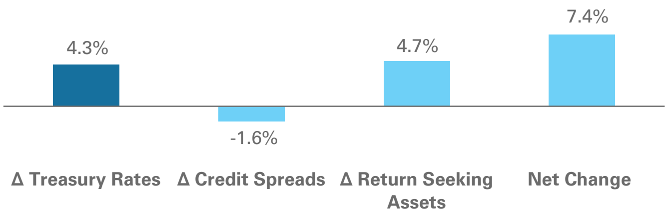
NEPC PENSION MONITOR

SECOND QUARTER 2023

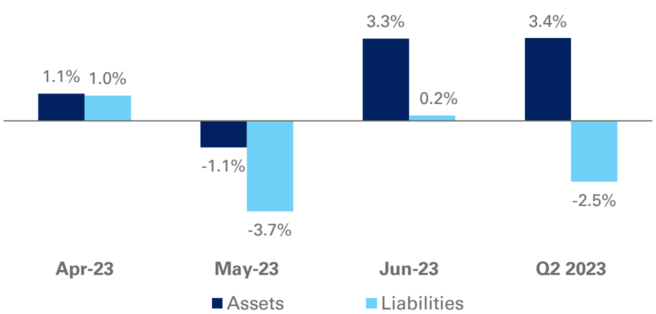
Returns from growth-oriented assets fueled increases in the funded status of many U.S. corporate pension plans in the second quarter of 2023. During the quarter, the Federal Reserve hiked the Fed Funds Rate by 25 basis points. Estimated plan liability discount rates were higher in the second quarter and contributed to a lower present value of liabilities. Increased rates, combined with strong returns from growth assets, led to funded status gains for the three months ended June 30. The funded status of a total-return plan rose 7.4%, and the LDI-focused plan experienced a funded status increase of 4.2%.

HYPOTHETICAL OPEN/TOTAL-RETURN PLAN

Funded Status Attribution

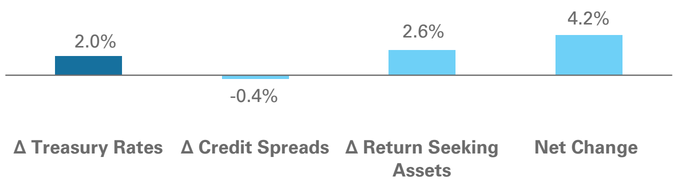


The funded status of the total-return plan increased as changes in Treasury rates and return-seeking assets exceeded changes in credit spreads.

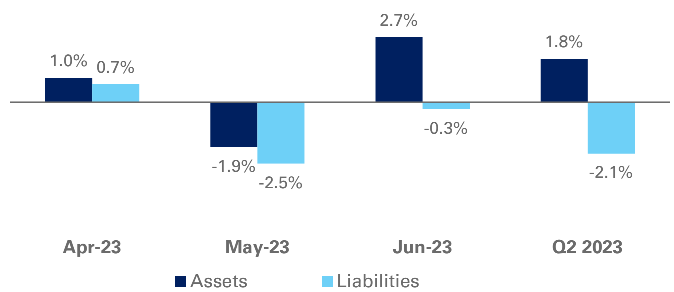


HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

Funded Status Attribution



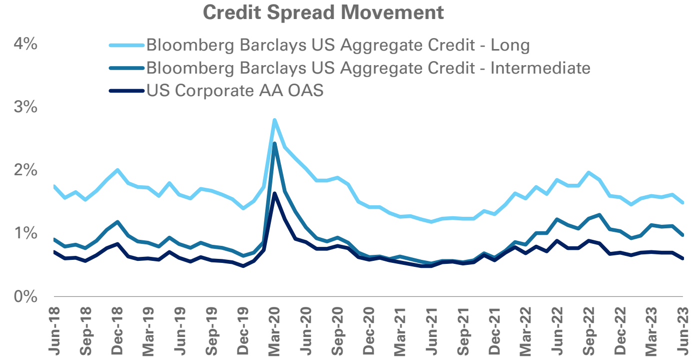
The funded status of the LDI-focused plan increased as changes in Treasury rates and return-seeking assets exceeded changes in credit spreads. The plan is 84% hedged as of June 30.



