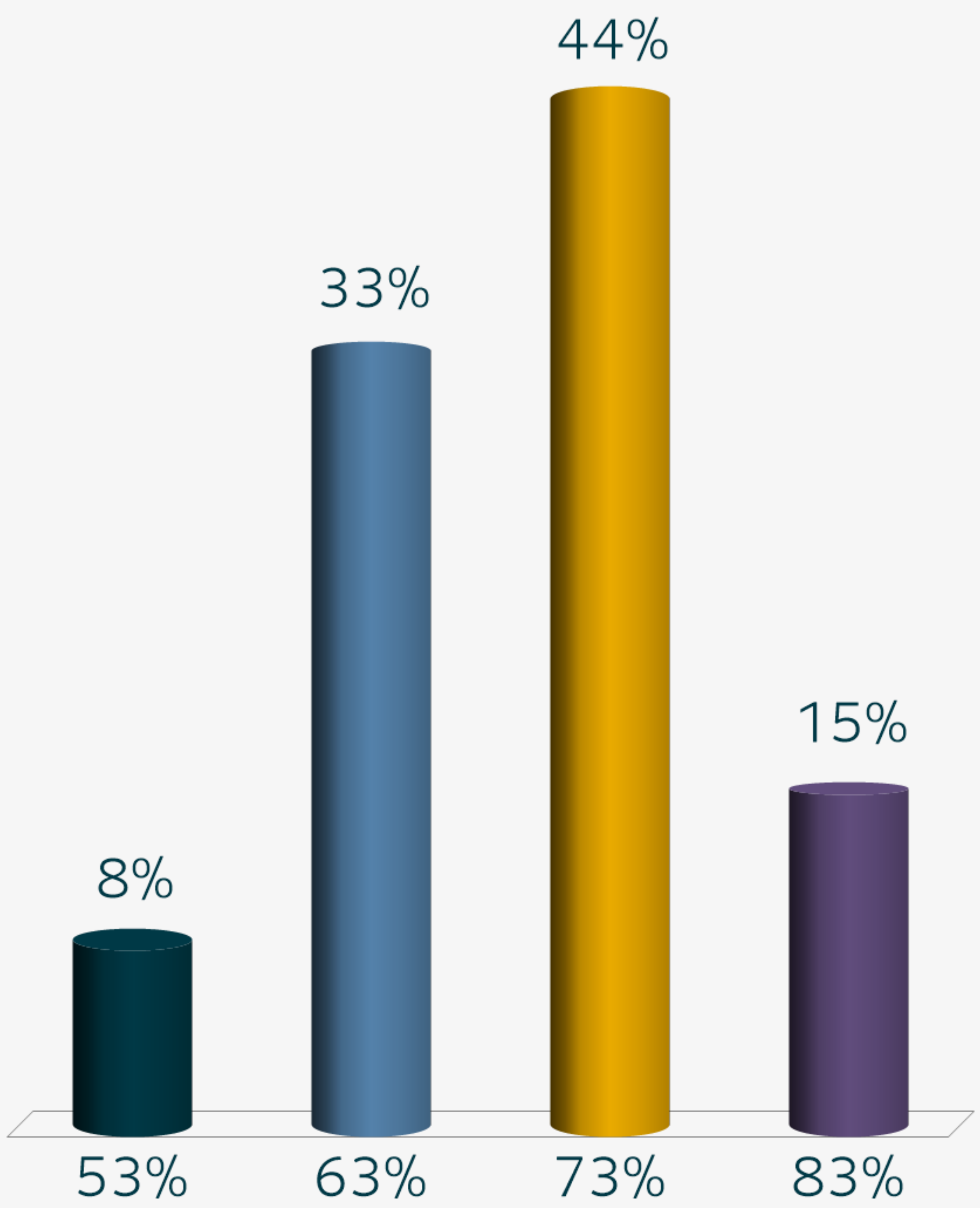
Asset Allocation

MULTIPLE CHOICE

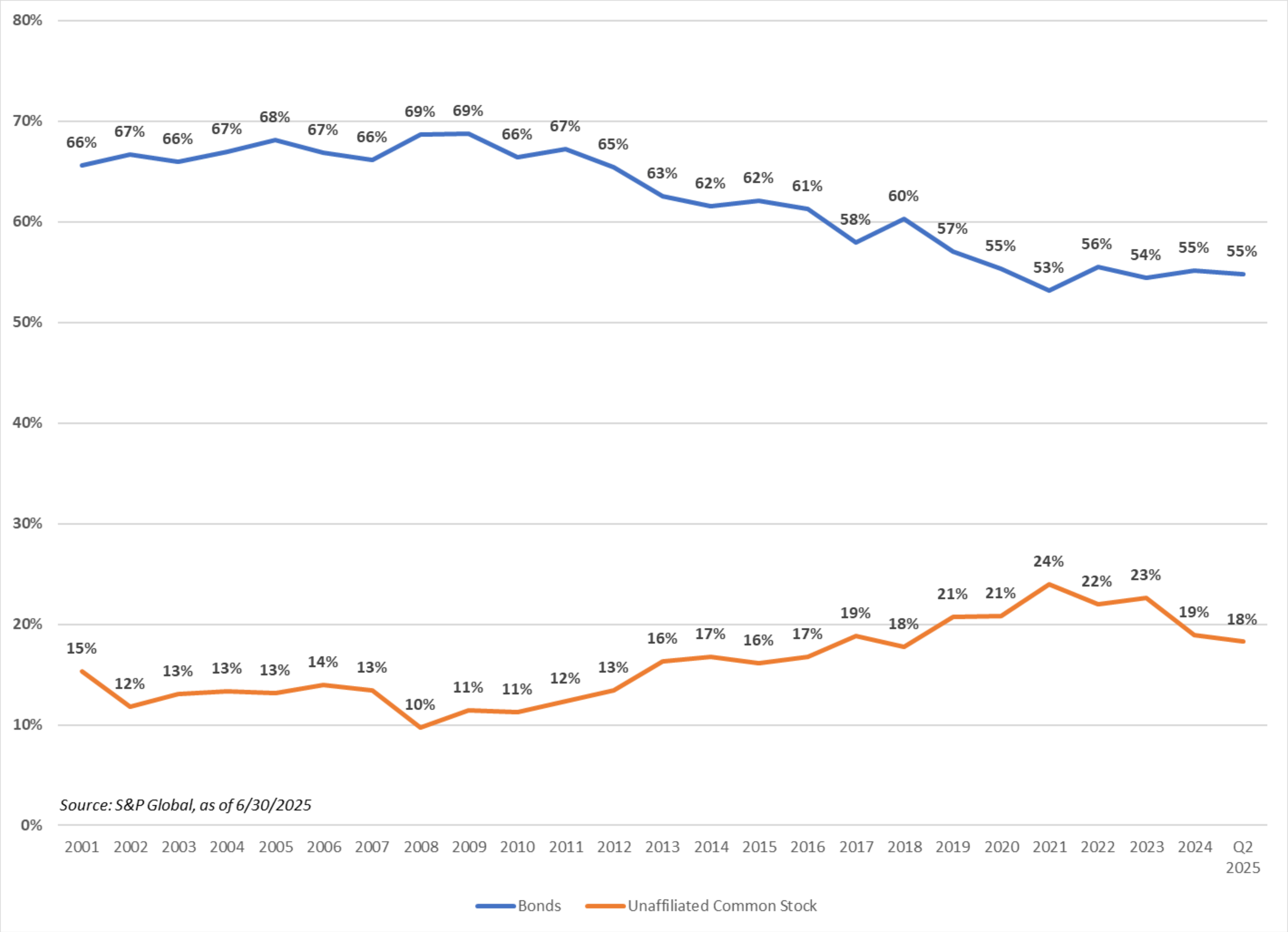
How much did **all insurers** *(P&C, life, health) invest in bonds in 2024?*

1. 53%
2. 63%
3. 73%
4. 83%





Bonds vs. Stocks

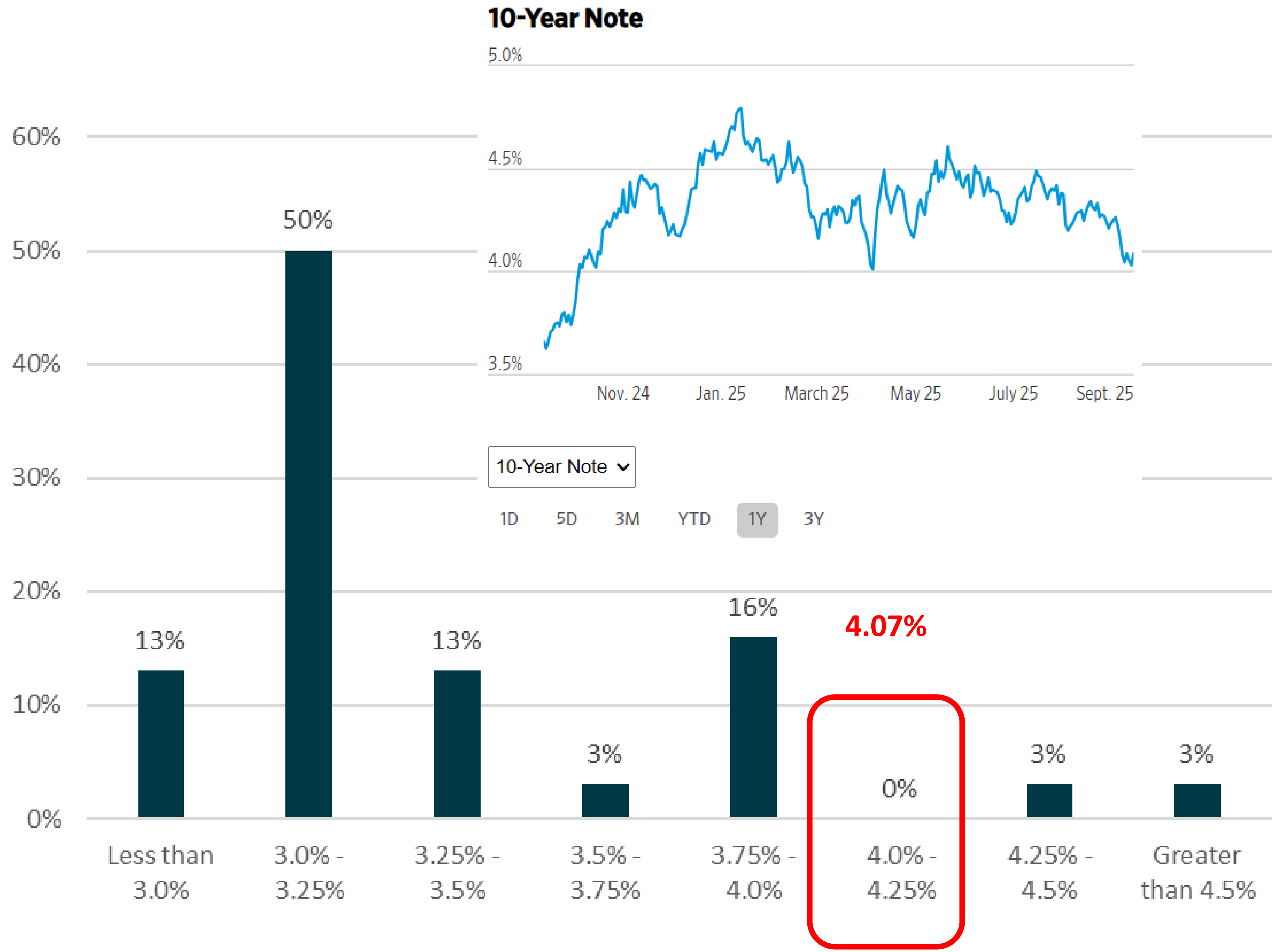


Sources: S&P Global Market Intelligence as of June 30, 2024

ECONOMIC UPDATE

2024 Survey Question

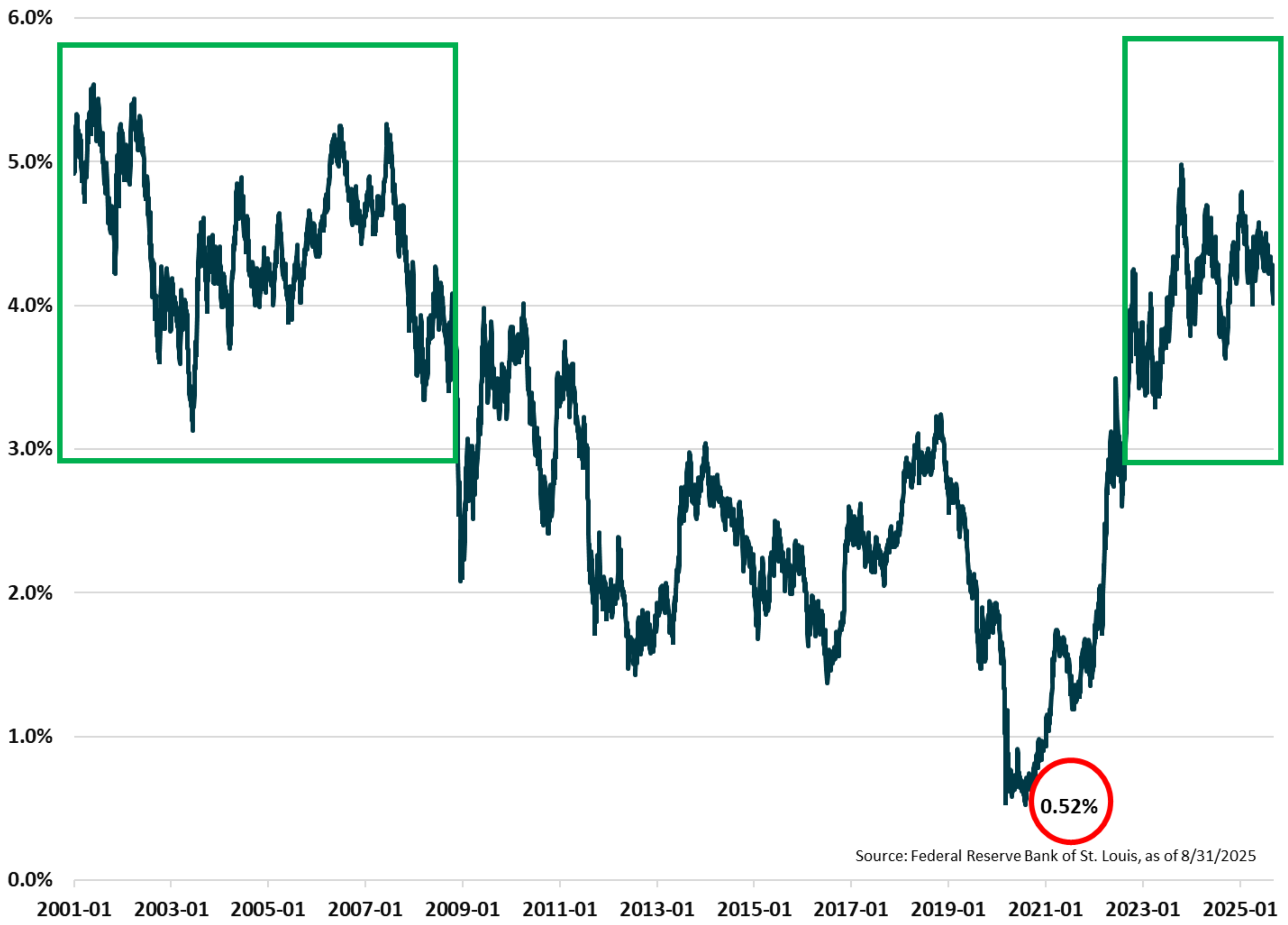
9/9/2024: The 10-year Treasury currently yields **3.72%**. What will it yield one year from now?



