



# 2023 DEFINED BENEFIT TRENDS SURVEY

NEPC, LLC

NOVEMBER 2023



PROPRIETARY & CONFIDENTIAL

# SURVEY DEMOGRAPHICS ROBUST & DIVERSE

## NEPC'S DEFINED BENEFIT TRENDS SURVEY

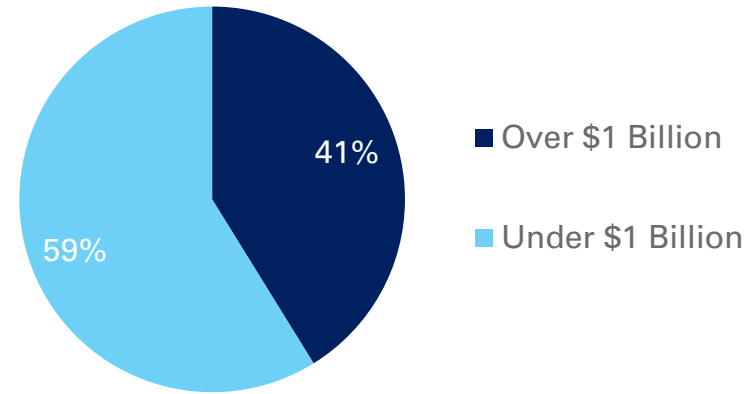
- **The 2023 survey includes:**

- 51 Defined Benefit Plans
- The majority of plans range in size from \$100 million to over \$3 billion

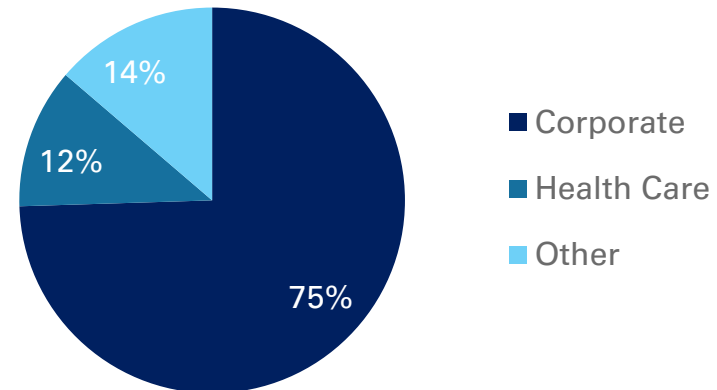
- **Diverse cross-section of organization types**

- Corporate
- Health Care
- Other includes Law Firms and Private Companies

What is the asset size of your defined benefit plan?



What best describes the focus of your organization



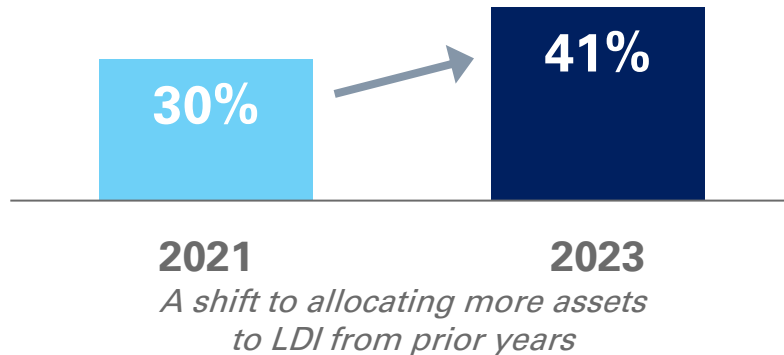
Source: NEPC 2023 Defined Benefit Trends Survey which includes 52 participating plans, including both NEPC clients and other organizations. Survey was conducted in September 2023 provided by Corporate and Healthcare Plan Sponsors.

# KEY TAKEAWAYS

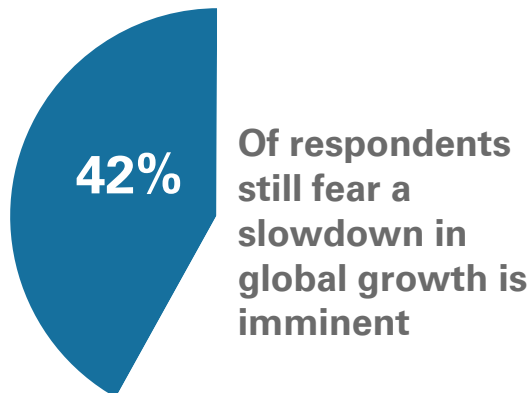
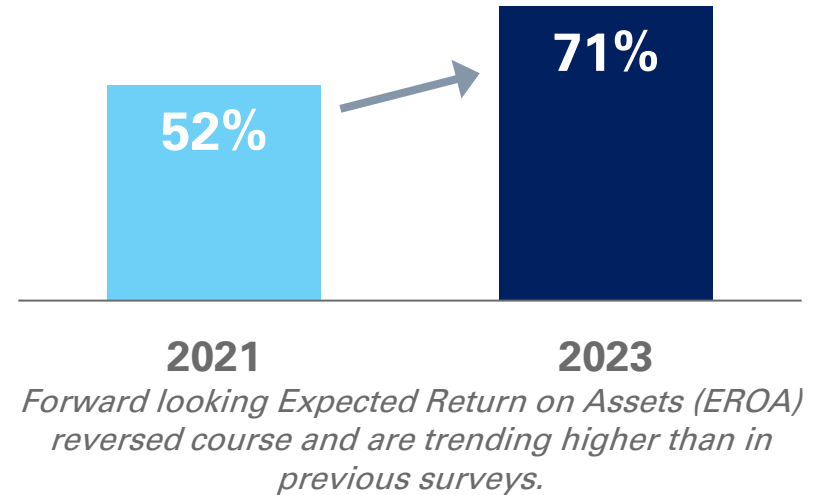
- 1** There seems to be a shift to allocating more assets to LDI from prior years
- 2** Forward looking Expected Return on Assets (EROA) reversed course and are trending higher than in previous surveys
- 3** Respondents still fear a slowdown in global growth is imminent
- 4** Most respondents 40% expect Pension Discount Rates to remain the same level over the next year

