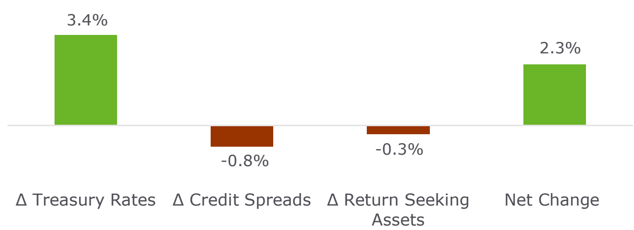
NEPC PENSION FUNDED STATUS MONITOR

JANUARY 2021

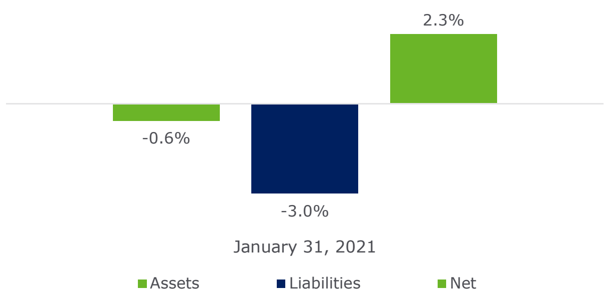
In January, the funded status of a typical corporate pension plan rose as increasing discount rates override a small pullback in equity markets. Total-return plans outpaced LDI-focused plans that hedge interest-rate risk. While spreads remained largely flat for the month, the Treasury curve steepened reducing estimated liabilities. Based on NEPC's hypothetical open- and frozen-pension plans, the funded status of the total-return plan increased by 2.3%, while the LDI-focused plan saw an increase of 0.2%.

HYPOTHETICAL OPEN / TOTAL-RETURN PLAN

Funded Status Attribution

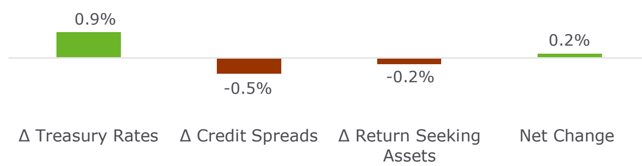


The funded status of the total-return plan increased 2.3%, driven by a decrease in liabilities which offset losses from equities.

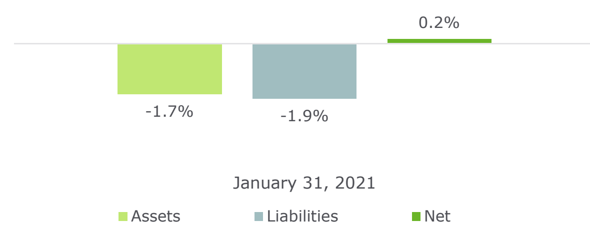


HYPOTHETICAL FROZEN / LDI-FOCUSED PLAN

Funded Status Attribution



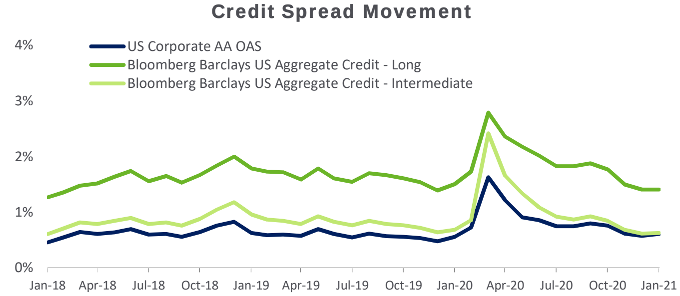
The funded status of the LDI-focused plan increased by just 0.2% due to having hedged most of its exposure to interest rates. The plan is 82% hedged, as of January 31.



RATE MOVEMENT COMMENTARY

In January, Treasury yields steepened despite the Federal Reserve's commitment to keep rates low for the foreseeable future; the yield on the 30-year Treasury increased 22 basis points to 1.87%. Credit spreads remained relatively flat, resulting in a rise of 20 basis points in the yield of the Barclays Long Credit Index to 2.98%. The discount rates for NEPC's hypothetical pension plans increased by 0.17%, ending the month at 2.78% for the open total-return plan, and 2.50% for the frozen LDI-focused plan. The increase in discount rates resulted in lower estimated liabilities of 3.0% and 1.9%, respectively, for the total-return and LDI-focused plan.

Credit Spread Movement



RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately **101.7%** of PBO, as of January 31, 2021

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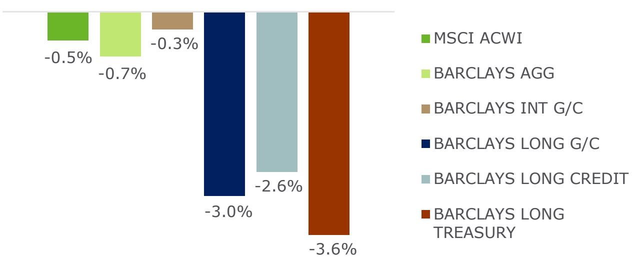
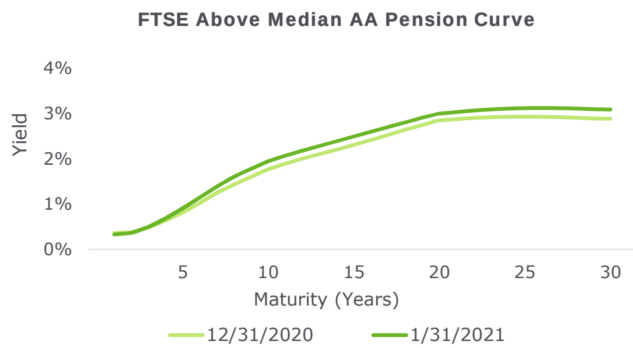
PLAN SPONSOR CONSIDERATIONS

Markets had a lot to digest in January: Rioters attempted to take over the U.S. Capitol, a new President was sworn in, a sharp tick-up in COVID-19 cases competed with the start of the inoculation, and frenzied populist trading in shares of GameStop, a videogaming console company. In addition, further stimulus talks are ongoing in Washington, and two bills have been introduced that may offer some funding relief for plan sponsors around contributions. Domestic equities were volatile, posting a modest loss; credit spreads remained flat, hovering around record narrow levels, while Treasury rates increased and the curve steepened despite the Fed's commitment to keep rates low for the near future. At NEPC, we expect increased volatility over the next few months, and maintain our recommendation to adhere to long-term strategic target allocations and plan hedge ratios.

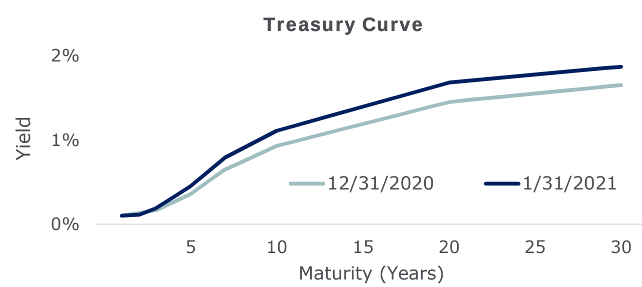
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





A volatile month of trading resulted in the S&P 500 falling 1% in January, while the Russell 2000 gained of 5%. During the same period, the EAFE Index lost 1.1%, emerging market equities were up 3.1%, and the MSCI ACWI Index fell 0.5%.

In response to the volatility, the Treasury curve steepened at the long end, with the 30-year Treasury yield increasing 22 basis points to 1.87%, resulting in the Barclays Long Treasury Index falling 3.6% in January. Meanwhile, credit spreads remained essentially flat, resulting in losses of 2.6% 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.