Sources: Wall Street Journal as of September 12, 2025

ECONOMIC UPDATE

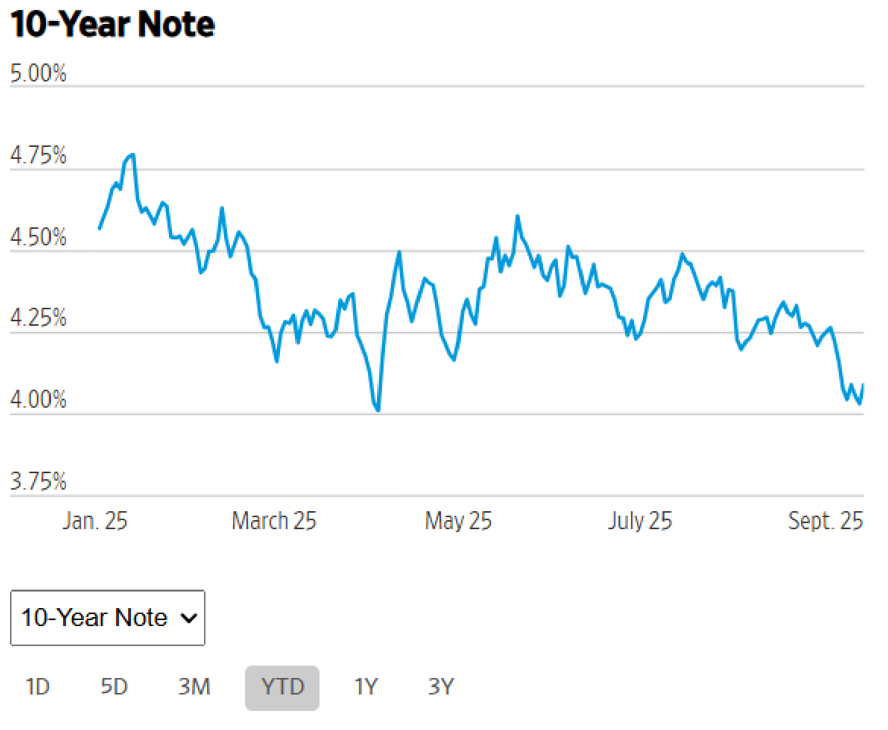
10 Year US Treasury Yield 2001-2025

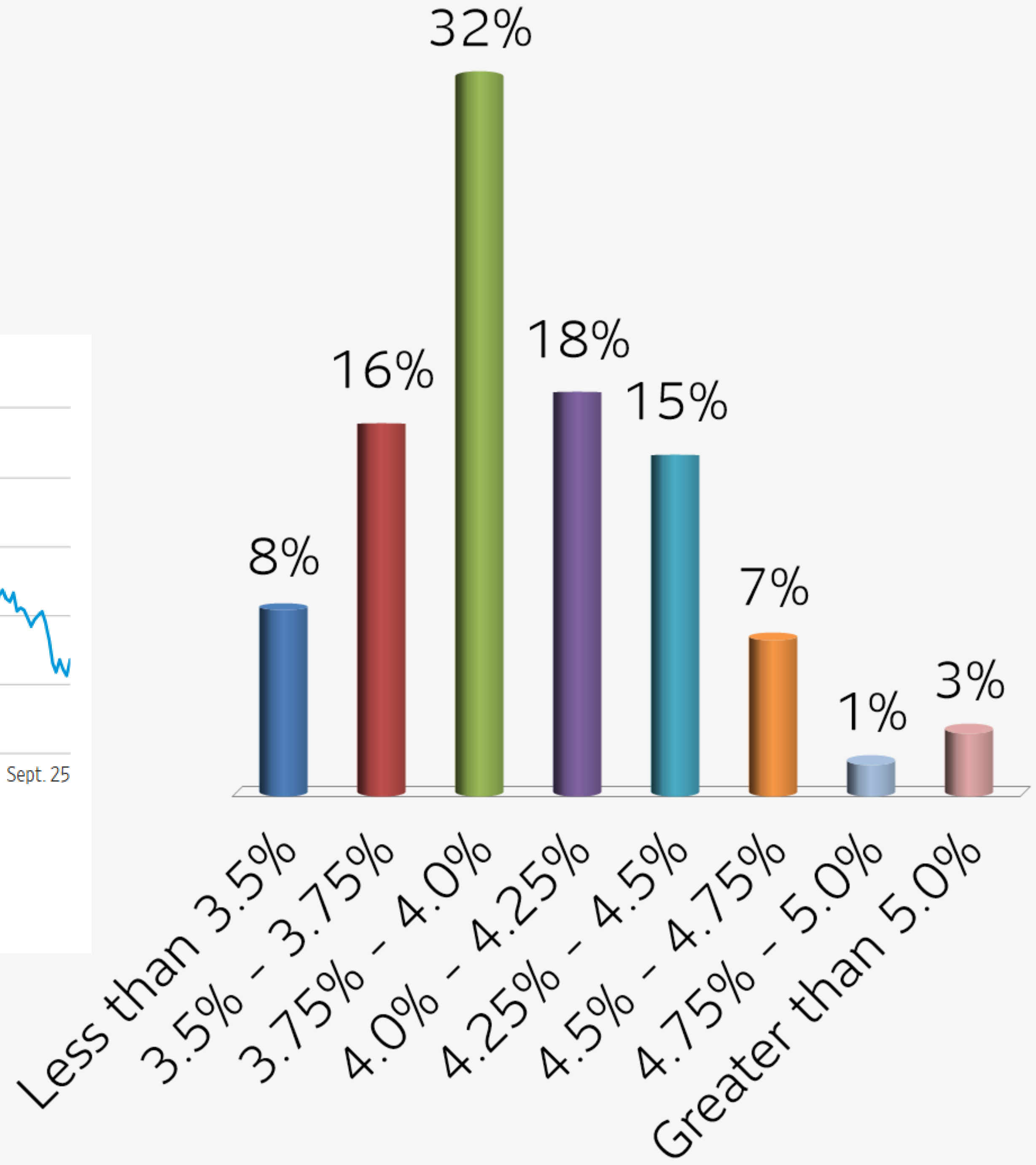


SURVEY QUESTION (NO POINTS)

The 10-year Treasury currently yields 4.04%. What will it yield on ***December 31, 2025****?*

1. Less than 3.5%
2. 3.5% - 3.75%
3. 3.75% - 4.0%
4. 4.0% - 4.25%
5. 4.25% - 4.5%
6. 4.5% - 4.75%
7. 4.75% - 5.0%
8. Greater than 5.0%





Sources: Wall Street Journal as of September 12, 2025

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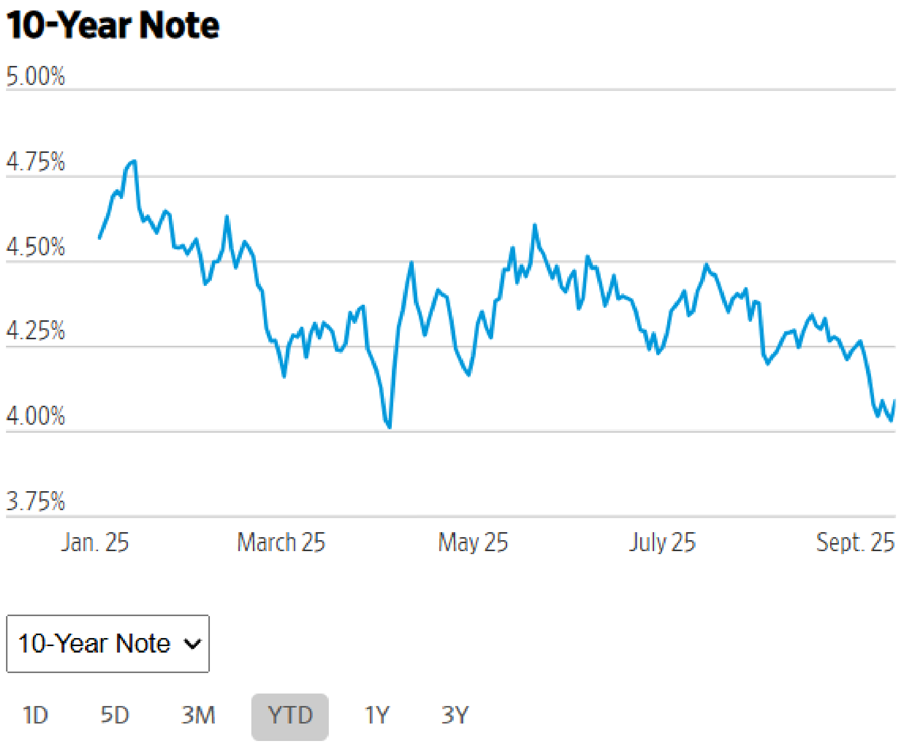
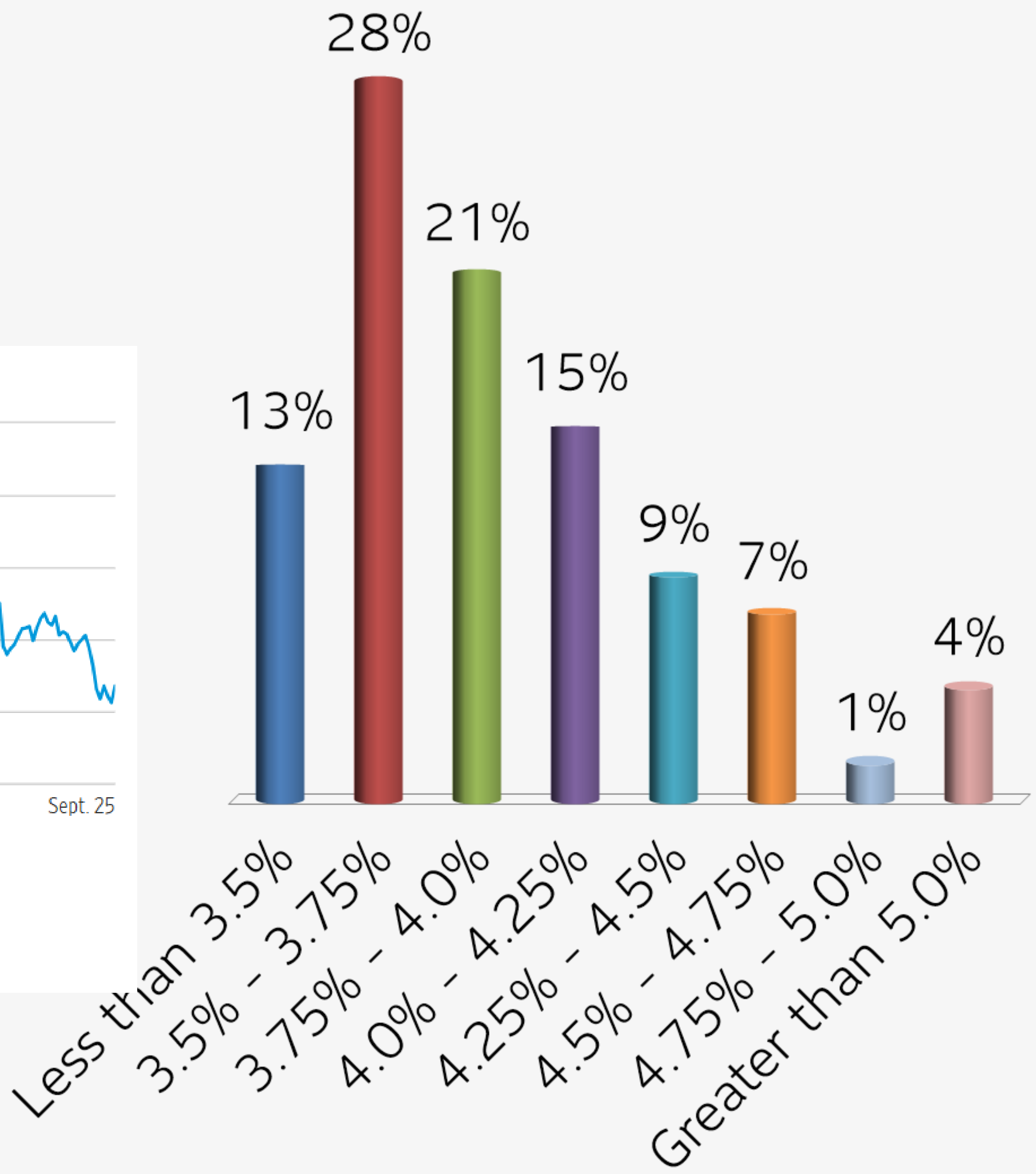
1. Less than 3.5%
2. 3.5% - 3.75%
3. 3.75% - 4.0%
4. 4.0% - 4.25%
5. 4.25% - 4.5%
6. 4.5% - 4.75%
7. 4.75% - 5.0%
8. Greater than 5.0%



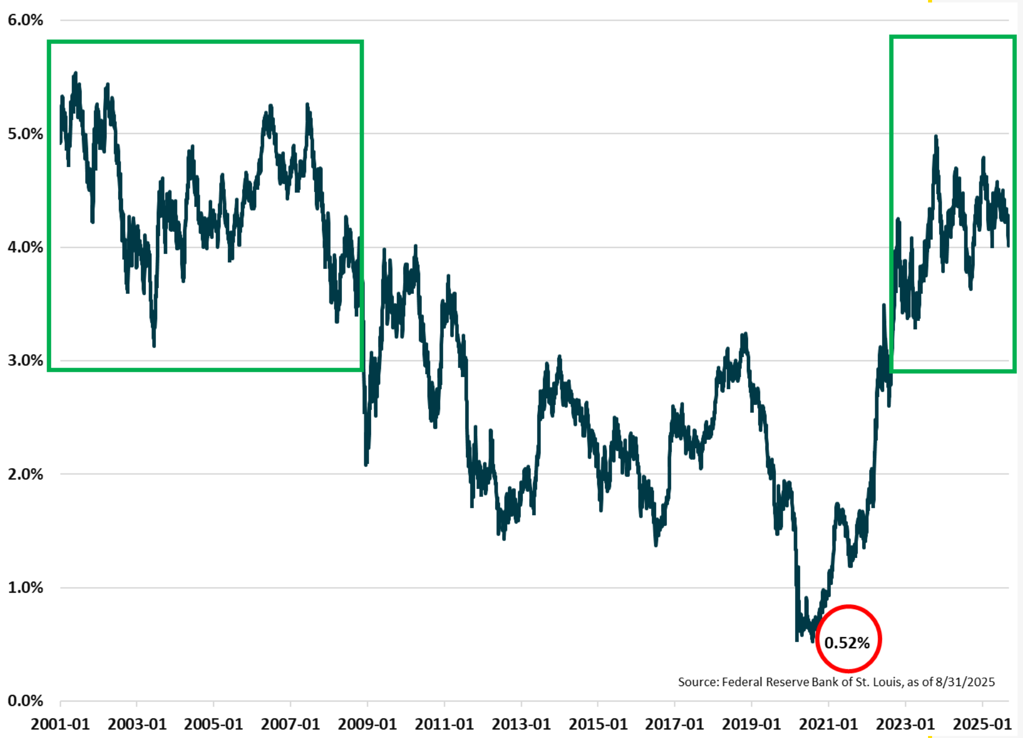


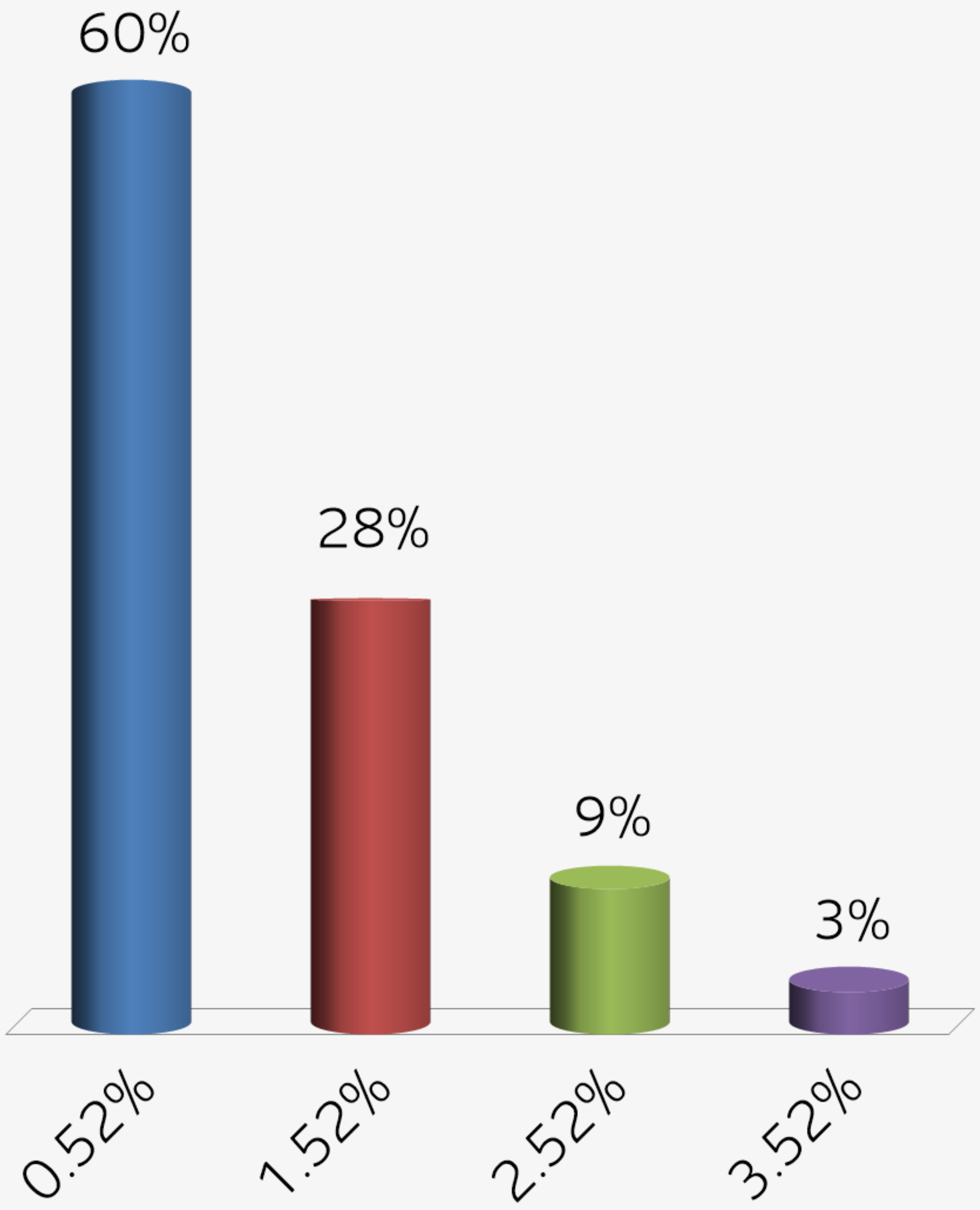
Sources: Wall Street Journal as of September 12, 2025

MULTIPLE CHOICE

What was the lowest 10 year Treasury yield in the 21st century?

