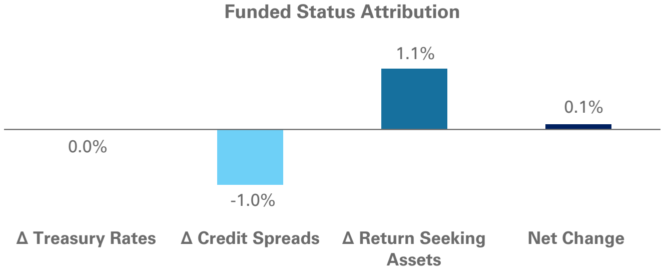
NEPC PENSION MONITOR

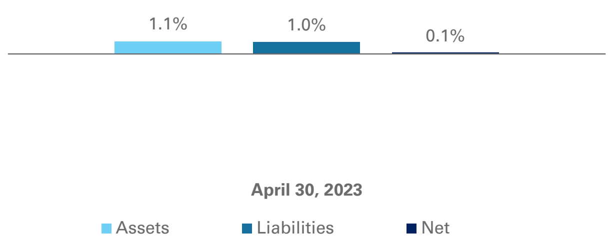
APRIL 2023

In April, pension sponsors experienced modest changes in liability discount rates. However, gains from public equities fueled improvements in the funded status of many corporate pension plans. Plans likely experienced a more muted change in funded ratio last month versus prior months. The Treasury yield curve experienced modest declines for the month and remained inverted between the one- and 10-year tenors at the end of April. Total-return-focused plans likely experienced gains in funded status from equity gains with improvements partially offset by a decline in credit spreads. NEPC's hypothetical pension plans experienced an increase in funded status of 0.1% for the total-return plan compared to an improvement of 0.3% for the LDI-focused plan.

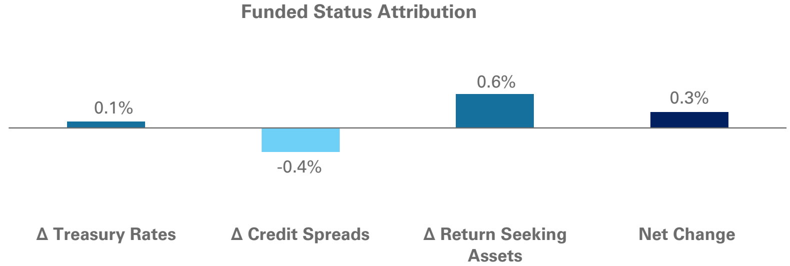
HYPOTHETICAL OPEN/TOTAL-RETURN PLAN



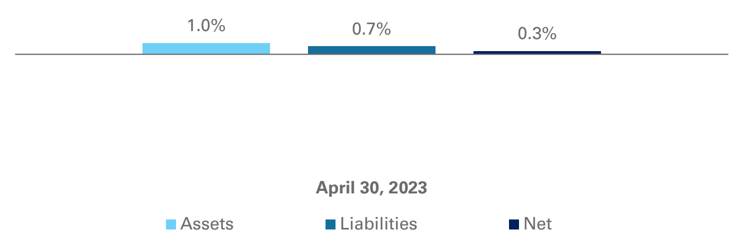
The funded status of the total-return plan remained relatively flat as lower credit spreads offset positive asset returns.



HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN



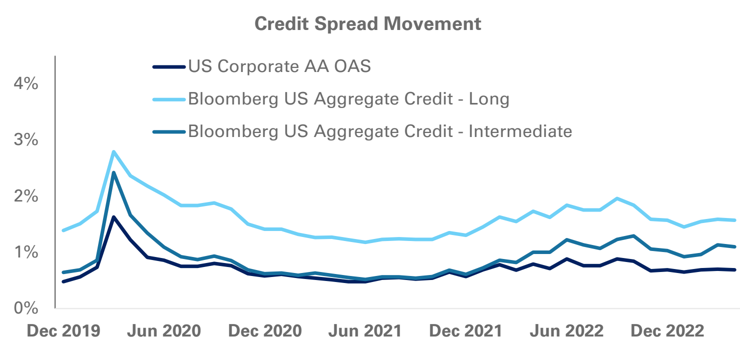
The funded status of the LDI-focused plan remained relatively flat as lower credit spreads offset higher positive equity returns. The plan is 79% hedged as of April 30.