# KEY TAKEAWAYS

## Assets Allocated to LDI



## Plans With an EROA of 6% or Higher



## Respondents expect Pension Discount Rates to...

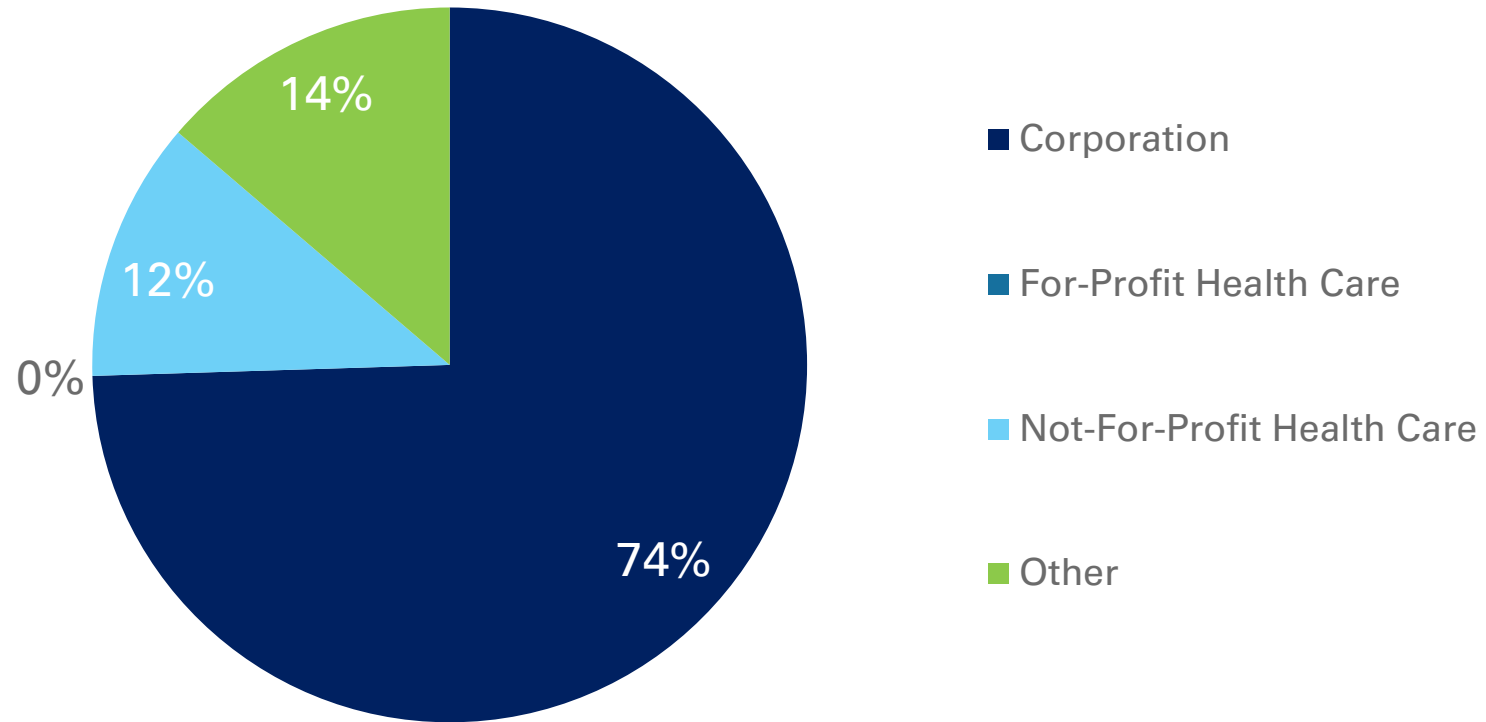


# SURVEY RESULTS

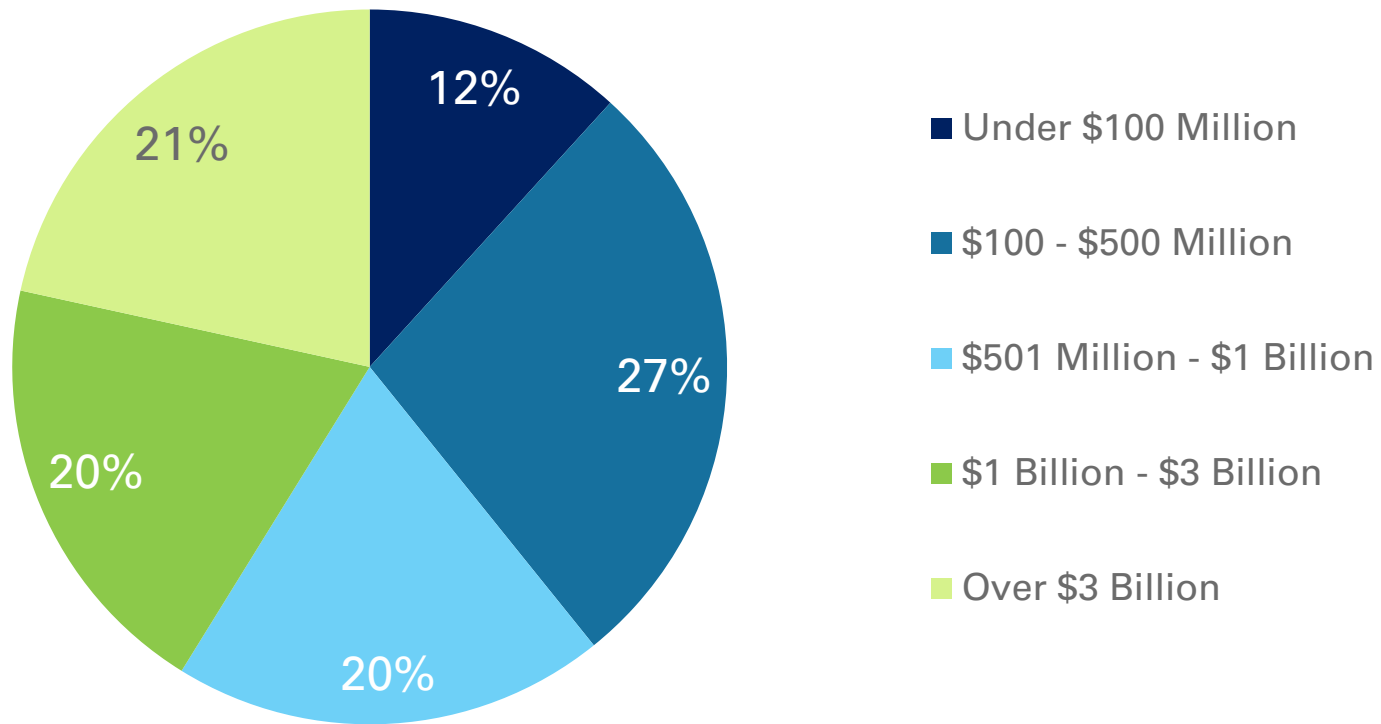


PROPRIETARY & CONFIDENTIAL

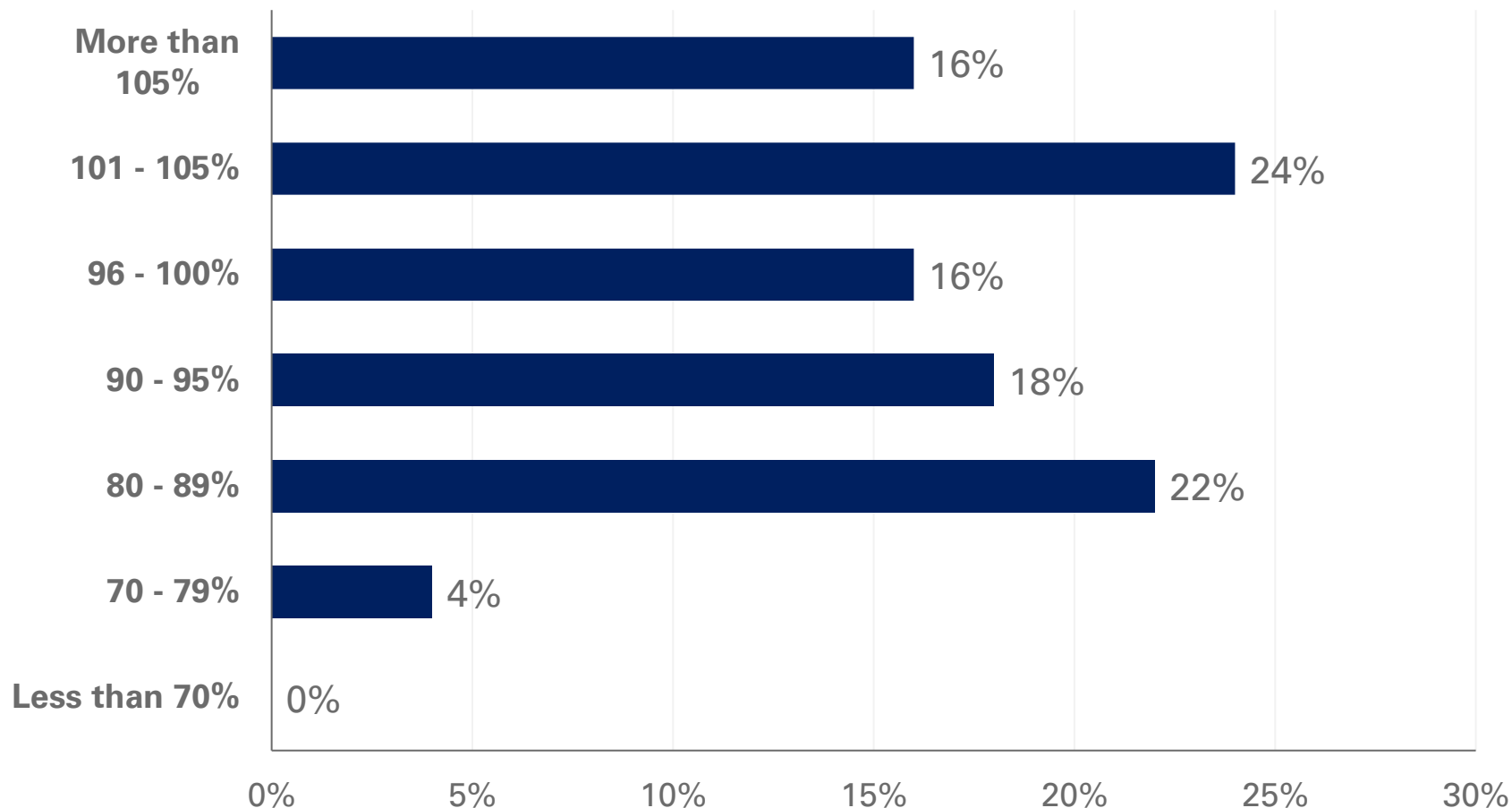