1. 0.52%
2. 1.52%
3. 2.52%
4. 3.52%





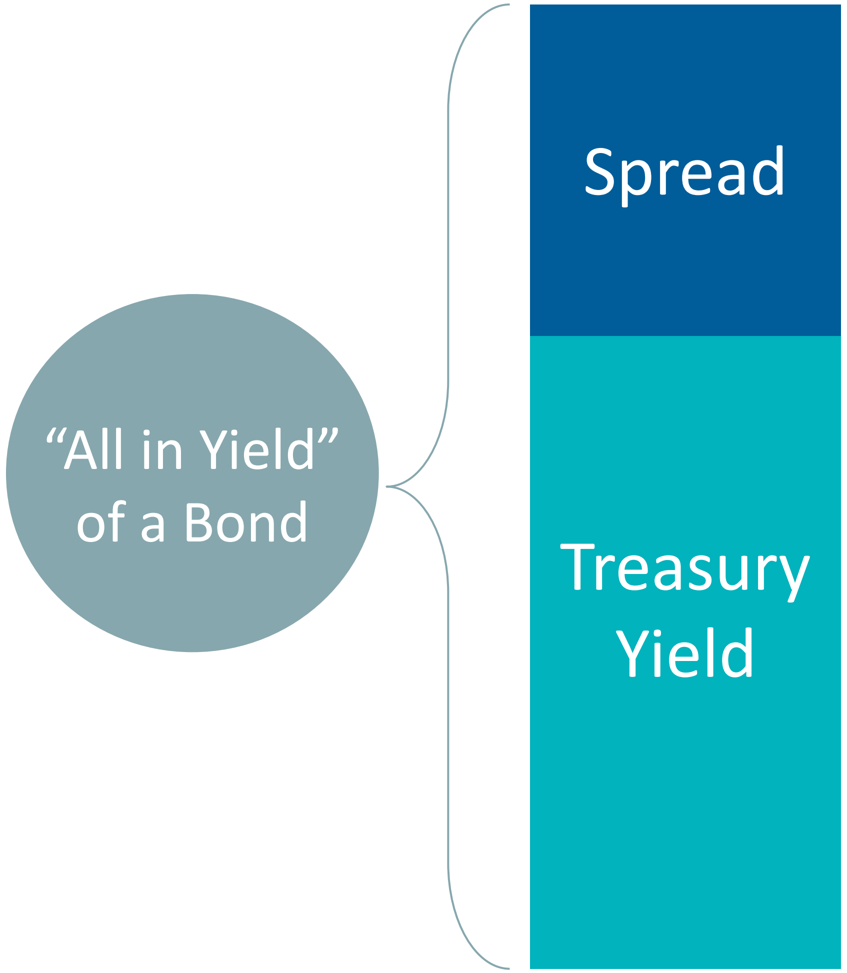
Basic Bond Terminology

MATURITY DATE

PRINCIPAL PAYMENT

COUPON PAYMENT

Structure of a Bond



Drivers of Spread Level

- Credit Quality
- Duration
- Liquidity
- Complexity

Example

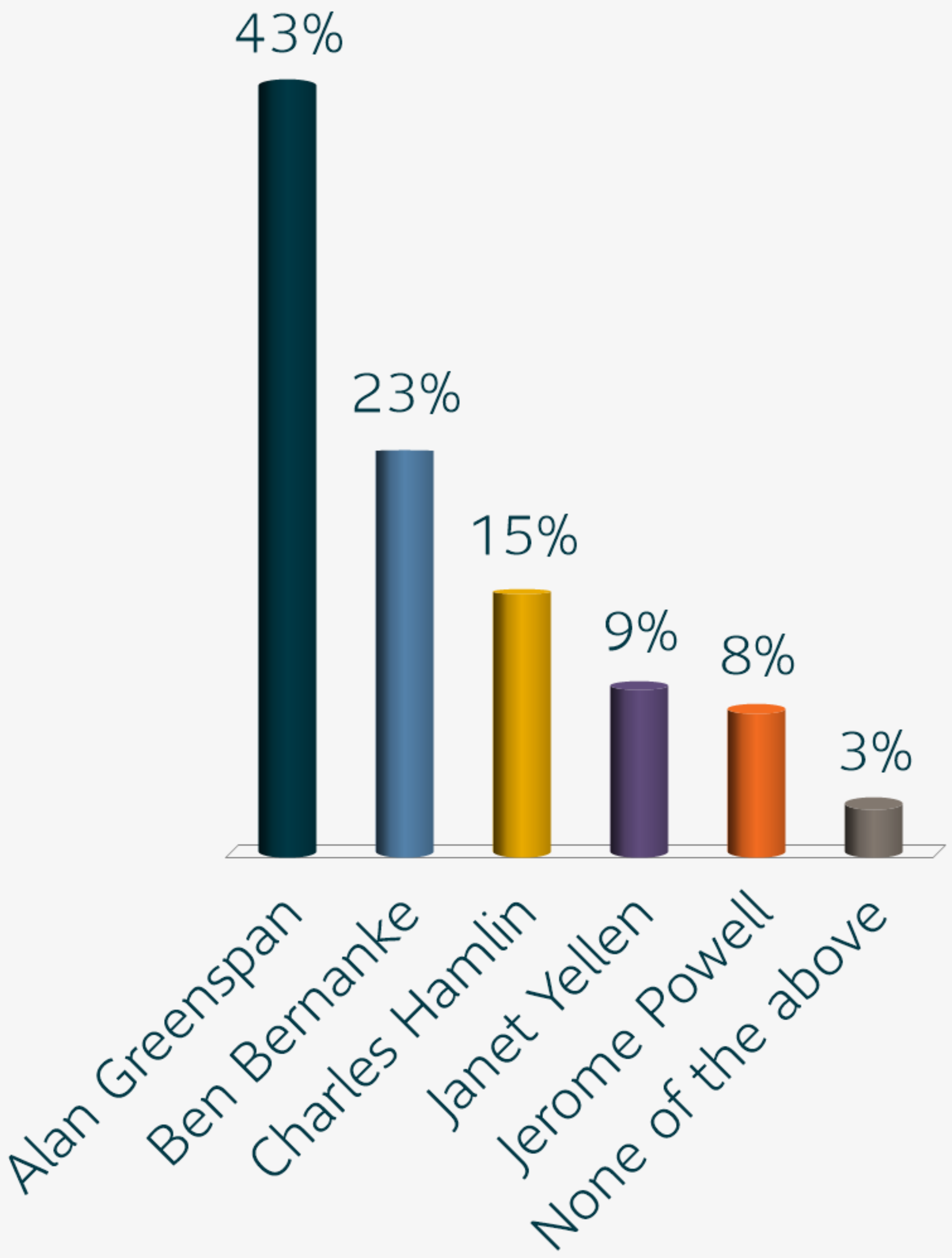
Maturity date:	10/31/2032 *(10 years)*
Base level:	4.00% *(10-year Treasury Yield)*
Spread level:	150 bps = 1.50%
All in Yield:	5.50%

The Federal Reserve

MULTIPLE CHOICE

Who was the chair of the Federal Reserve in the beginning of the 21st century?

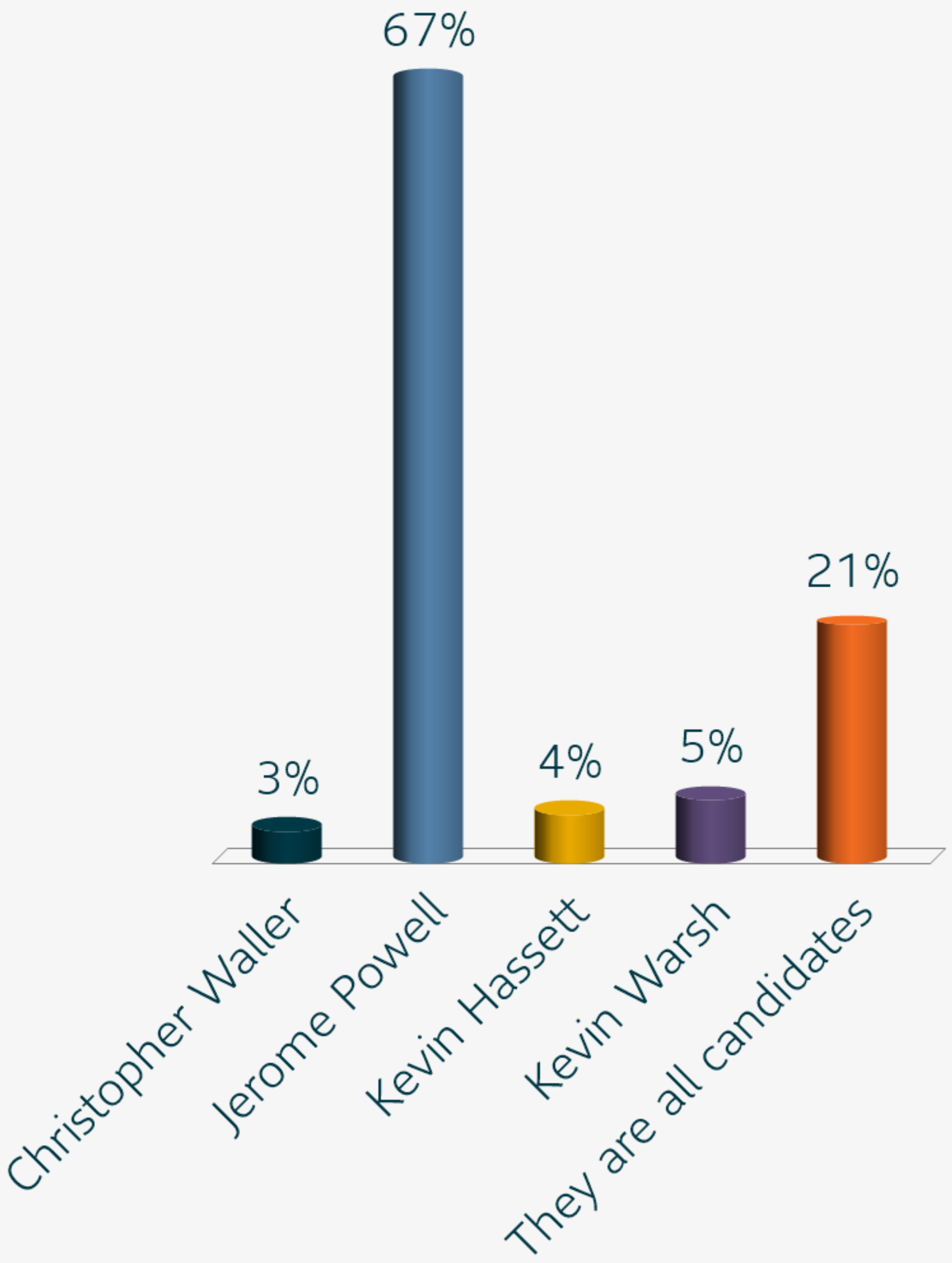
1. Alan Greenspan
2. Ben Bernanke
3. Charles Hamlin
4. Janet Yellen
5. Jerome Powell
6. None of the above



MULTIPLE CHOICE

Which of the following is NOT a candidate to be the next chair of the Federal Reserve?

1. Christopher Waller
2. Jerome Powell
3. Kevin Hassett
4. Kevin Warsh
5. They are all candidates

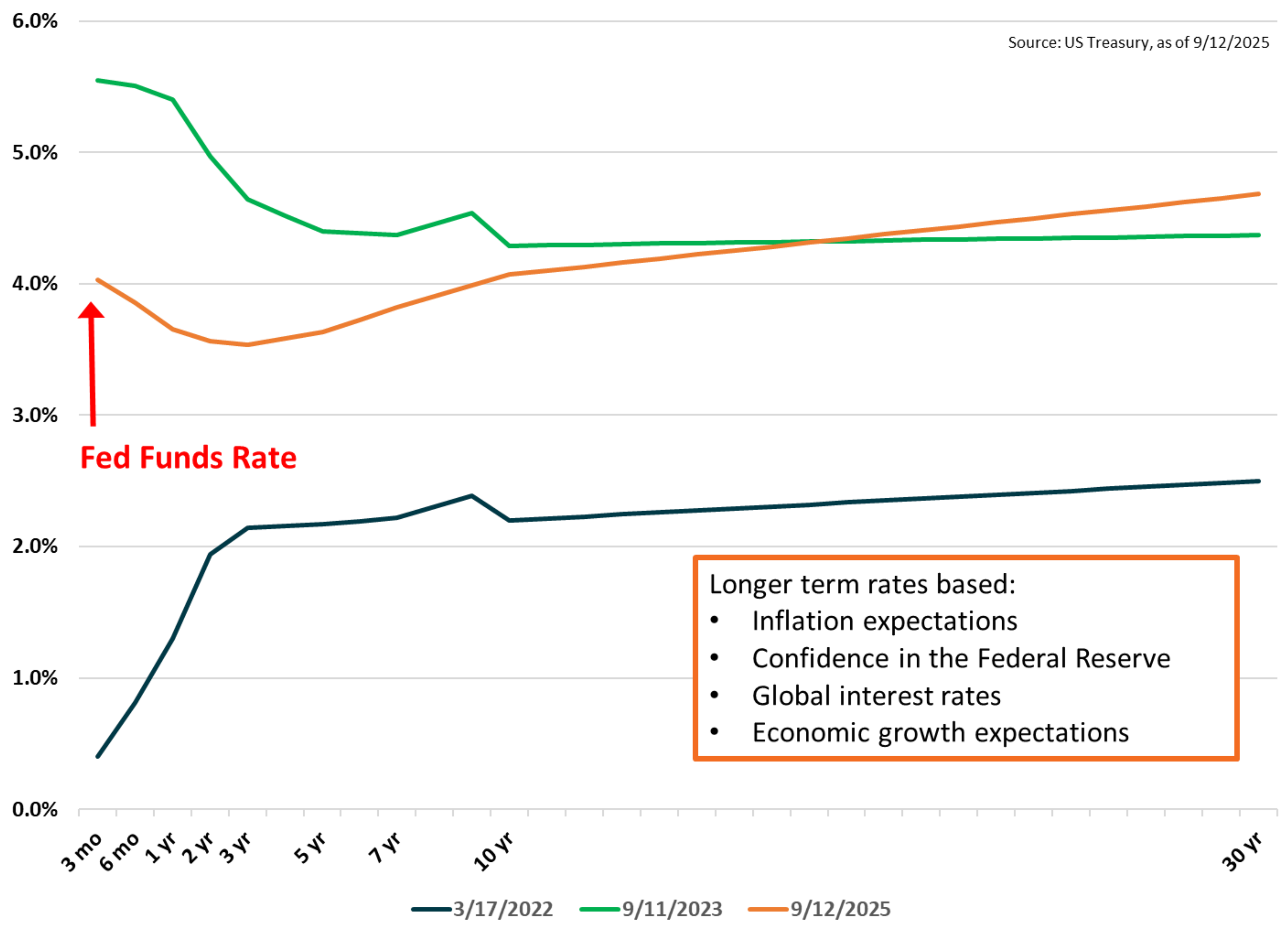


Who is more likely to secure a third term in their respective office?

