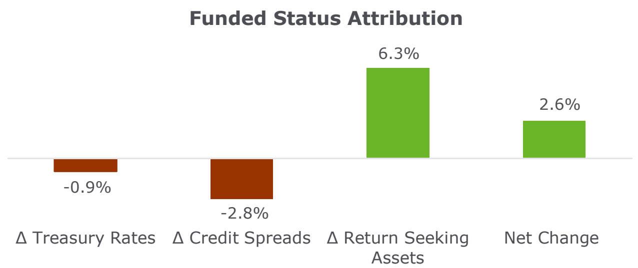
NEPC PENSION FUNDED STATUS MONITOR

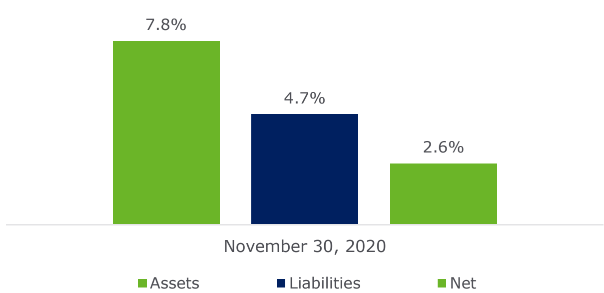
NOVEMBER 2020

The funded status of a typical corporate pension plan rose in November, with LDI-focused plans that hedge interest-rate risk faring better than total-return plans. While the strong rally in equities boosted asset returns, declining interest rates and contracting credit spreads ratcheted up liability values for both plans. Based on NEPC's hypothetical open- and frozen-pension plans, the funded status of the total-return plan went up by 2.6%, while the LDI-focused plan saw an increase of 3.8% as long-duration fixed income outperformed on the back of falling credit yields.

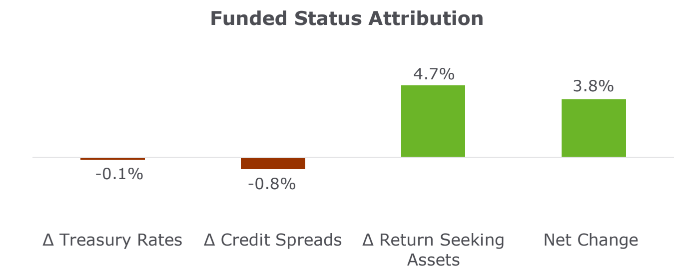
HYPOTHETICAL OPEN/TOTAL-RETURN PLAN



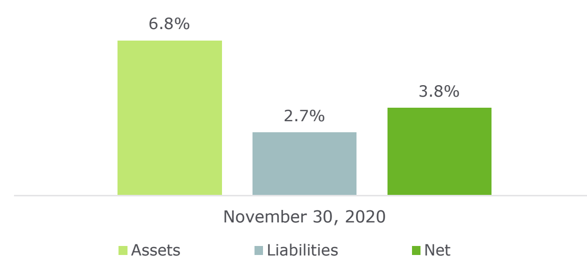
The funded status of the total-return plan increased 2.6%, driven by a robust performance by equities.



HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

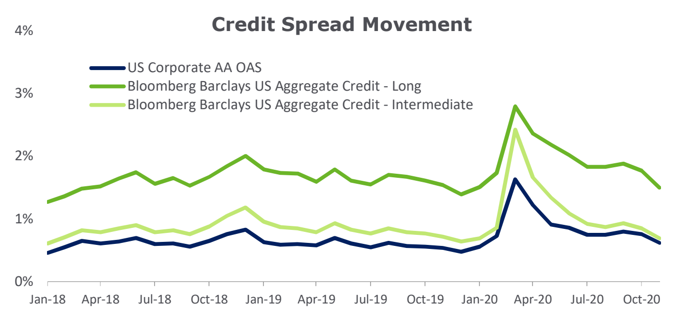


The funded status of the LDI-focused plan increased 3.8% as gains from equities and long-duration fixed income offset a relative estimated liability increase. The plan is 80% hedged, as of November 30.



RATE MOVEMENT COMMENTARY

In November, Treasury yields were volatile, ending the month with 30-year yields declining seven basis points to 1.58%. Following the market's risk-on sentiment, credit spreads continued to contract with the Barclays Long Credit yield falling 32 basis points to 2.80%. Discount rates for NEPC's hypothetical plans decreased by 26 basis points for the open total-return plan, falling to 2.62% by the end of November; the discount rate of the frozen LDI-focused plan fell 23 basis points to end the month at 2.32%. The resulting increase to each plan's estimated liability value was 4.7% and 2.7% for the total-return and LDI-focused plan, respectively.



RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately **101.7%** of PBO, as of November 30, 2020

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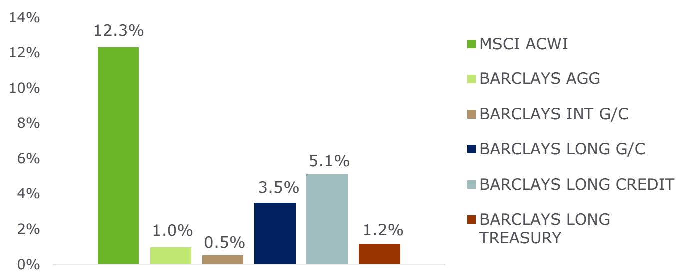
NEPC PENSION FUNDED STATUS MONITOR

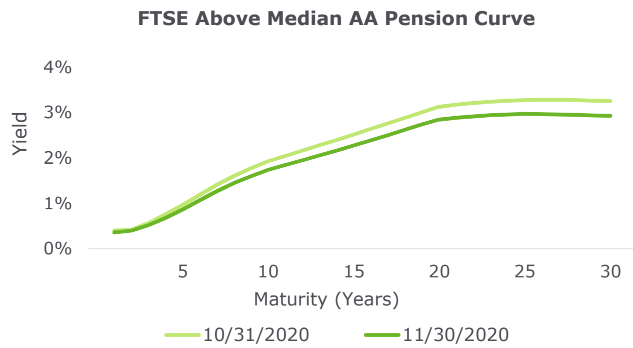
NOVEMBER 2020

PLAN SPONSOR CONSIDERATIONS

Global equities were bolstered by promising news around the COVID-19 vaccine and the conclusion of the U.S. presidential elections in November. The market strength reflects expectations of a divided government (which is yet to be finalized) that will prolong the favorable tax environment, while providing fiscal stimulus in the near term. Riding the wave of risk-on sentiment, credit spreads tightened and Treasury rates went down. NEPC maintains its recommendation to adhere to long-term strategic target allocations and plan hedge ratios as significant uncertainties remain around the economic fallout from the pandemic.

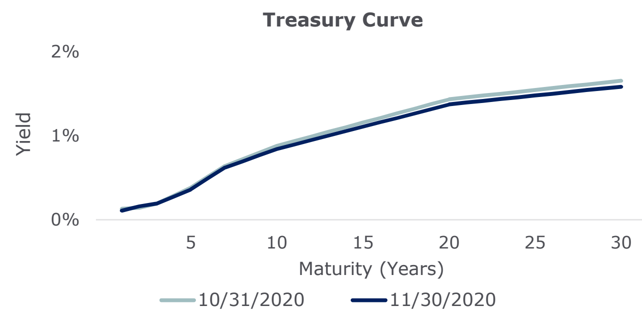
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





Fueled by positive developments around the COVID-19 vaccine and expectations for continued stimulus, the S&P 500 Index notched gains of 10.9% in November, while the EAFE Index returned 15.5% in the same period; emerging market equities were up 9.2% last month, with the MSCI ACWI Index returning 12.3% overall.

Following the risk-on sentiment, the Treasury curve fell on the long end, with the 30-year Treasury yield dropping seven basis points to 1.58%; the Barclays Long Treasury Index gained 1.2% in November. In addition, credit spreads continued to tighten, fueling returns of 5.1% for the Barclays Long Credit Index last month.



DISCLOSURES

Liability returns are based on the FTSE Above Median Pension Discount Curve. Liabilities for the two hypothetical plans are based on sample benefit payments of two unique plans, set equal to stable duration targets as of December 31, 2018. The total-return plan reflects an open plan with a 15-year duration, while the LDI-focused plan represents a frozen plan with a 10-year duration. The benefit payments are not rolled forward each month to maintain the duration targets. No future benefit accruals or benefit payments are assumed in order to isolate the performance of plan's liabilities due to changes in interest rates. The funded status of each hypothetical plan was set at 90% funded as of December 31, 2018.

The total-return plan assumes an allocation of 60% global equity, 40% core bonds. The LDI-focused plan assumes an asset allocation of 40% global equity and 30% long credit, 20% long Treasuries, 10% intermediate government/credit, with a greater emphasis on hedging liability duration. Monthly rebalancing is assumed. We do not assume any fees, expenses, benefit payments or contributions are made during the year in order to isolate the impact of market returns on the hypothetical allocations.

NEPC's Retiree Buyout Index is estimated using midpoint annuity purchase rates published by Brentwood Advisors, discounted against the cash flows of a sample retiree population, and compared with the same discounted cashflows using the FTSE Above Median Pension Discount Curve. Actual annuity pricing may vary substantially based on multiple factors.

Asset benchmarks used to measure asset returns are sourced from FactSet: MSCI ACWI Index, Barclays Aggregate Index, Barclays Intermediate Gov/Credit Index, Barclays Long Gov/Credit Index, Barclays Long Credit Index, Barclays Long Treasury Index, Barclays US Aggregate Intermediate Credit spread, Barclays US Aggregate Long Credit spread, and US Corporate AA Option-Adjusted Spread.

Past performance is no guarantee of future results.

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