# 1 What best describes the focus of your organization?



## 2 What was the asset size of your defined benefit pension plan as of December 31, 2022?



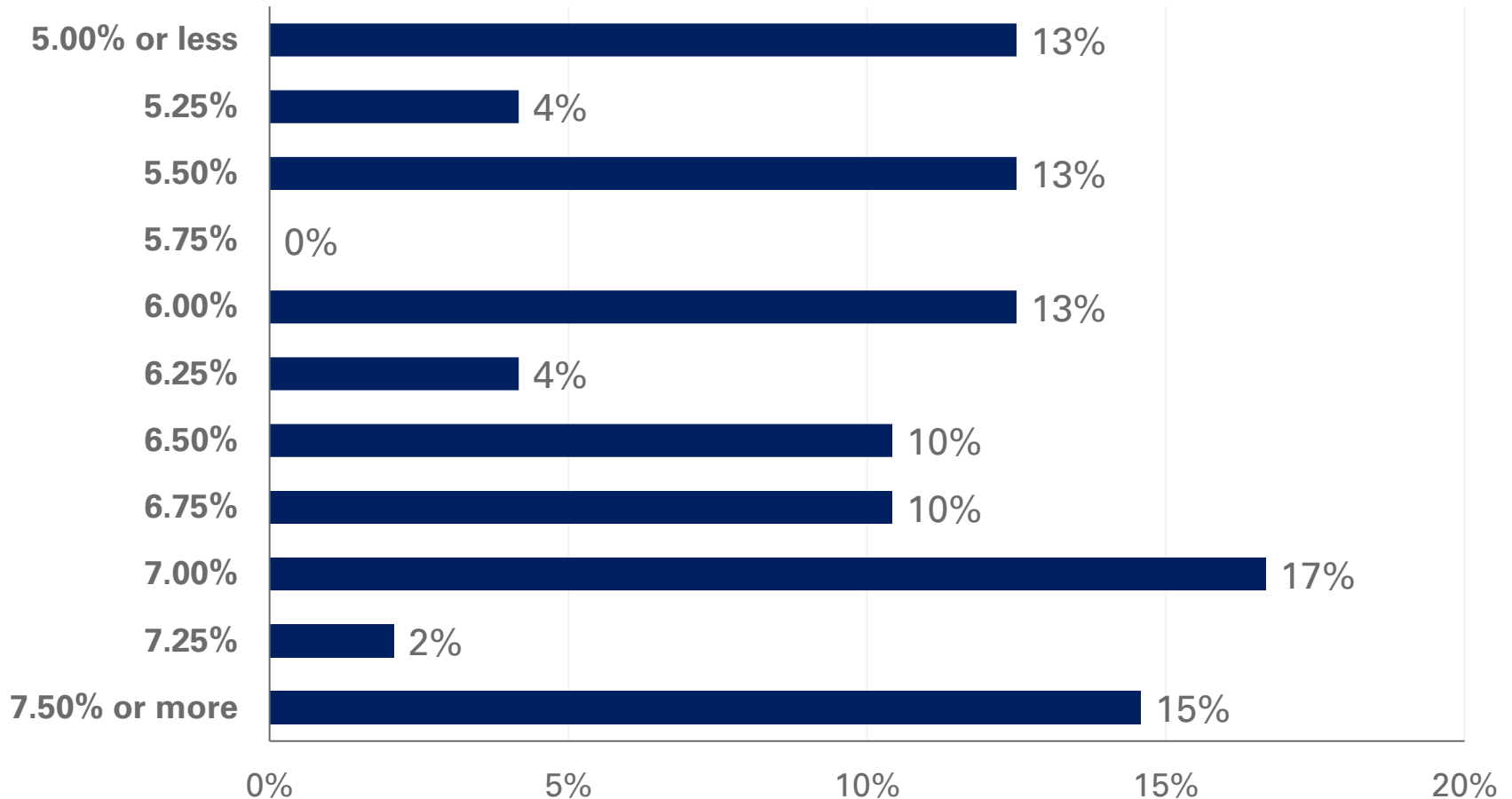
### 3 What was the Projected Benefit Obligation (PBO) funded ratio of your defined benefit pension plan as of December 31, 2022?