1. Jerome Powell
2. Donald Trump

ECONOMIC UPDATE

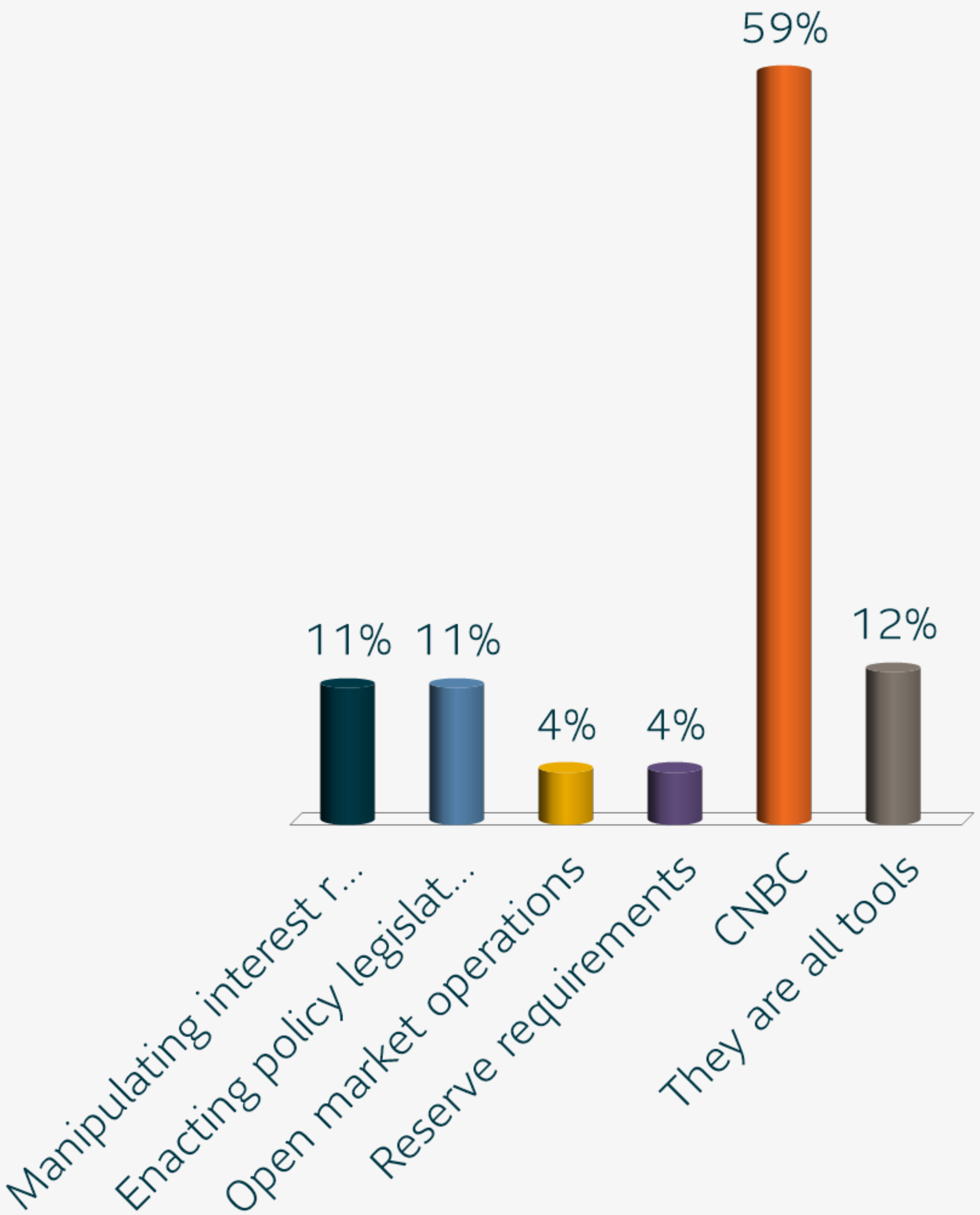
U.S Treasury yields



MULTIPLE CHOICE

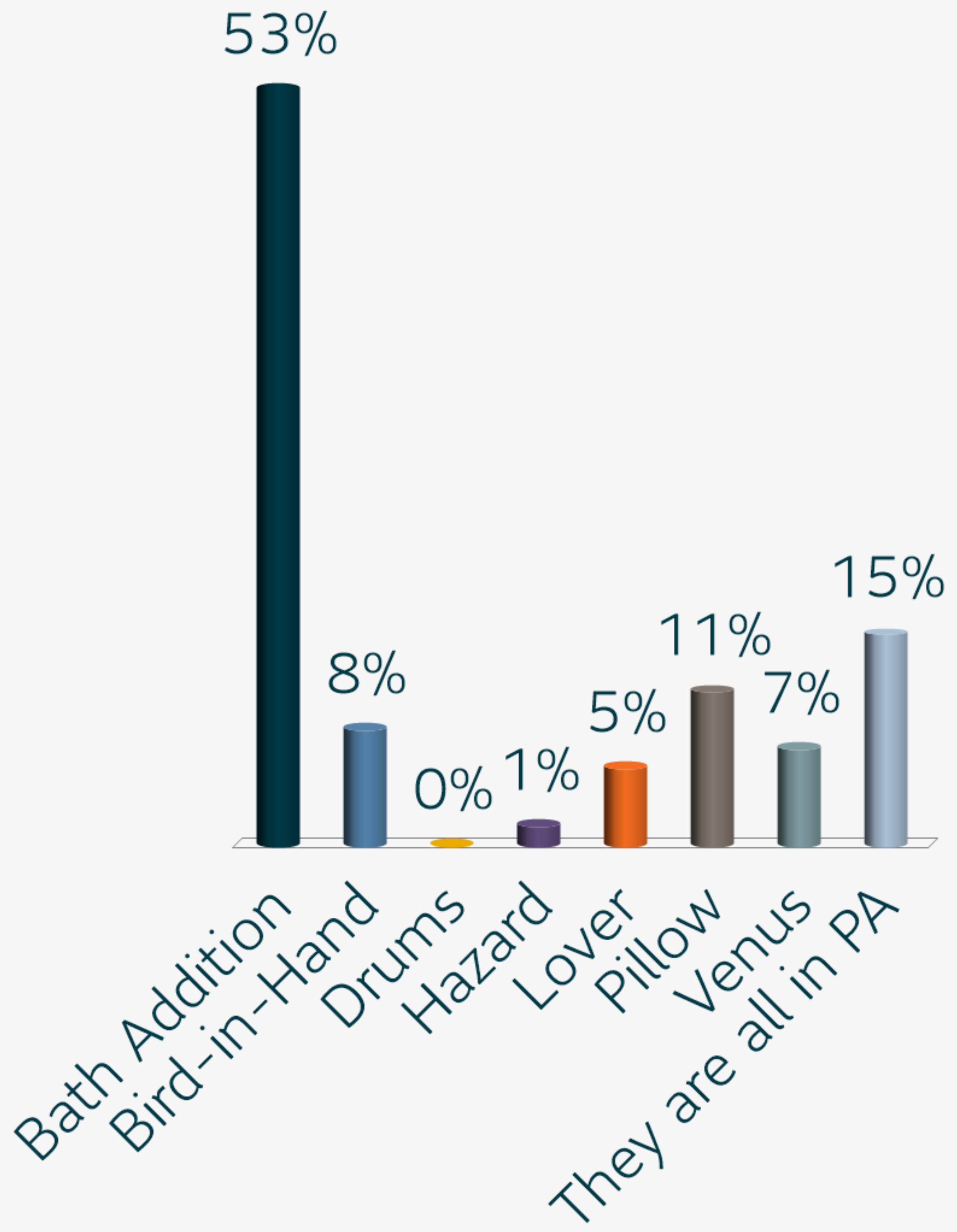
Which of the following is <u>NOT</u> a tool the Fed uses smooth the ups and downs of the business cycle?

1. Manipulating interest rates
2. Enacting policy legislation
3. Open market operations
4. Reserve requirements
5. CNBC
6. They are all tools



Which of the following is NOT a town in Pennsylvania?

1. Bath Addition
2. Bird-in-Hand
3. Drums
4. Hazard
5. Lover
6. Pillow
7. Venus
8. They are all in PA

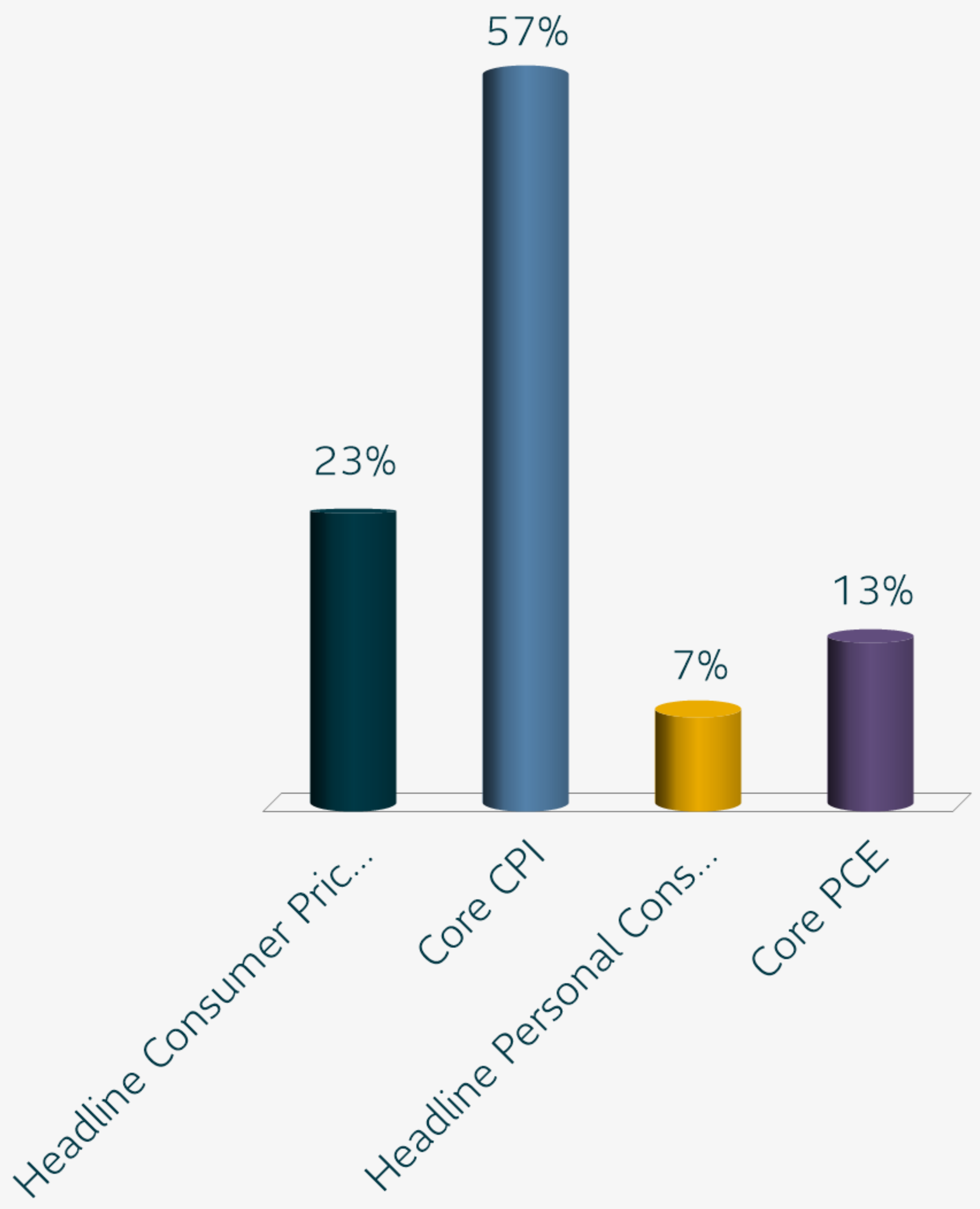


Objective #1: Stable Prices/Inflation

MULTIPLE CHOICE

What is The Fed's preferred measure of price inflation?

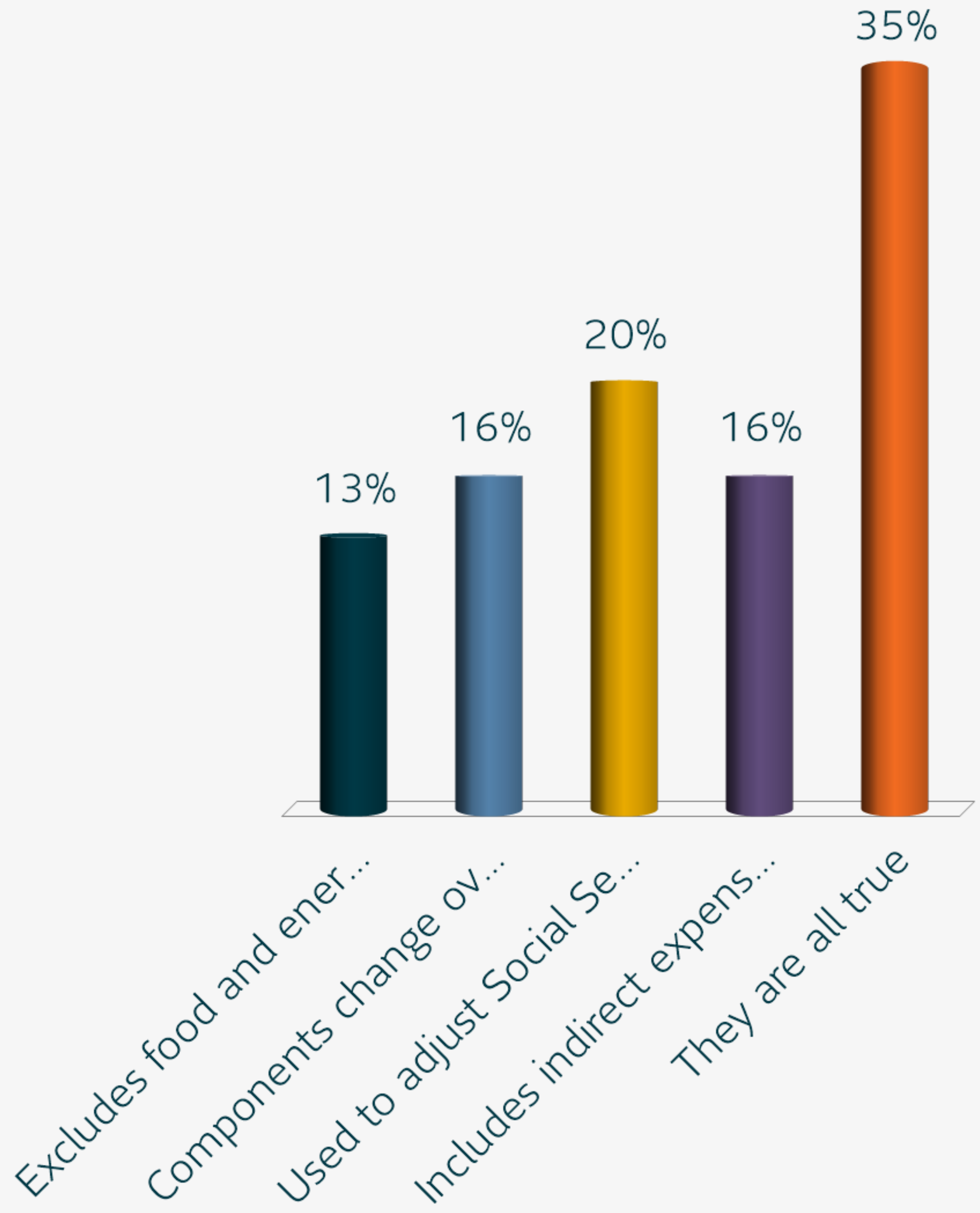
1. Headline Consumer Price Index (CPI)
2. Core CPI
3. Headline Personal Consumption Expenditures (PCE)
4. Core PCE



MULTIPLE CHOICE

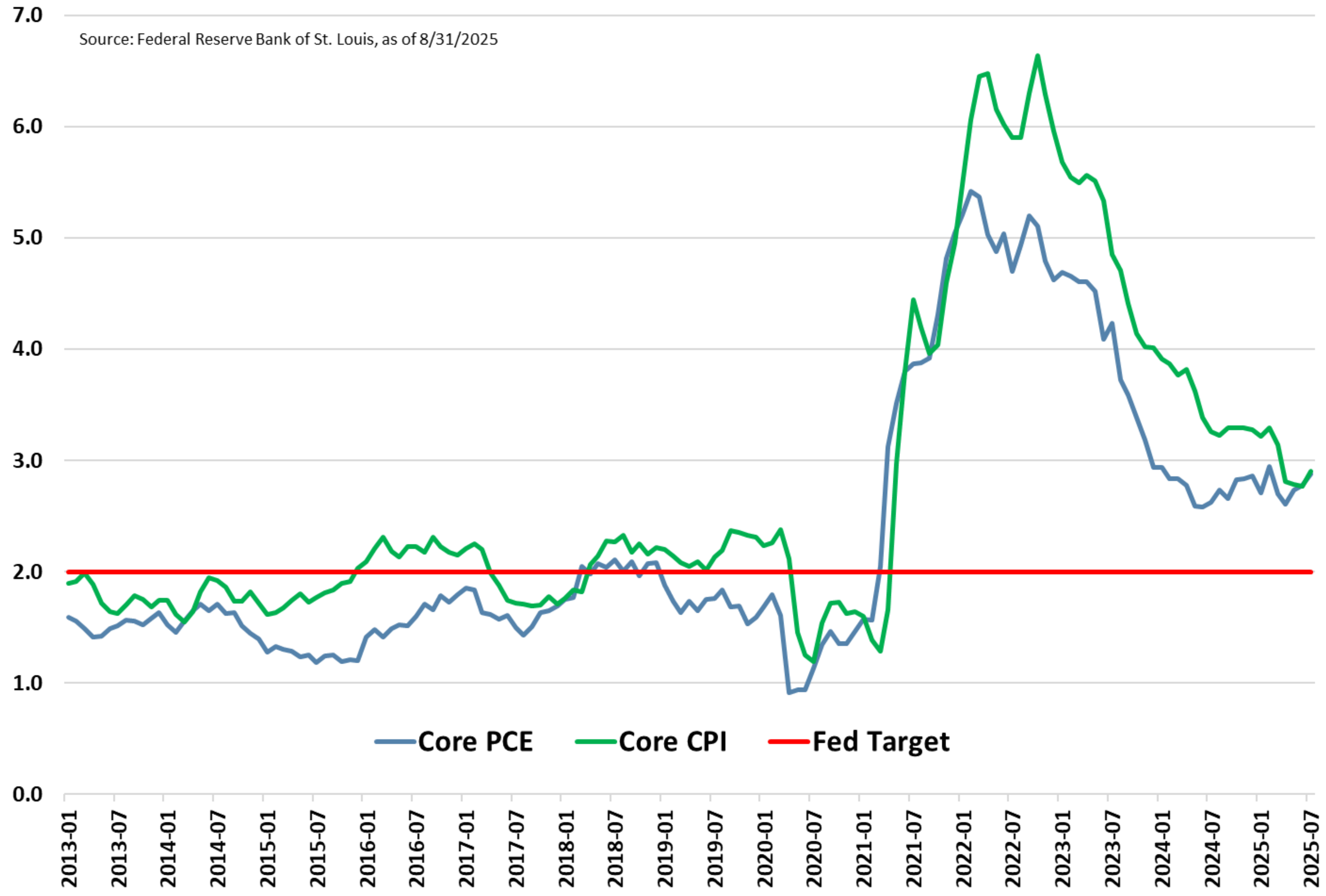
Which of the following is ***NOT*** *true of Core PCE?*

