



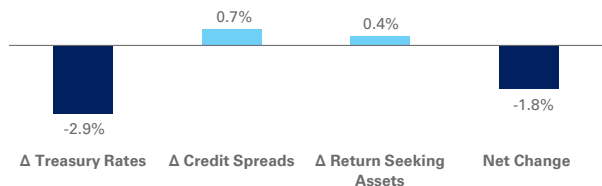
NEPC PENSION MONITOR

JULY 2021

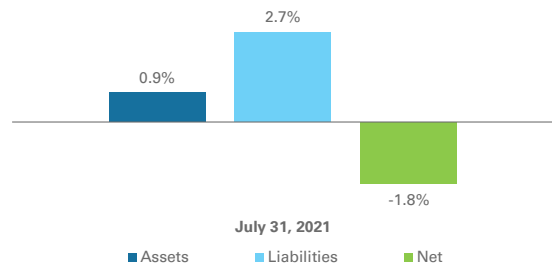
Corporate pension plans probably experienced modest losses in funded status in July as Treasury rates declined and credit spreads slightly widened. Equity performance was largely overshadowed by fixed income, likely leading to greater losses in funded status in total-return plans relative to their LDI-focused peers. Based on NEPC's hypothetical open- and frozen-pension plans, the funded status of the total-return plan fell 1.8%, while the LDI-focused plan declined 0.1% during the month.

HYPOTHETICAL OPEN/TOTAL-RETURN PLAN

Funded Status Attribution

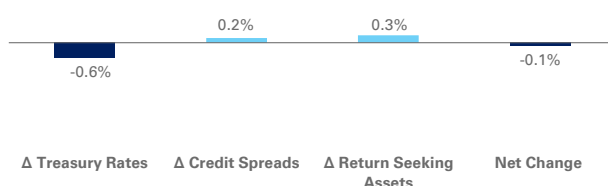


The funded status of the total-return plan fell 1.8% as declining Treasury rates caused liabilities to grow at a faster clip than assets.

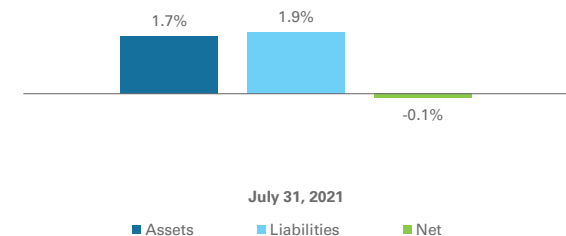


HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

Funded Status Attribution



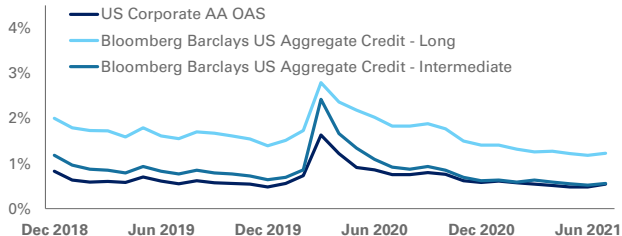
The funded status of the LDI-focused plan was down a modest 0.1%, as hedging liabilities protected against the decline in Treasury rates; the plan is 86% hedged as of July 31.



RATE MOVEMENT COMMENTARY

The Treasury curve flattened in July as Treasury yields fell. The 10-year Treasury fell by 21 basis points to 1.24%, while the 30-year Treasury fell by 17 basis points to 1.89%. Credit spreads widened modestly, still hovering around record tight levels. These movements resulted in lower effective pension discount rates used for NEPC's hypothetical pension plans. As a result, the open total-return plan fell by 15 basis points and the frozen LDI-focused plan fell by 16 basis points, ending the month with estimated discount rates of 2.72% and 2.48%, respectively.

Credit Spread Movement



RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately 102.4% of PBO, as of July 31, 2021

RECENT INSIGHTS FROM NEPC

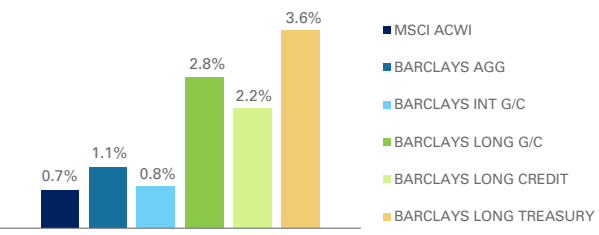
Reframing Inflation Expectations: Q2 Quarterly Market Webinar
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PLAN SPONSOR CONSIDERATIONS

The Treasury curve experienced a modest dip in July, possibly influenced by the demand for bonds from LDI glide paths. The probability of at least one rate hike in 2022 remains high based on current market pricing. Inflation expectations remain elevated in the near term, but are expected to subsequently abate. NEPC maintains its recommendation to adhere to plan hedge ratios and long-term strategic target allocations.

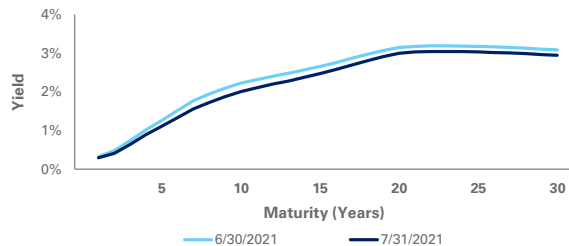
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT



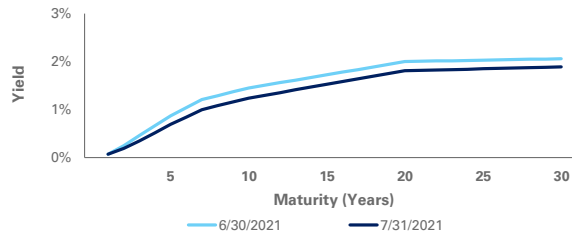
Equity markets continued to push higher in developed markets, with the S&P 500 increasing 2.4% and the EAFE Index up 0.8% in July. Meanwhile, emerging markets equities dropped 6.7% driven by regulatory action in China. Globally, the MSCI ACWI Index gained 0.7% last month.

Within fixed income, the Treasury curve steepened with the 10- and 30-year tenors down 21 and 19 basis points, respectively. This resulted in gains of 3.6% for the Barclays Long Treasury Index for July. Meanwhile, credit spreads widened, leading to returns of 2.2% for the Barclays Long Credit Index during the same period.

FTSE Above Median AA Pension Curve



Treasury Curve



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.