4

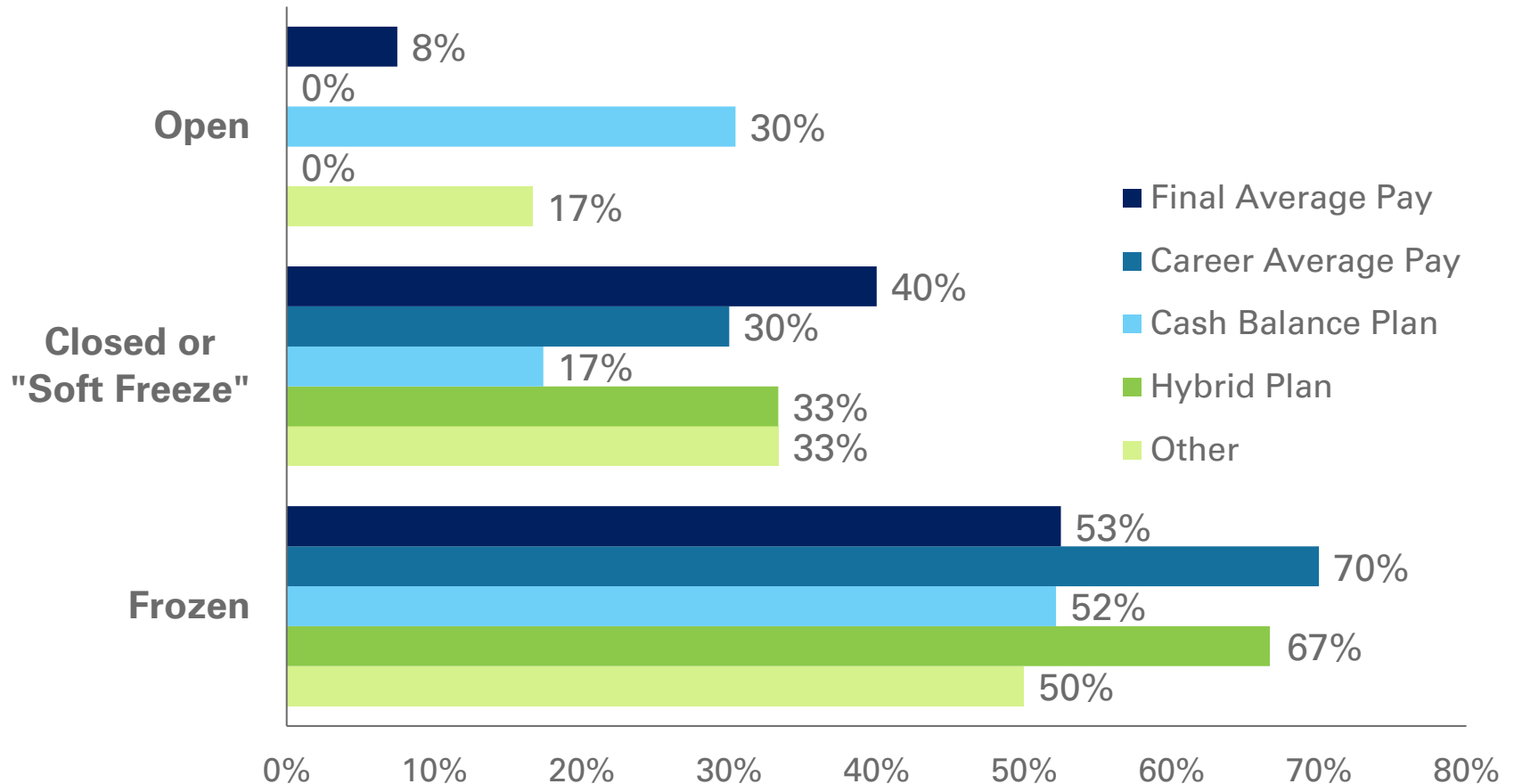
## What is your long-term rate of return assumption for the plan?