1. Excludes food and energy
2. Components change over time
3. Used to adjust Social Security payments
4. Includes indirect expenses, like health care
5. They are all true



ECONOMIC UPDATE

Inflation concerns

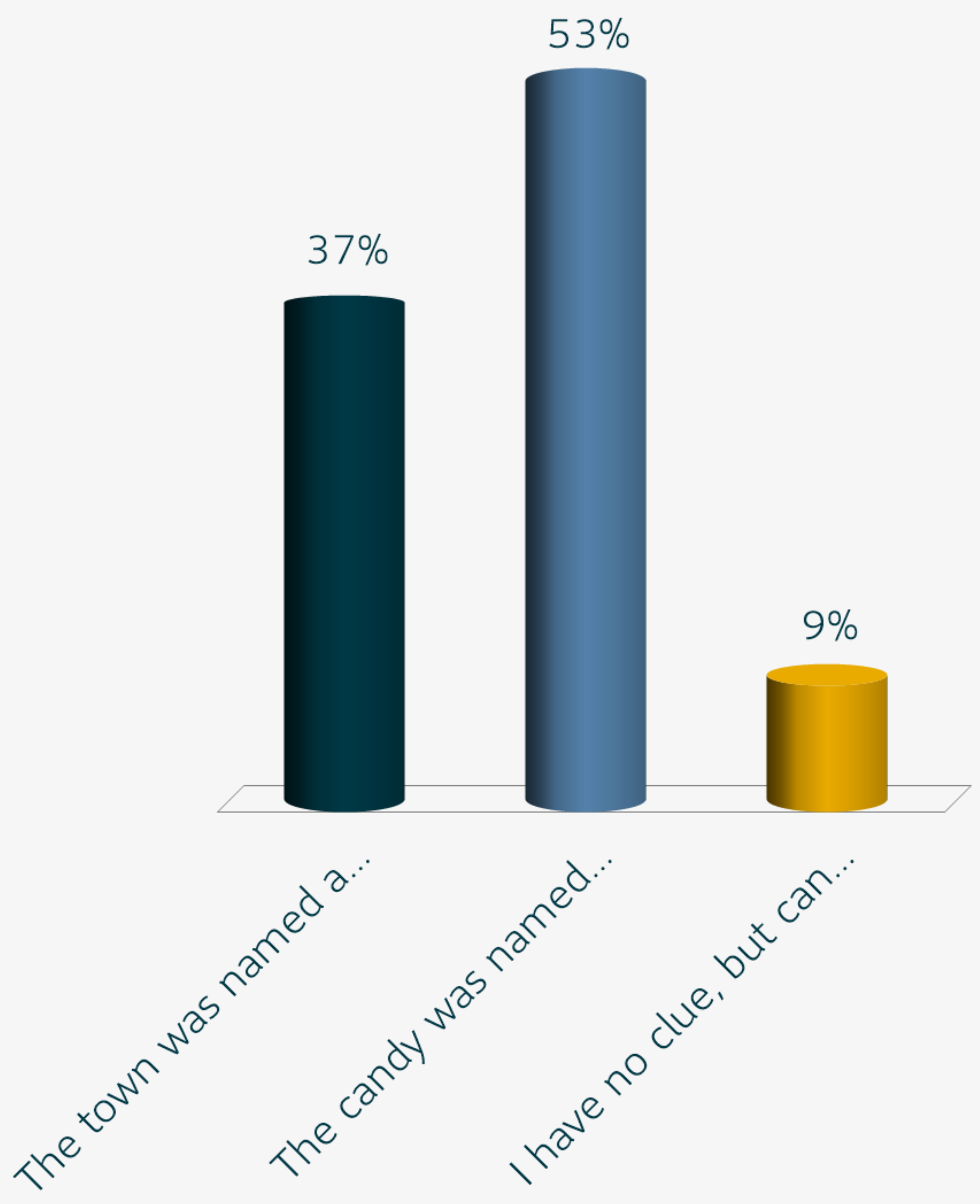


MULTIPLE CHOICE – WARM UP

What's the deal with ***Hershey****?*

1. The town was named after the candy
2. The candy was named after the town
3. I have no clue, but candy is delicious!

HERSHEY

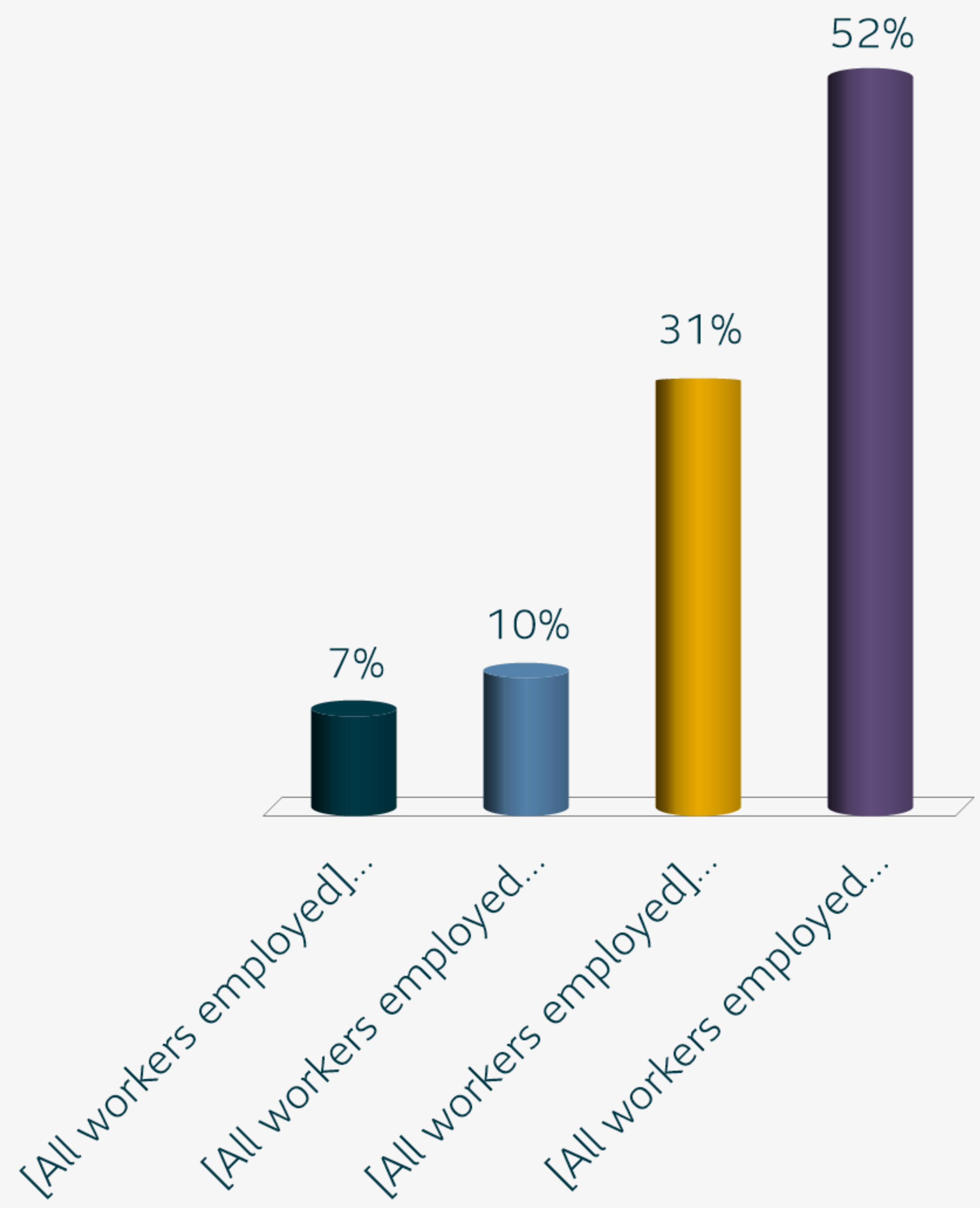


Objective #2: Maximum Employment

MULTIPLE CHOICE

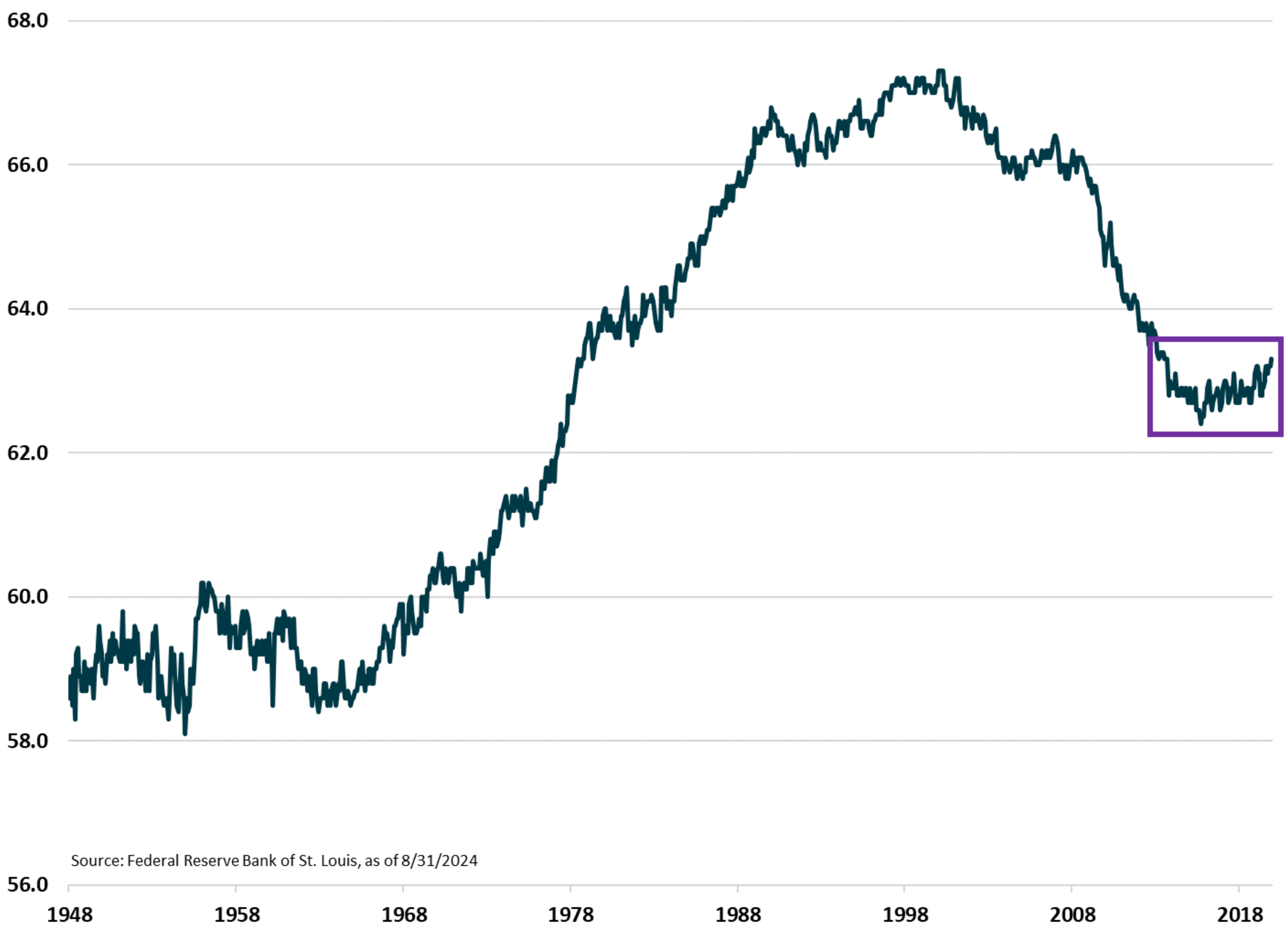
How is the labor force participation rate calculated?

1. [All workers employed] / [Entire population]
2. [All workers employed & looking] / [Entire population]
3. [All workers employed] / [Working age population]
4. [All workers employed & looking] / [Working age population]



ECONOMIC UPDATE

Participation Rate thru 12/31/2019

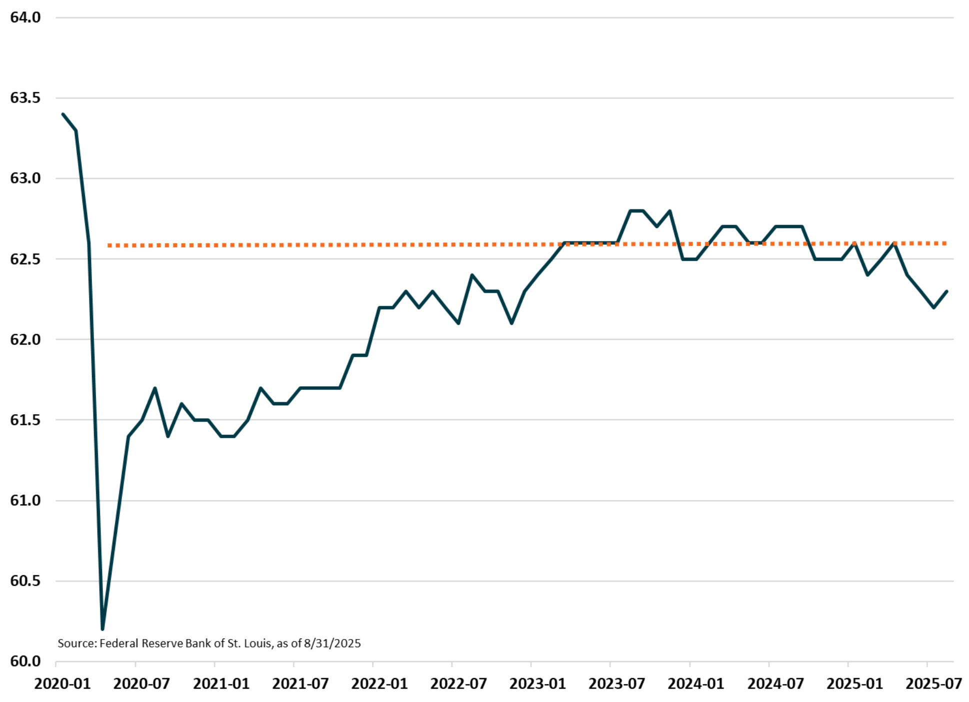


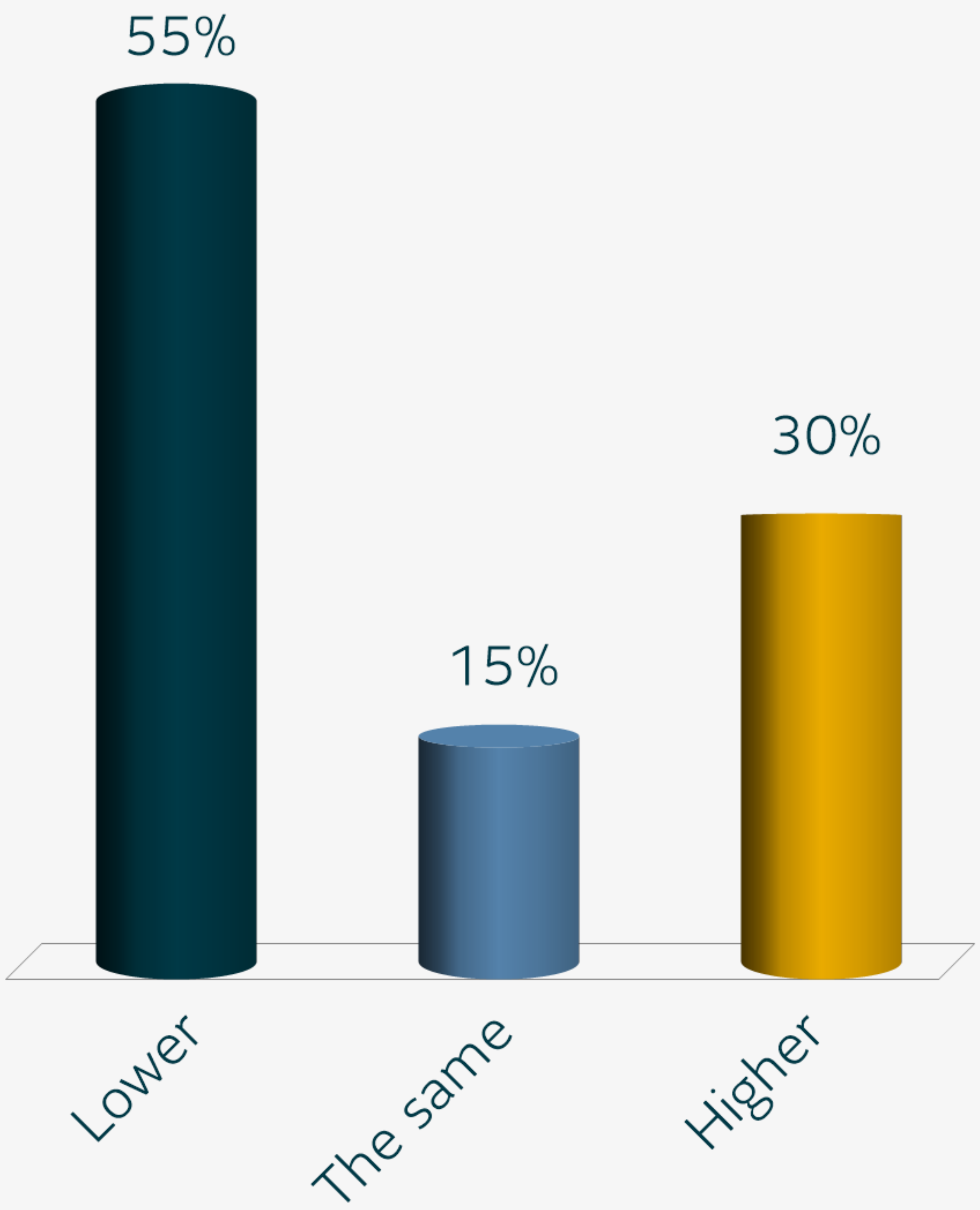
Source: Federal Reserve Bank of St. Louis, as of 8/31/2024

MULTIPLE CHOICE

How does today's participation rate compare to pre-Covid level (beginning March 2020 at 62.6%)?

