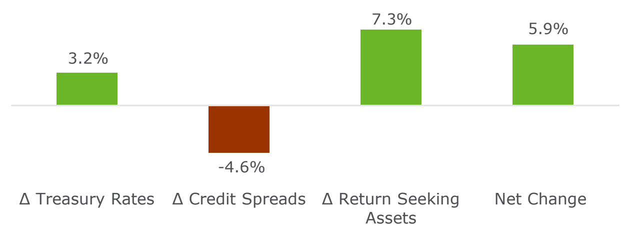
NEPC FUNDED STATUS PENSION MONITOR

FOURTH QUARTER 2020

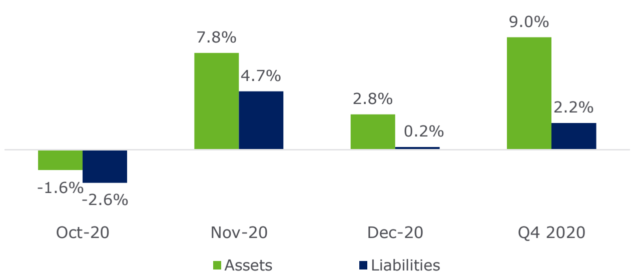
U.S. corporate pension plans experienced significant gains in funded status in the fourth quarter, driven by a robust equity market in November and December. Treasury yields steepened and credit spreads continued to contract to pre-COVID levels, leading to an increase in estimated liability valuations over the quarter. For this period, the funded status of a total-return plan increased by 5.9%, outperforming the LDI-focused plan which rose by 5.4%.

HYPOTHETICAL OPEN/TOTAL-RETURN PLAN

Funded Status Attribution

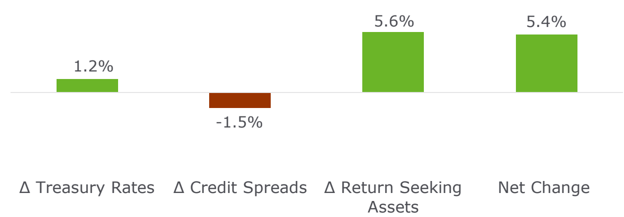


The funded status of the total-return plan improved as risk assets gained in the quarter.

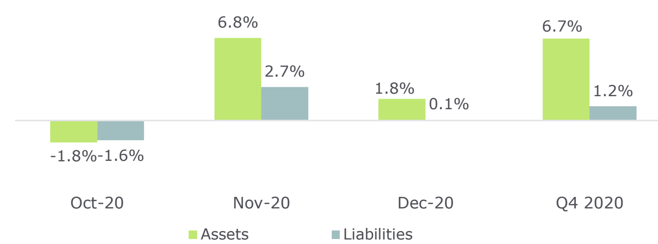


HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

Funded Status Attribution



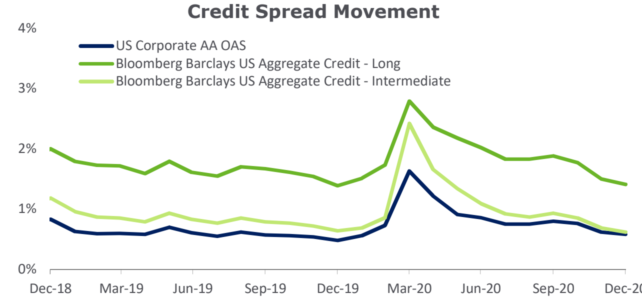
The LDI-focused plan saw a positive return in funded status from gains in risk assets. The plan is 81% hedged as of December 31.



RATE MOVEMENT

Treasury yields ticked up at the long end as the curve continued to steepen, with the 30-year Treasury rate increasing 19 basis points to 1.65%, as of December 31. Long-credit spreads contracted, tightening 47 basis points over the quarter, to pre-COVID levels. These competing factors resulted in lower discount rates for liabilities. The discount rate for the open total-return plan decreased 13 basis points, ending the quarter at 2.6%; for the same period, the discount rate for the frozen LDI-focused plan dropped 10 basis points to finish the quarter and year at 2.34%.

Credit Spread Movement



RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **101.3%** of PBO as of December 31.

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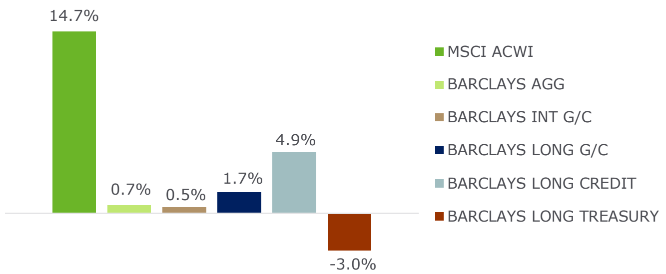
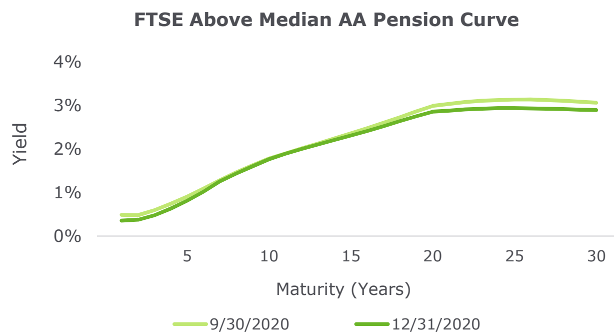
FOURTH QUARTER 2020

CONSIDERATIONS FOR PLAN SPONSORS

Plan contributions that were delayed until January 1, 2021, according to the CARES Act, will be coming due in the new year. Without additional pension funding relief from Congress, plan sponsors could see increases in minimum required plan contributions in 2021 as the PPA/HATFA discount rate corridor will begin to widen, producing lower discount rates and higher funding target liabilities. Even with rates at historical lows, we anticipate continued volatility in the market. To that end, we maintain our recommendation to reduce interest-rate risk through hedges and a long-term focus on allocations.

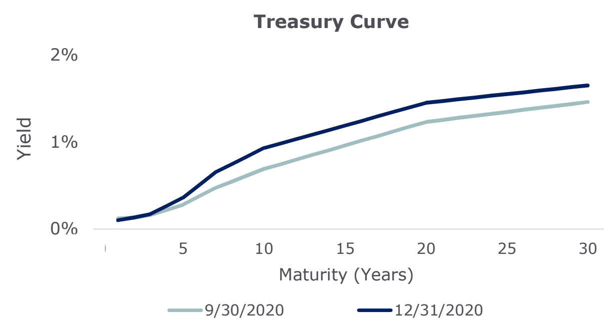
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





After faltering in October, equity markets came roaring back in November and December. With the U.S. presidential election in the rear view mirror and news of the COVID-19 vaccines, the S&P 500 Index gained 12.1% in the fourth quarter. Similarly, the MSCI ACWI Index was up 4.6% in December and returned 14.7% for the three months ending December 31; emerging market equities gained 7.4% last month with fourth-quarter gains of 19.7%.

Treasuries steepened 19 basis points at the long end, resulting in a loss of 3% in the fourth quarter, according to the Barclays Long Treasury Index. However, corporate spreads continued to contract over the quarter, tightening 47 basis points on the long end, fueling gains of 4.9% in long credit, according to the Barclays Long Credit Index.



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 Govt/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 compare 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.