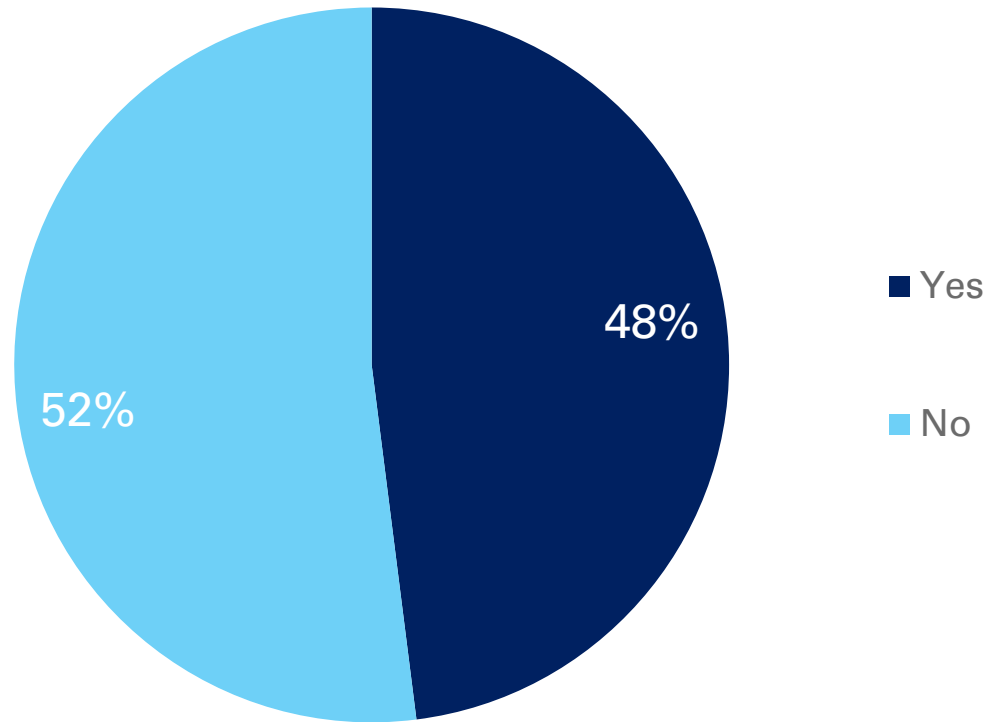
5

What best describes the benefit formula of your plan?

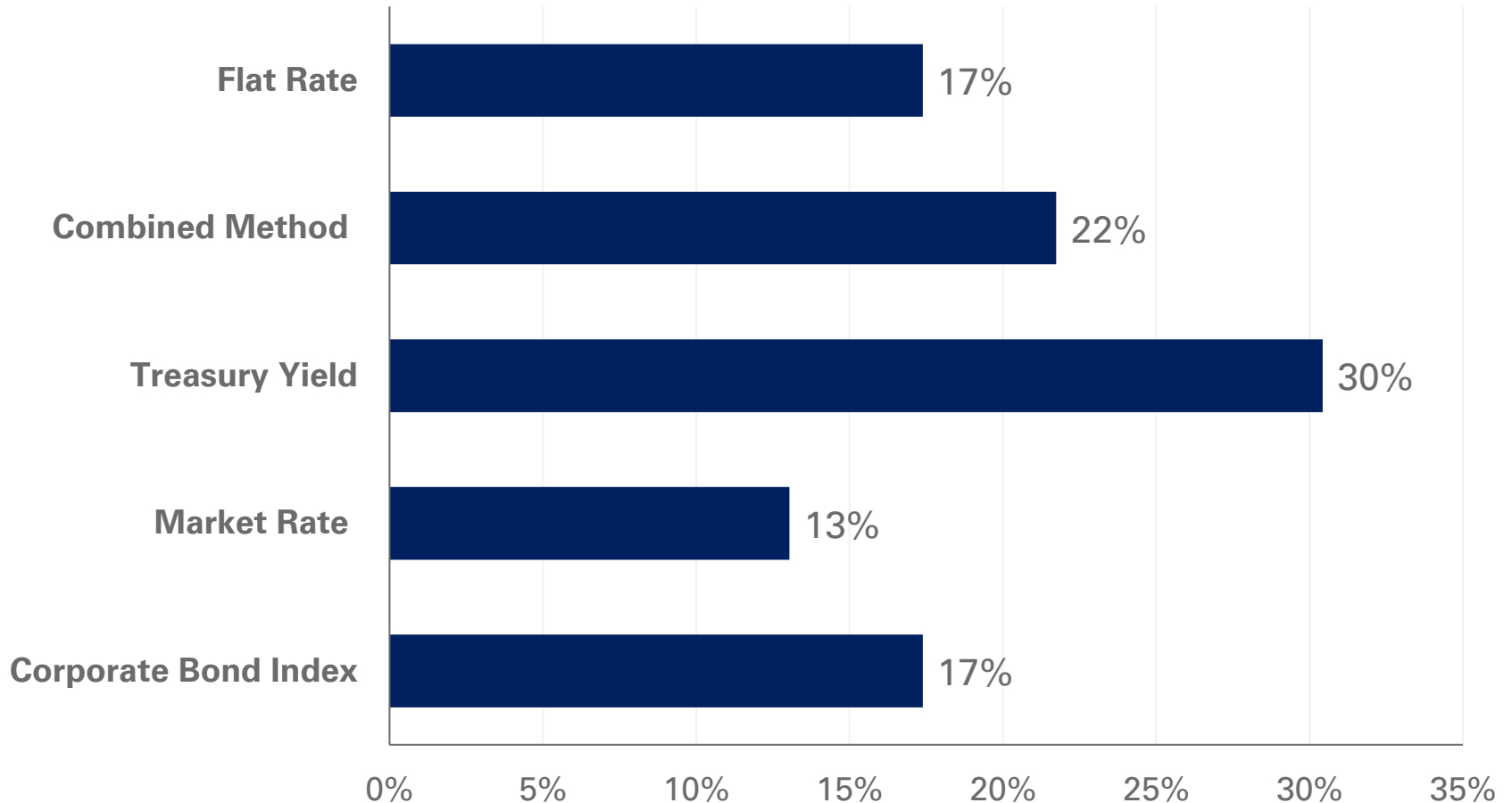
If you have more than one plan, please provide an answer for the largest plan liability that you manage.