1. Lower
2. The same
3. Higher

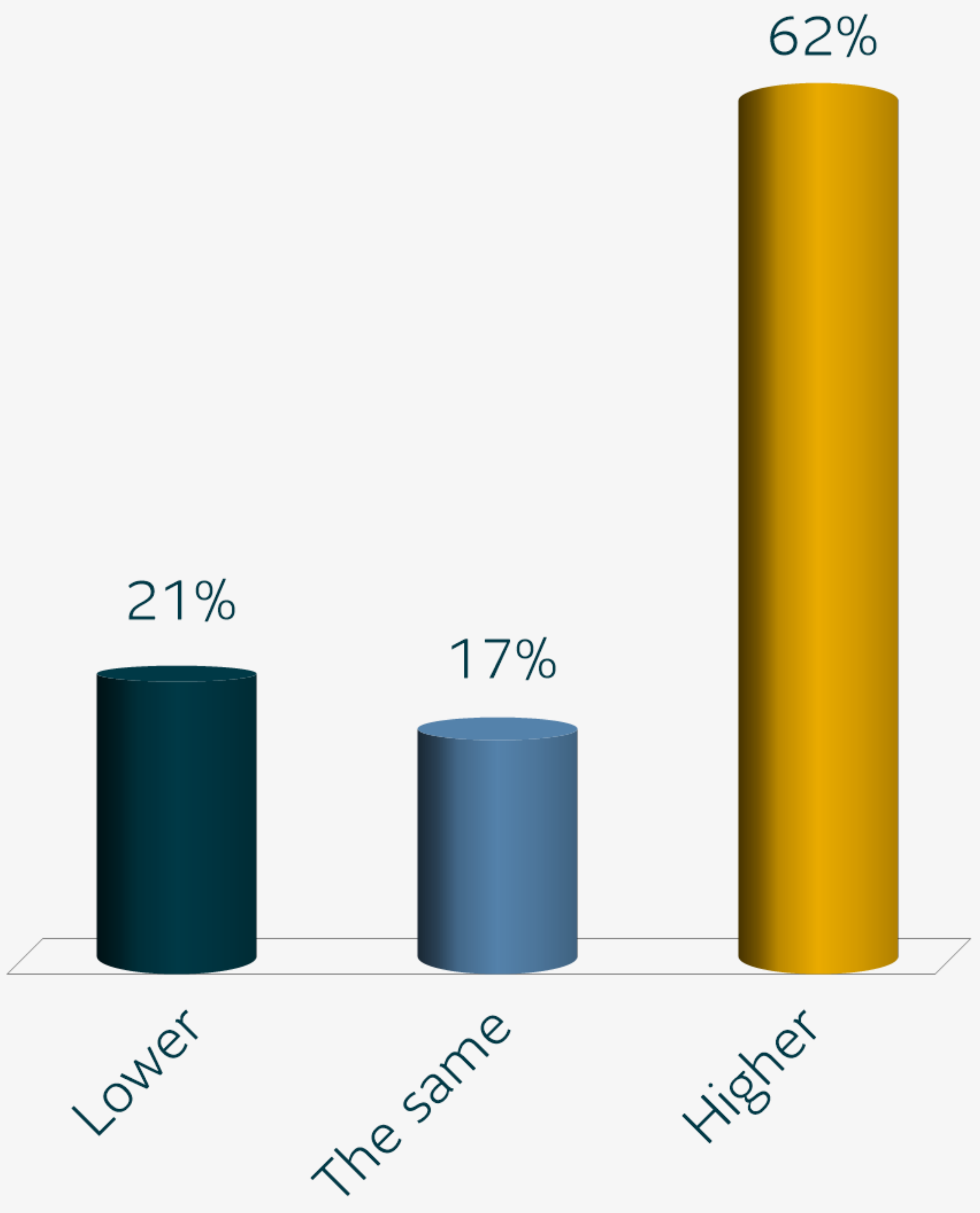




MULTIPLE CHOICE

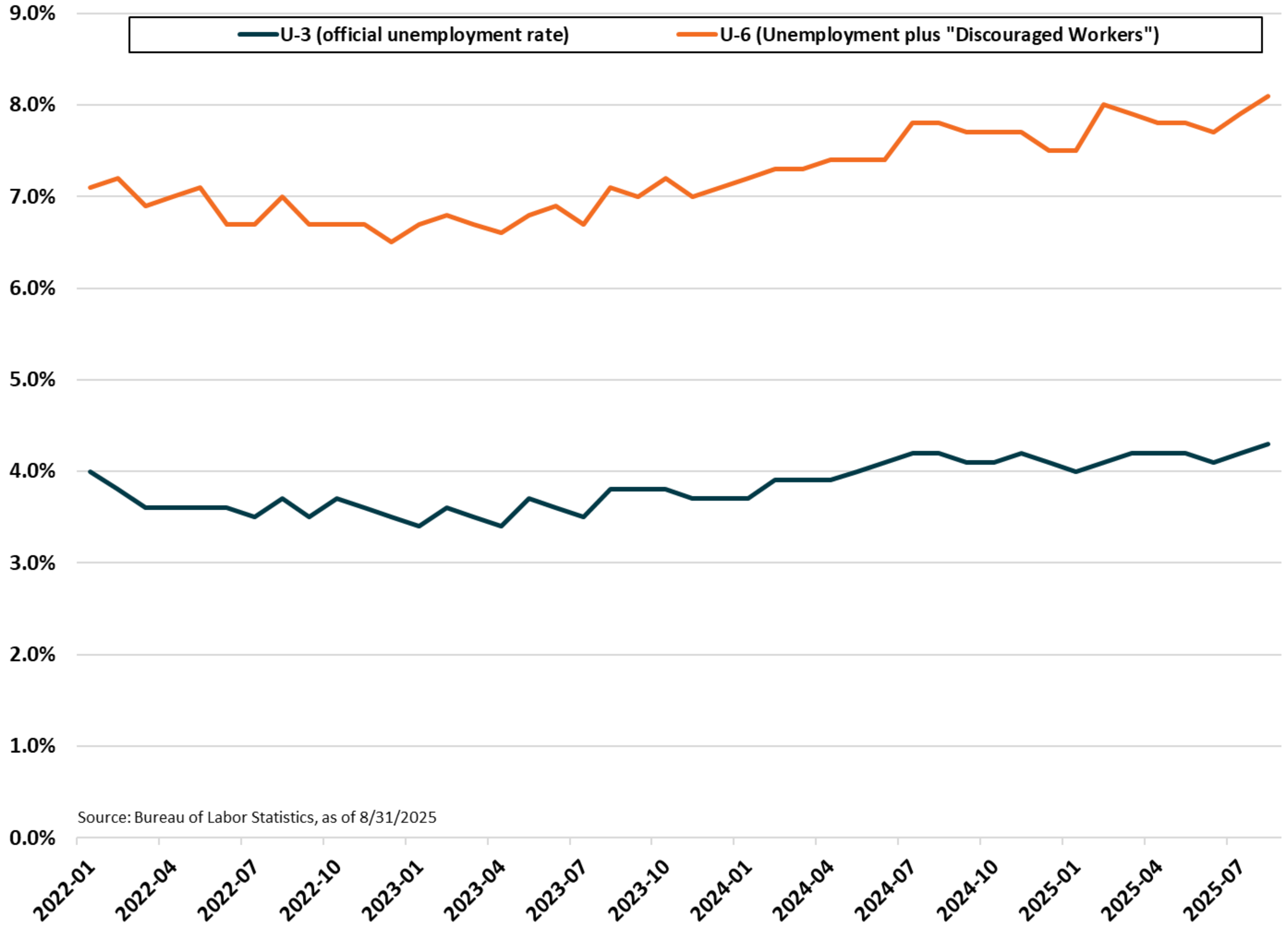
The pre-Covid level of unemployment was 3.5%. How does today's official unemployment rate compare to that rate of 3.5%?

1. Lower
2. The same
3. Higher



ECONOMIC UPDATE

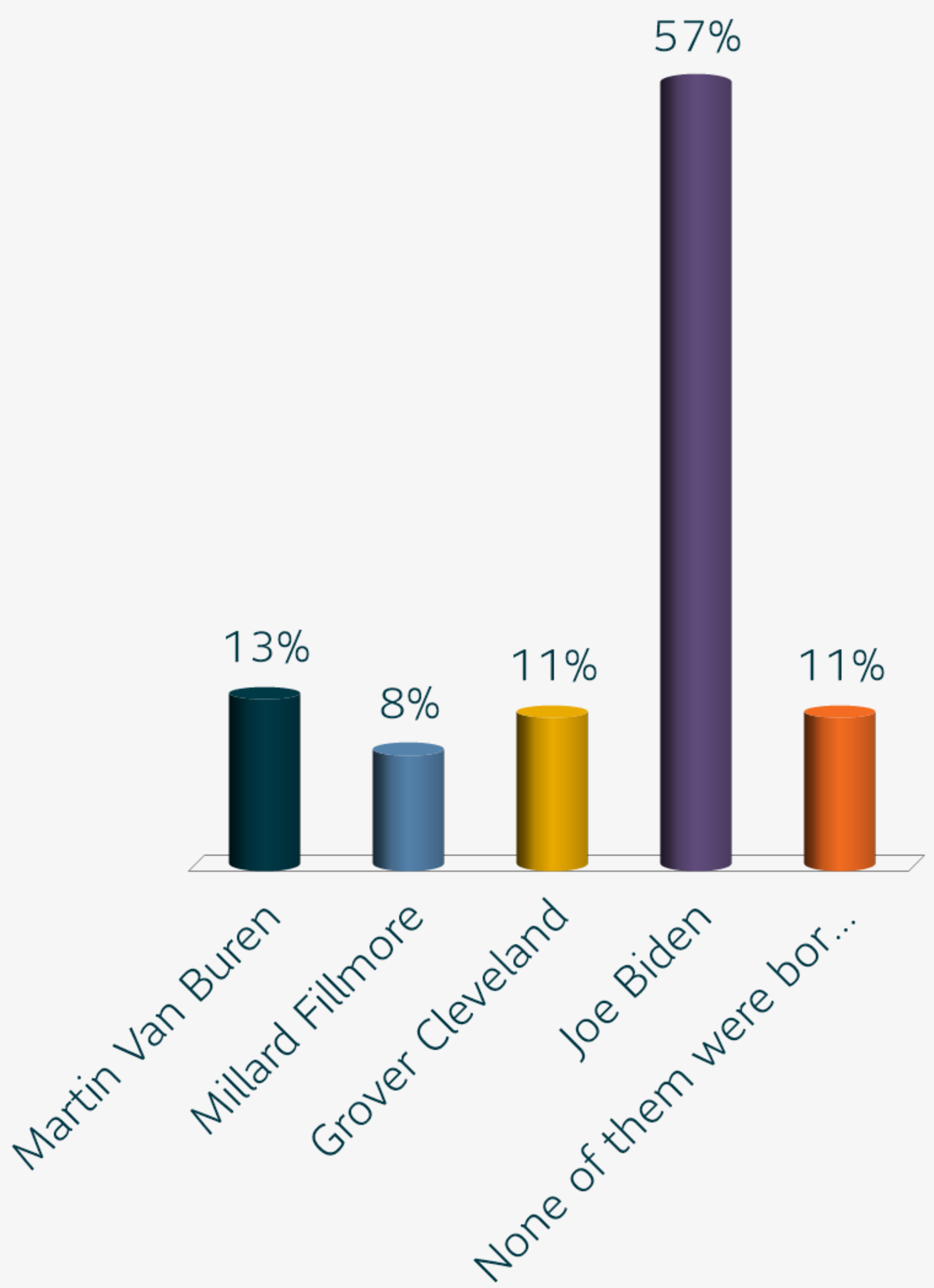
Rate hikes and unemployment?



MULTIPLE CHOICE – WARM UP

Which of the following presidents was born in Pennslyvania?

1. Martin Van Buren
2. Millard Fillmore
3. Grover Cleveland
4. Joe Biden
5. None of them were born in PA

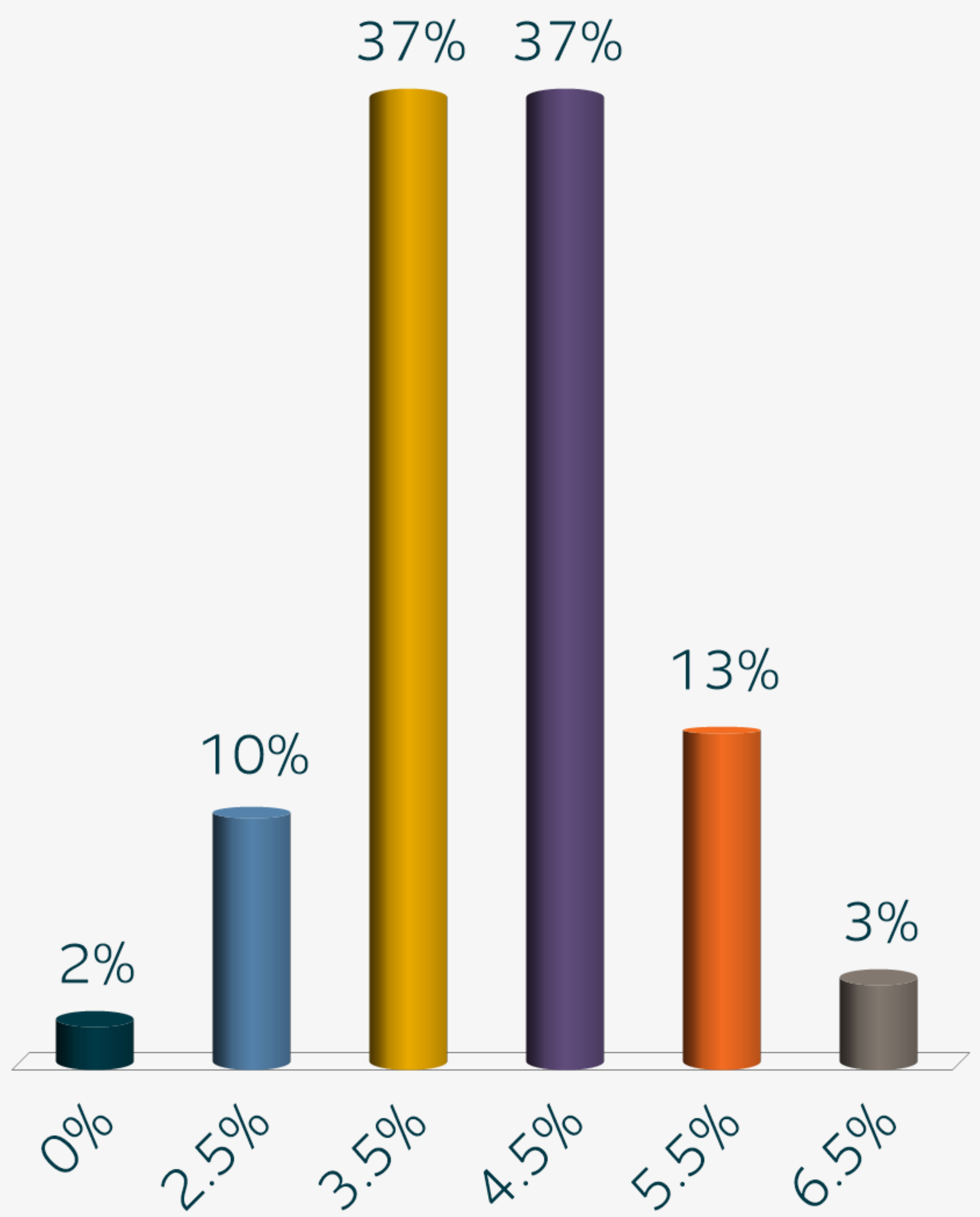


How Does The Fed Respond?