RATE MOVEMENT

Short- and long-term interest rates moved higher for the three months ended June 30. Longer-term interest rates moved slightly less as the 30-year Treasury yield increased 18 basis points during the quarter to 3.85%. Credit spreads contracted 11 basis points over the same time period. Overall, increases in Treasury rates resulted in increased liability discount rates in the second quarter, with the rate for the open total-return plan increasing 17 basis points to 5.23% and the discount rate for the frozen LDI-focused plan increasing 23 basis points to 5.19% as of June 30.

Credit Spread Movement



RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **103.8%** of PBO as of June 30, 2023

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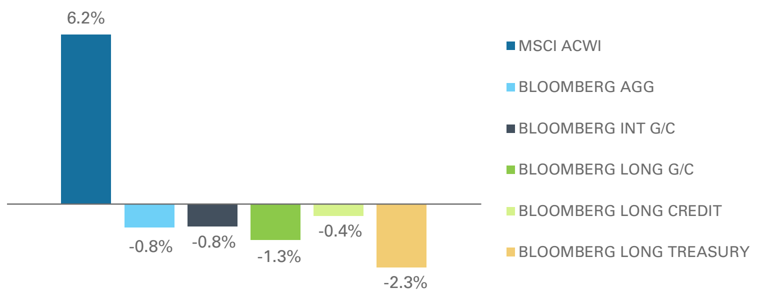
NEPC PENSION MONITOR

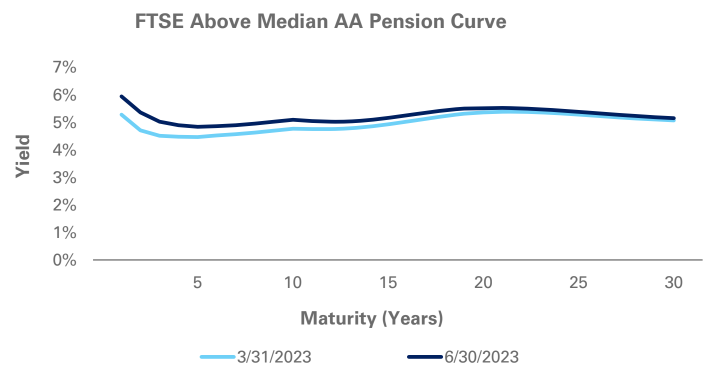
SECOND QUARTER 2023

CONSIDERATIONS FOR PLAN SPONSORS

Global equities were largely positive in the second quarter of 2023 while fixed-income markets experienced losses as a result of interest rate increases. While long-term interest rates are modestly lower year-to-date, the increase in shorter-term rates and strong equity market returns this year provide an opportunity for total-return plans to (re)consider LDI to better meet objectives. For certain plan sponsors, higher-funded status levels are also providing a tailwind in the form of lower required contributions and declining PBGC variable-rate premiums. NEPC consultants are available to discuss the benefits and cost of various pension finance and derisking strategies.

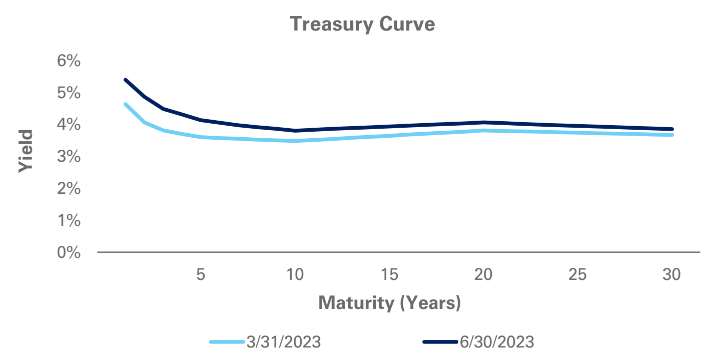
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





U.S. equities gained 8.7% in the second quarter of 2023. During this period, non-U.S. developed market stocks generally underperformed the U.S. as the MSCI EAFE returned 3%; the MSCI Emerging Market Index was up 0.9% in the same period.

Treasury yields increased across the yield curve and remained inverted. The 30-year Treasury yield was 18 basis points higher for the quarter, resulting in a loss of 2.3% for the Barclays Long Treasury Index; during this period, the Barclays Long Credit Index posted losses of 0.4%.



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.