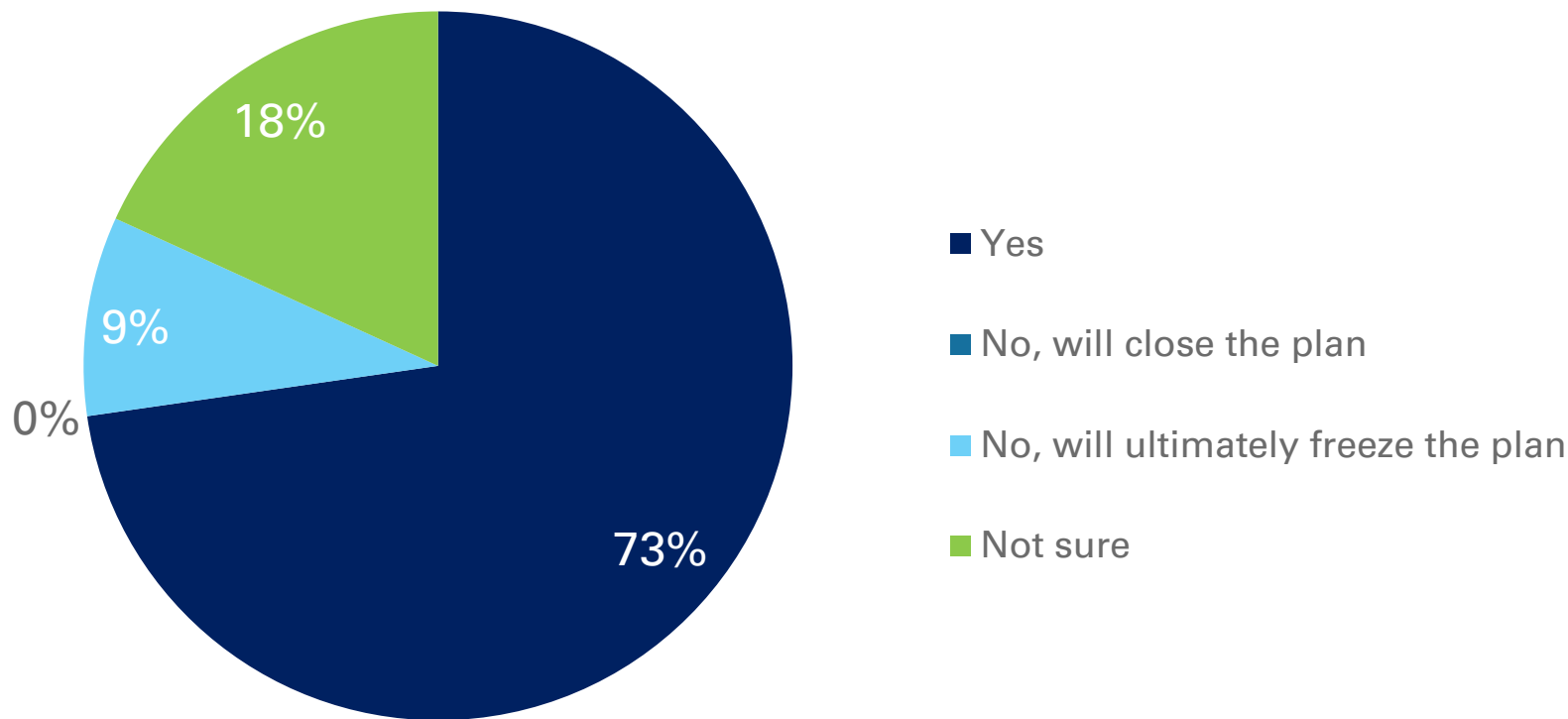
**5a Does a portion of your plan's liability have a cash balance component?**



## 5b What is the cash balance crediting rate method?



**5c** You indicated your plan is open\*. Do you expect it to remain open in the foreseeable future?

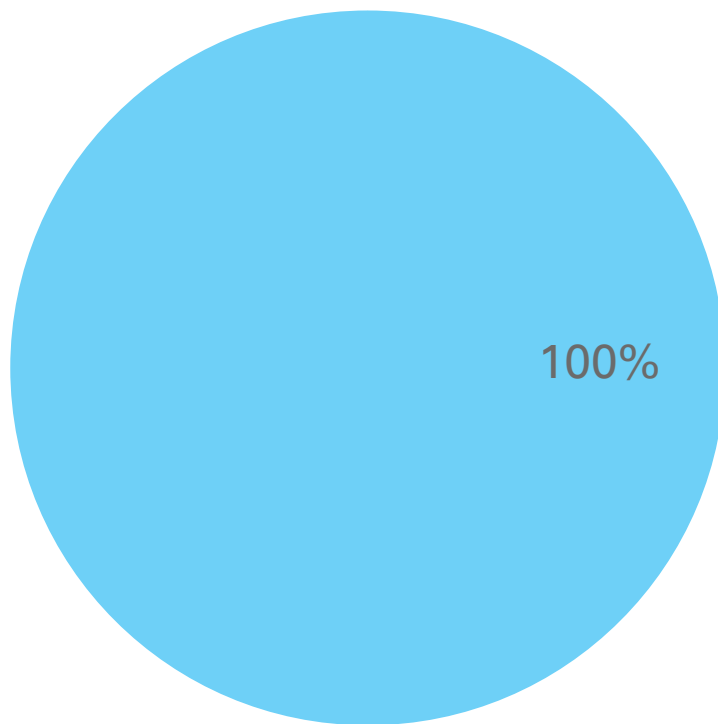


\*Open = New Employees will enter the plan;

Closed or "Soft-Freeze" = Current participants continue to earn benefits but there will be no new entrants;

Frozen = No future benefits earned for participants

**5d** You indicated that you aim to close or freeze\* your plan(s).  
Please select all the reasons that apply.



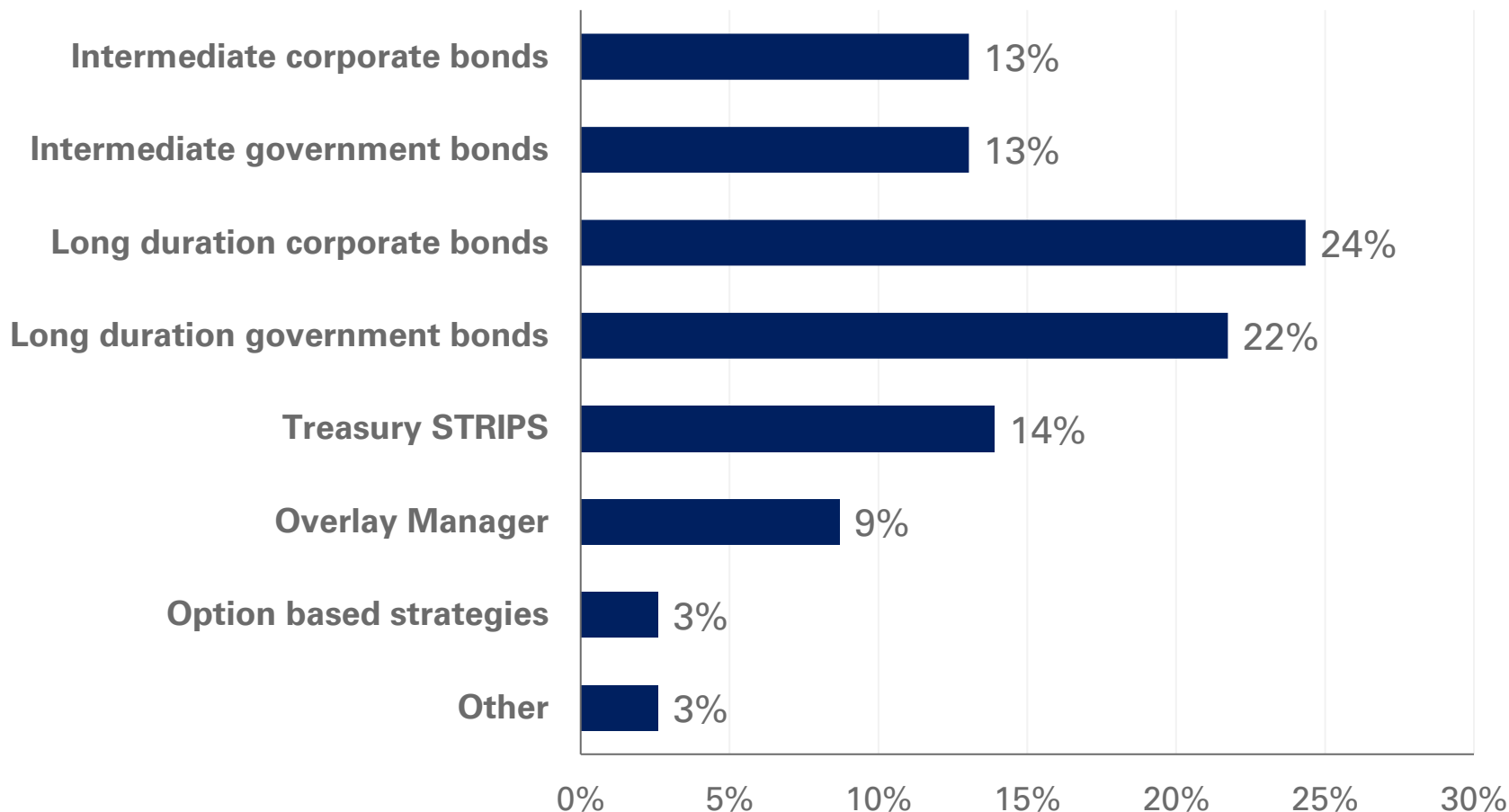
- PBGC costs are rising
- Other costs are rising (actuarial, consulting, custodial, legal, manager)
- Impact on the company's financials
- Considering lump sum options in the future
- Considering annuitizing the plan in the future (full or partial)
- Other