MULTIPLE CHOICE

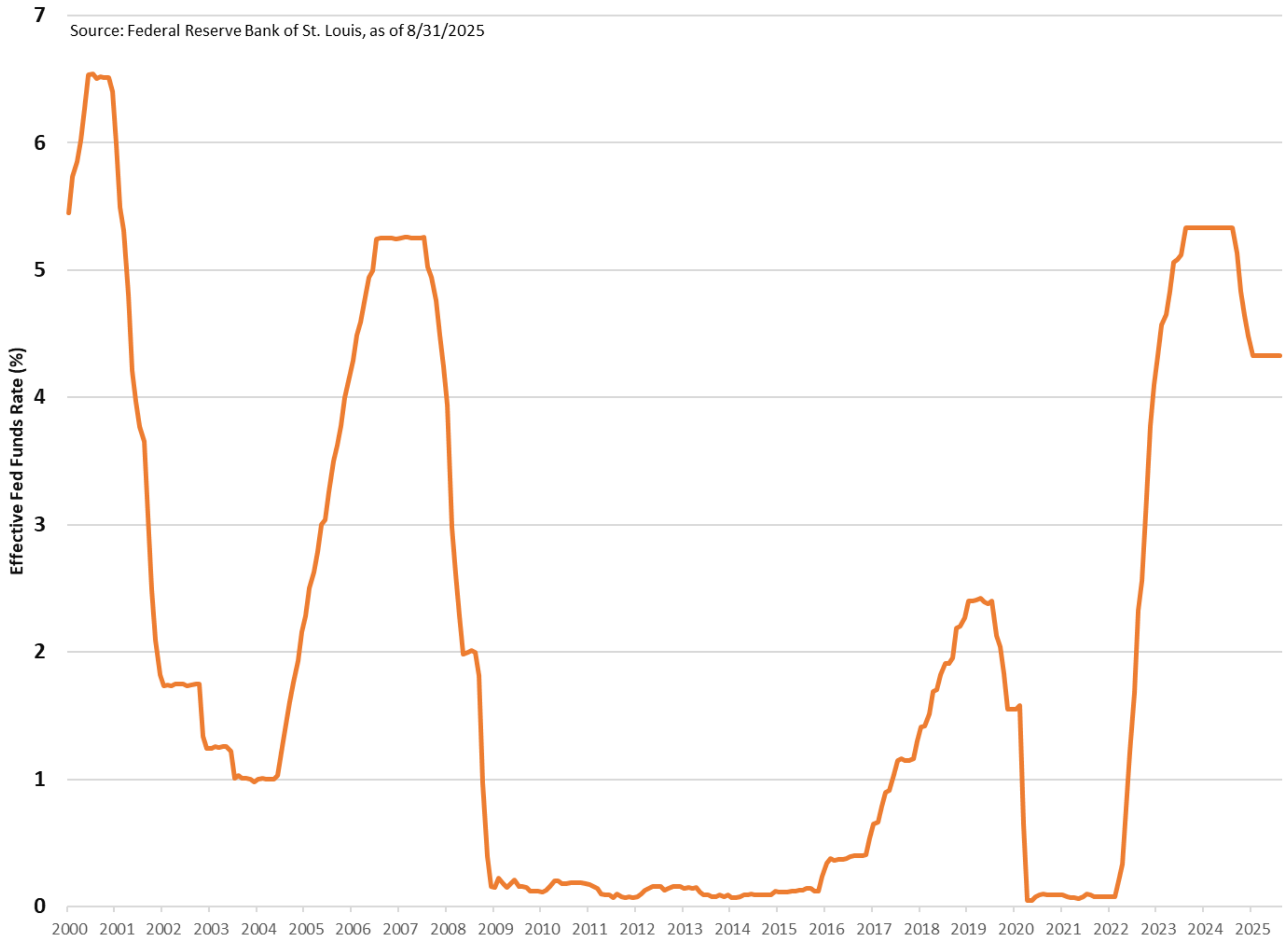
What is the current Fed Funds rate?

1. 0%
2. 2.5%
3. 3.5%
4. 4.5%
5. 5.5%
6. 6.5%



ECONOMIC UPDATE

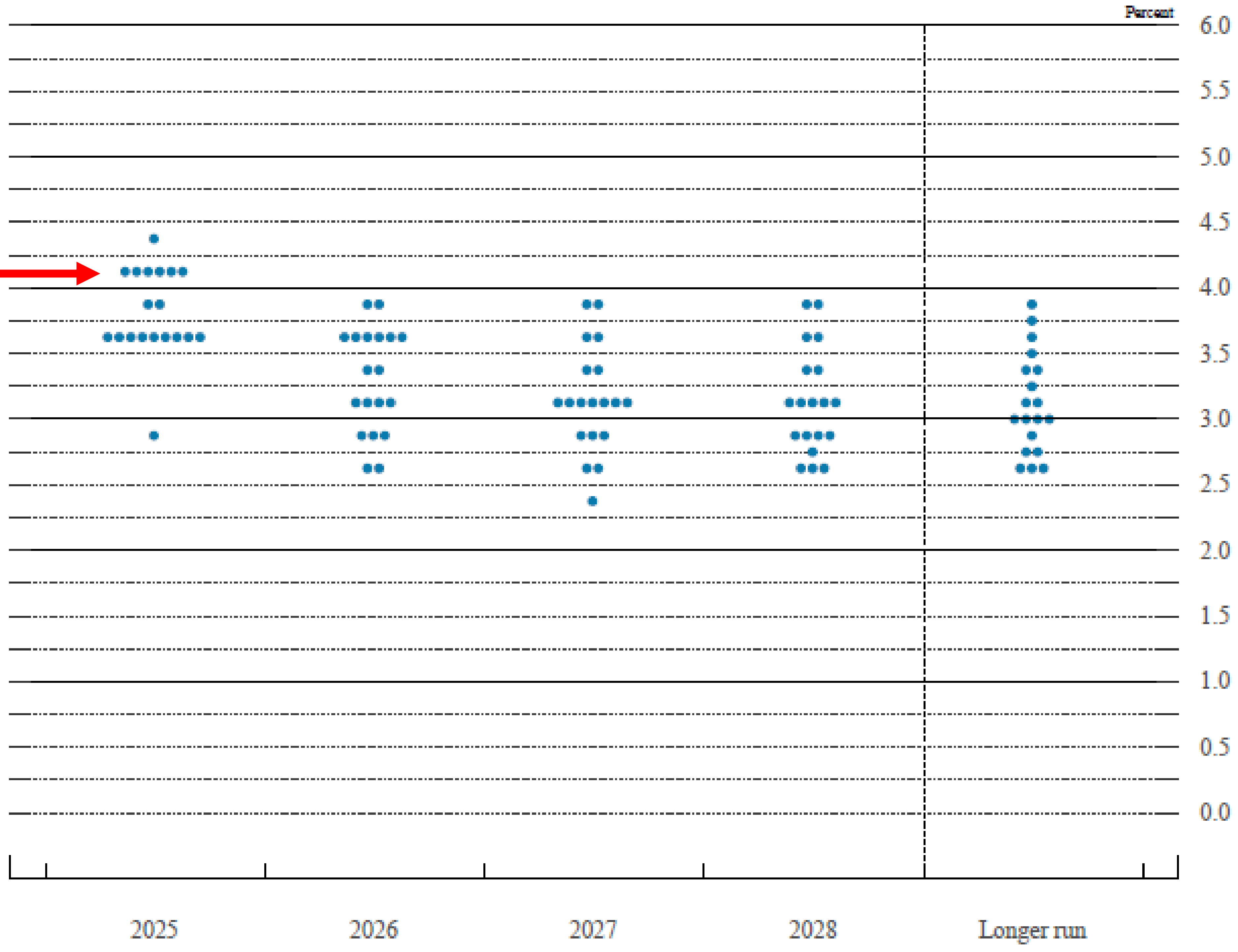
Effective Fed Funds Rate



ECONOMIC UPDATE

FOMC Dot Plot

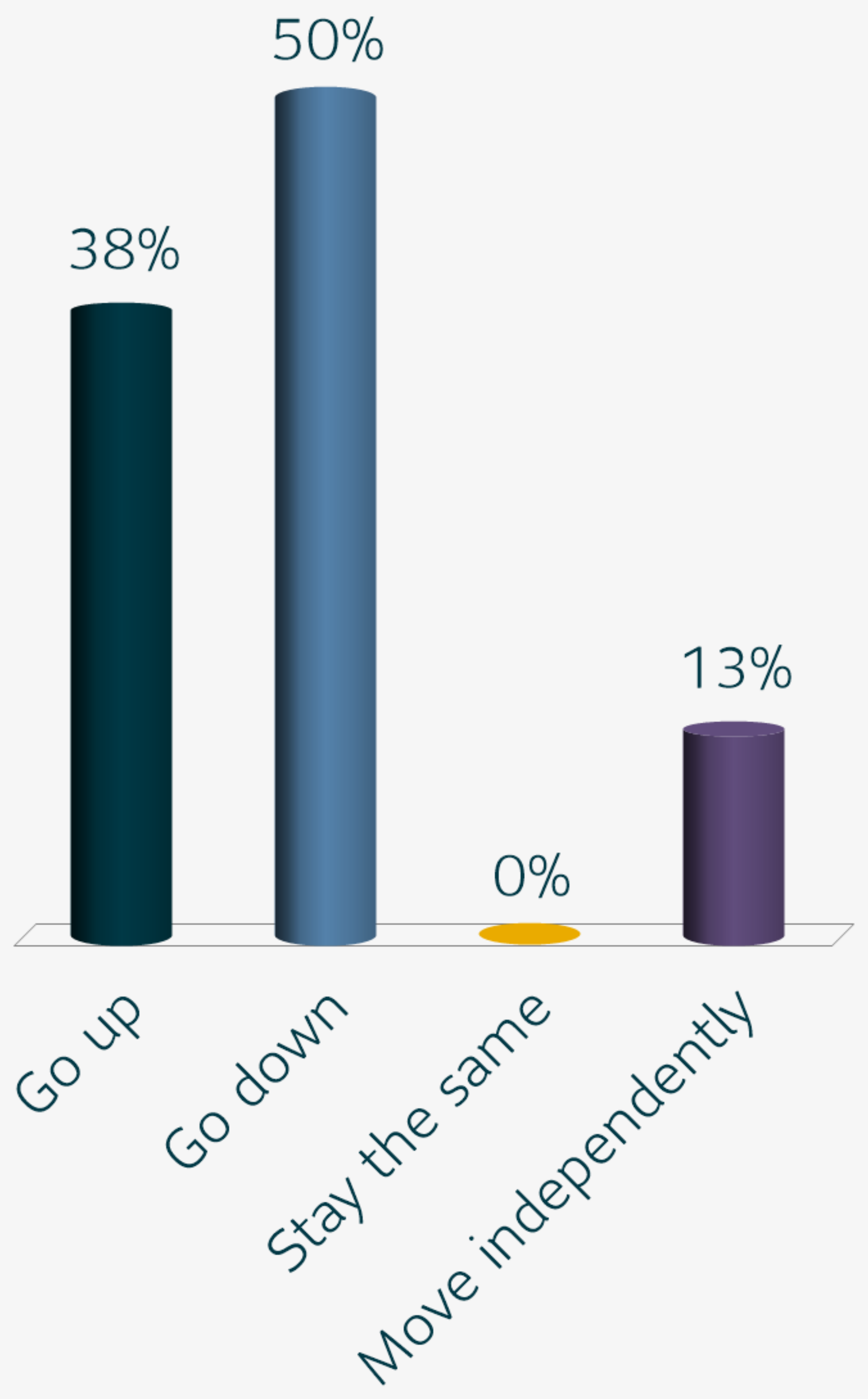
Source: Federal Reserve, as of 9/17/25



MULTIPLE CHOICE

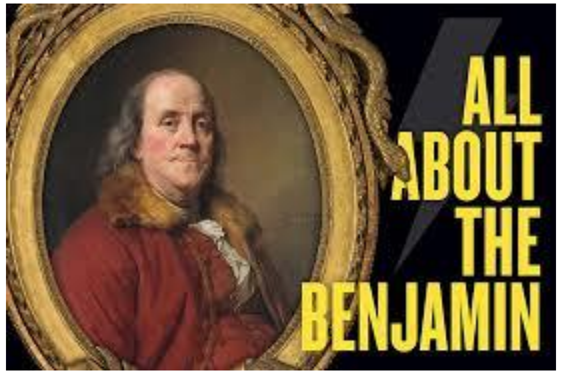
Historically when The Fed raises Fed Funds, long term (10-30 year) interest rates…

1. Go up
2. Go down
3. Stay the same
4. Move independently

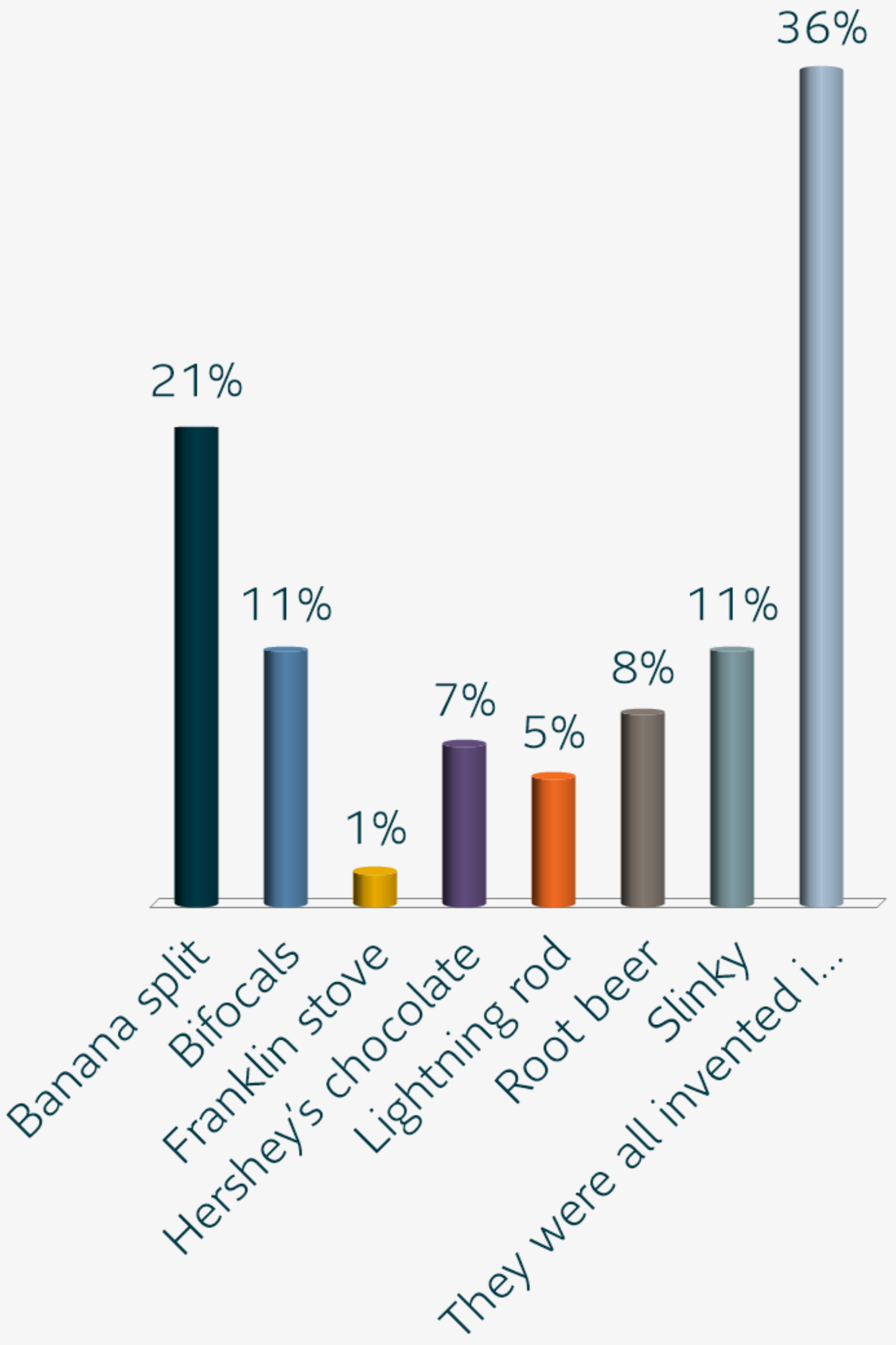


MULTIPLE CHOICE – WARM UP

Which of the following was NOT invested in Pennsylvania?