RATE MOVEMENT COMMENTARY

The Treasury curve was mostly unchanged in April, and remained inverted from the one- to 10-year tenors. The 10-year yield decreased four basis points to 3.44% while the 30-year yield remained unchanged month-over-month at 3.67%. Rates for tenors up to 15 years increased year-to-date while the 30-year tenor is down slightly so far this year. Long and intermediate credit spreads contracted modestly during the month.

The movement in Treasury rates and credit spreads resulted in a small decrease in the pension discount rates used to discount pension liabilities. The discount rates for NEPC's hypothetical pension plans increased approximately eight basis points with the open total-return plan rate at 4.98%, while the discount rate for the frozen LDI-focused plan was 4.89%.



RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately **103.5%** of PBO, as of April 30, 2023

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NEPC's 2022 DEI Progress Report
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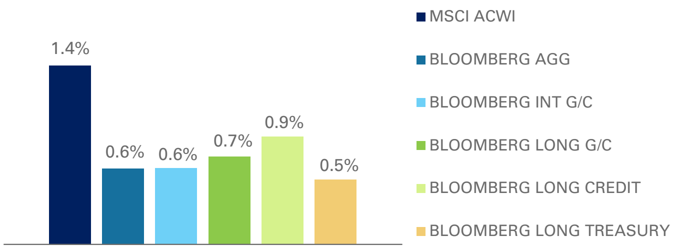
NEPC PENSION MONITOR

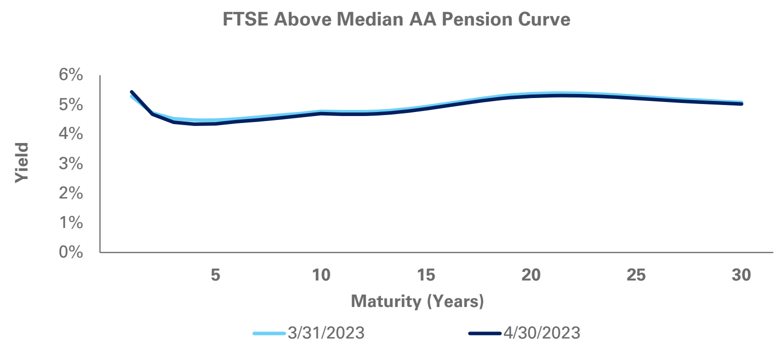
APRIL 2023

PLAN SPONSOR CONSIDERATIONS

Equities were in the black in April while fixed-income securities were flat to slightly higher. Changes in Treasury yields were limited in April and the yield curve remained inverted between the one- and 10-year tenors. Modest declines in credit spreads resulted in slightly lower discount rates used for valuing pension liabilities. At NEPC, we anticipate continued market volatility and the potential for market disruption. Plan sponsors should remain diligent about monitoring sources of change in funded status versus expectations as equities and interest rates are likely to remain volatile. This includes closely monitoring hedge ratio ranges to avoid becoming overhedged to interest rates with a flatter yield curve.

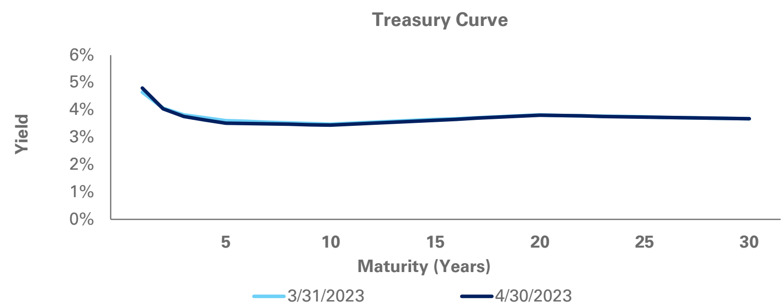
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





U.S. equities gained 1.6% in April, according to the S&P 500 Index. Non-U.S. stocks outperformed U.S. equities with international developed markets gaining 2.8% last month, according to the MSCI EAFE Index. Emerging market equities were down 1.1% last month, according to the MSCI EM Index. Broadly, global equities were up 1.4% during the same period, according to the MSCI ACWI Index.

The Treasury curve remained relatively unchanged from March to the end of April at all tenors and remained inverted from the one- to 10-year tenors. This resulted in modest increases for fixed-income markets, with long-credit securities experiencing slightly higher returns due to lower credit spreads. During the month, the Bloomberg Long Treasury Index returned 0.5% and the Bloomberg Long Credit Index increased 0.9%.



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 reset at 100% funded as of December 31, 2021.

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.