Open = New Employees will enter the plan;

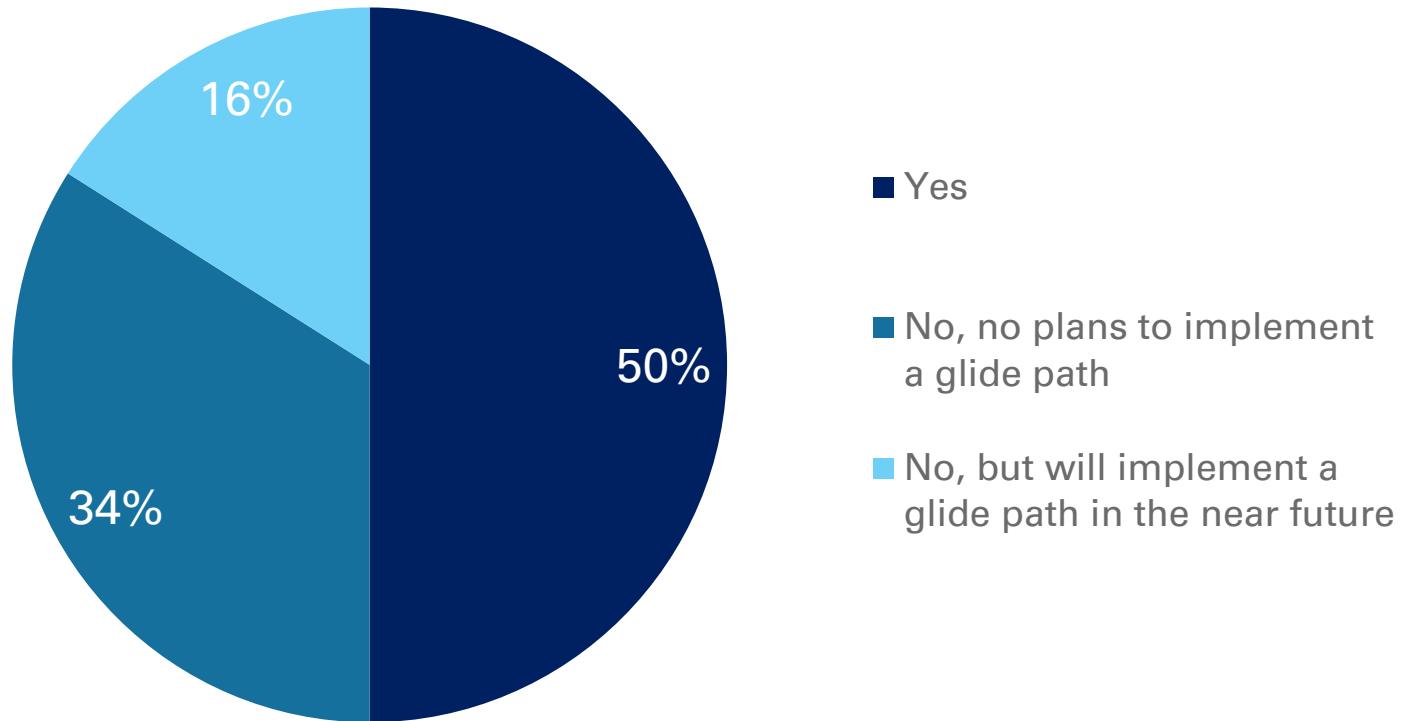
\*Closed or "Soft-Freeze" = Current participants continue to earn benefits but there will be no new entrants;