1. Banana split
2. Bifocals
3. Franklin stove
4. Hershey's chocolate
5. Lightning rod
6. Root beer
7. Slinky
8. They were all invented in PA

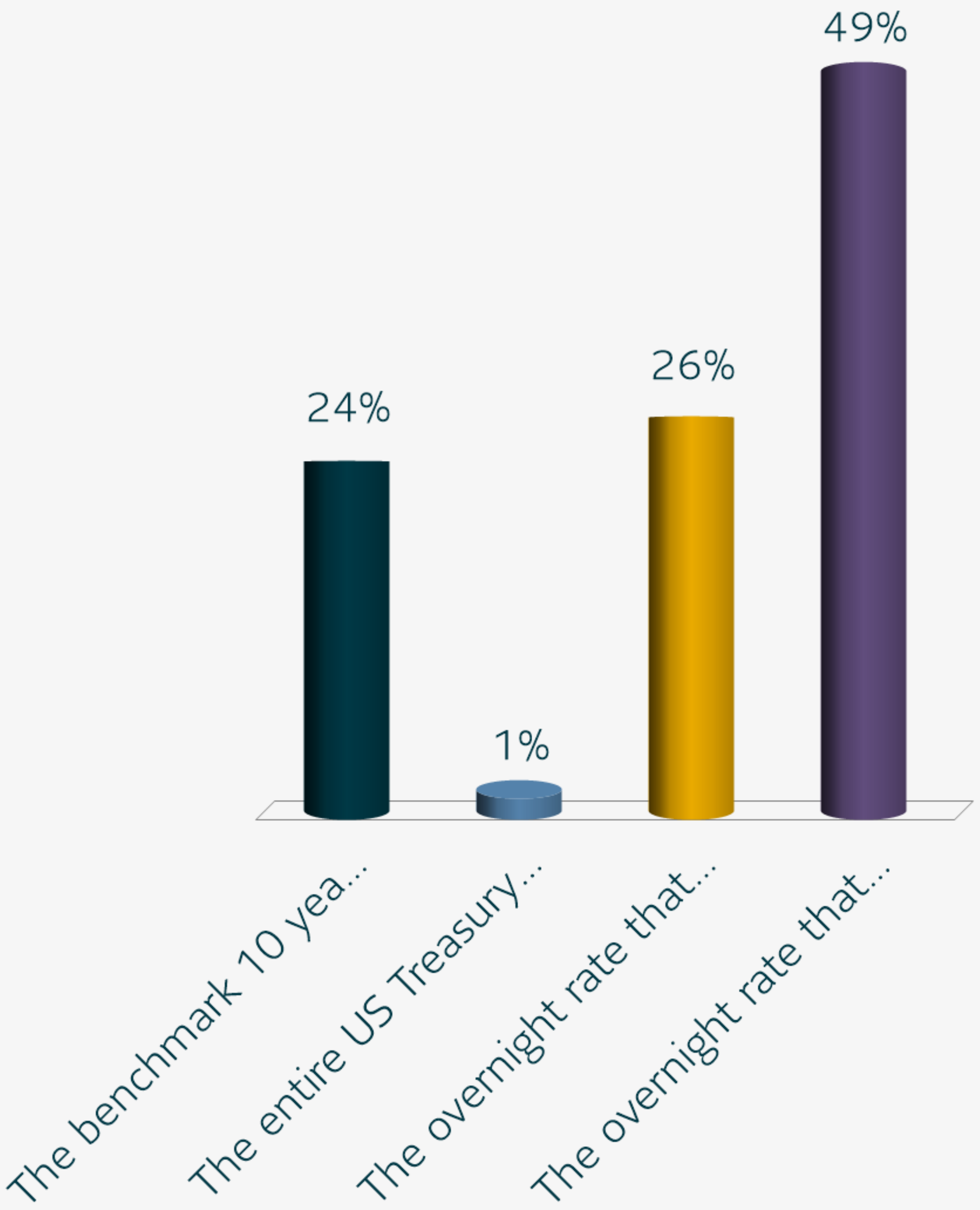


IASA NYNJ METRO/MID-ATLANTIC

Final Jeopardy

When The Fed "changes interest rates", what rate or rates do they change?

1. The benchmark 10 year US Treasury
2. The entire US Treasury curve
3. The overnight rate that banks borrow money from other banks
4. The overnight rate that banks borrow money from the Federal Reserve

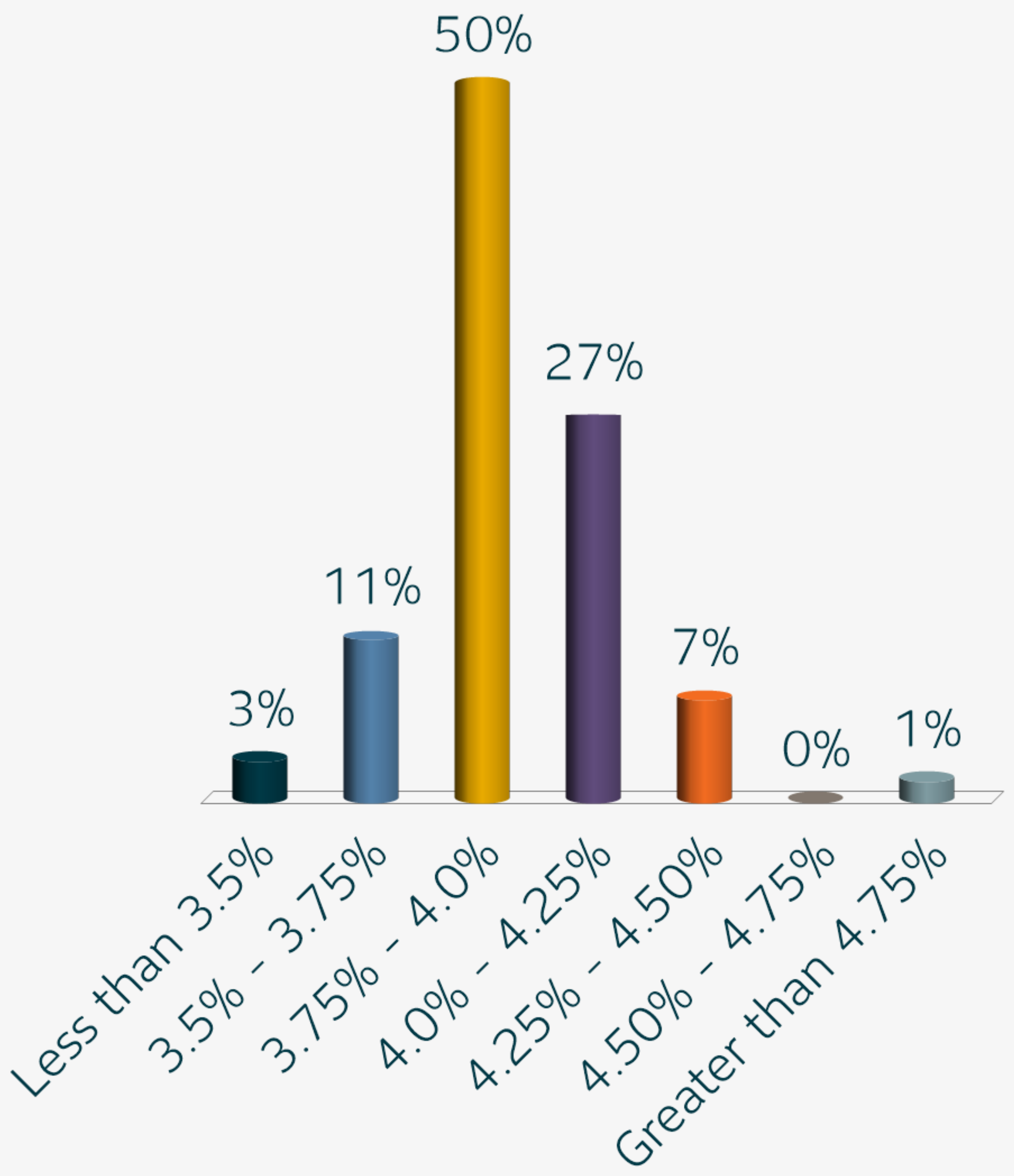


Forecast

SURVEY QUESTION (NO POINTS)

The Federal Funds rate is currently 4.00% to 4.25%. What will it be on December 31, 2025?

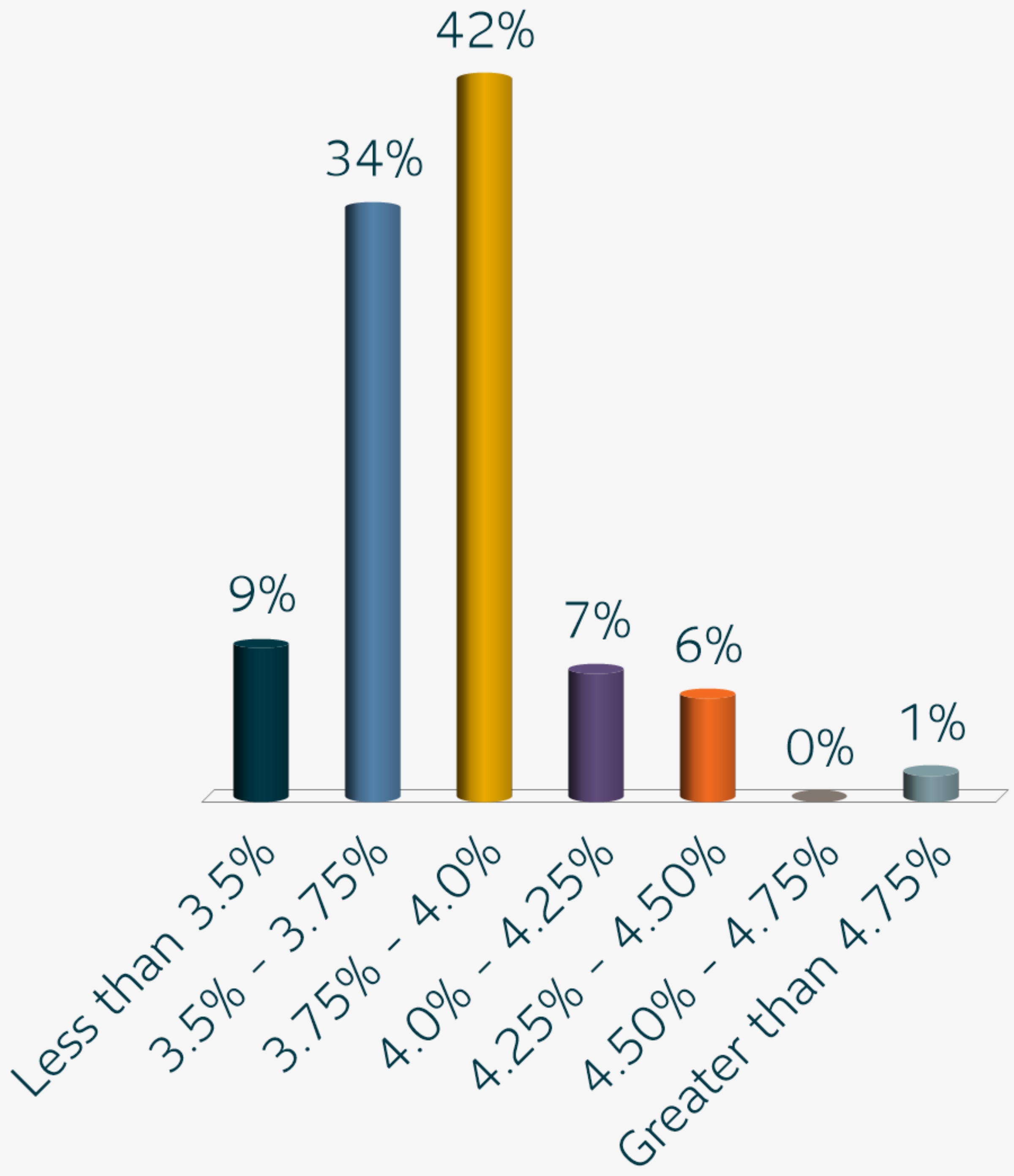
1. Less than 3.5%
2. 3.5% - 3.75%
3. 3.75% - 4.0%
4. **4.0% - 4.25%**
5. 4.25% - 4.50%
6. 4.50% - 4.75%
7. Greater than 4.75%



SURVEY QUESTION (NO POINTS)

The Federal Funds rate is currently 4.00% to 4.25%. What will it be on 1 year from now?

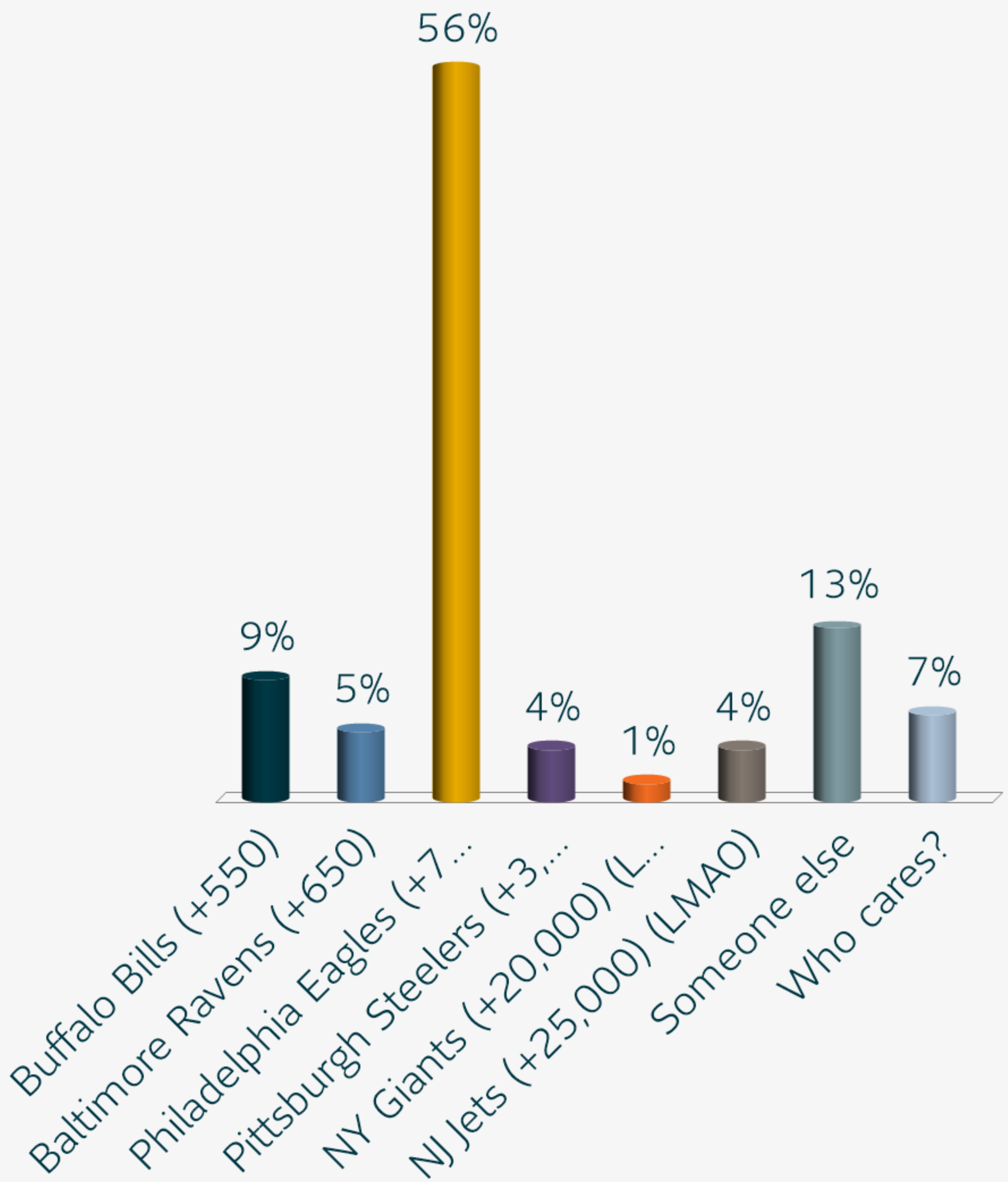
1. Less than 3.5%
2. 3.5% - 3.75%
3. 3.75% - 4.0%
4. **4.0% - 4.25%**
5. 4.25% - 4.50%
6. 4.50% - 4.75%
7. Greater than 4.75%



SURVEY QUESTION (NO POINTS)

Which team will win Super Bowl LX?

1. Buffalo Bills (+550)
2. Baltimore Ravens (+650)
3. Philadelphia Eagles (+700) (Go Birds!)
4. Pittsburgh Steelers (+3,500)
5. NY Giants (+20,000) (LOL)
6. NJ Jets (+25,000) (LMAO)
7. Someone else
8. Who cares?



SURVEY QUESTION (NO POINTS)

What was your opinion of the presentation?

1. Excellent
2. Good
3. Average
4. Below Average
5. Poor

Participant Leaders

Participant

5F9EE5

Return your clicker!!

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