Frozen = No future benefits earned for participants

**6a** What instruments do you utilize in your LDI portfolio?  
Select all that apply.

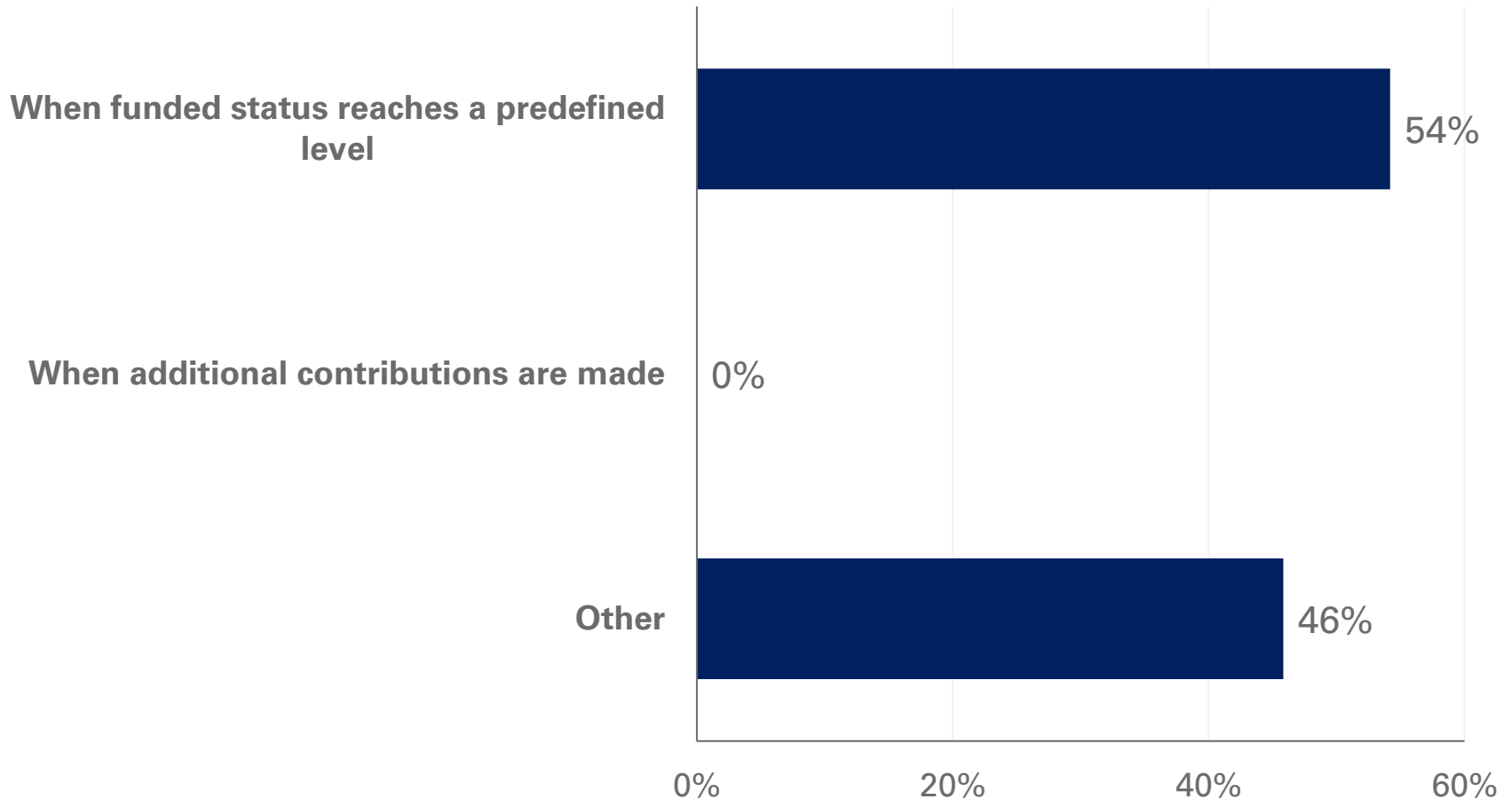


## 7 Do you have a hedging glide path in place?

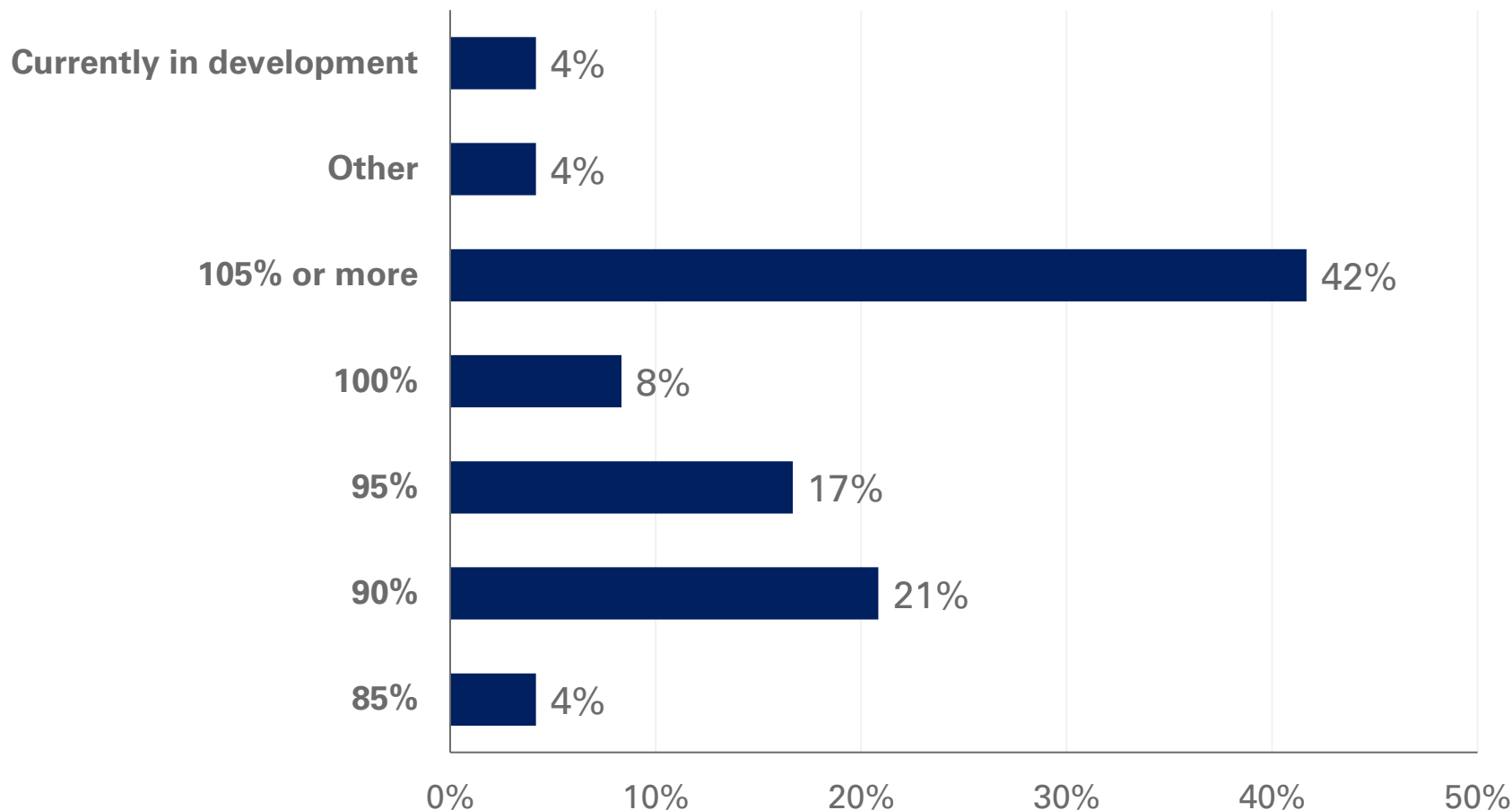




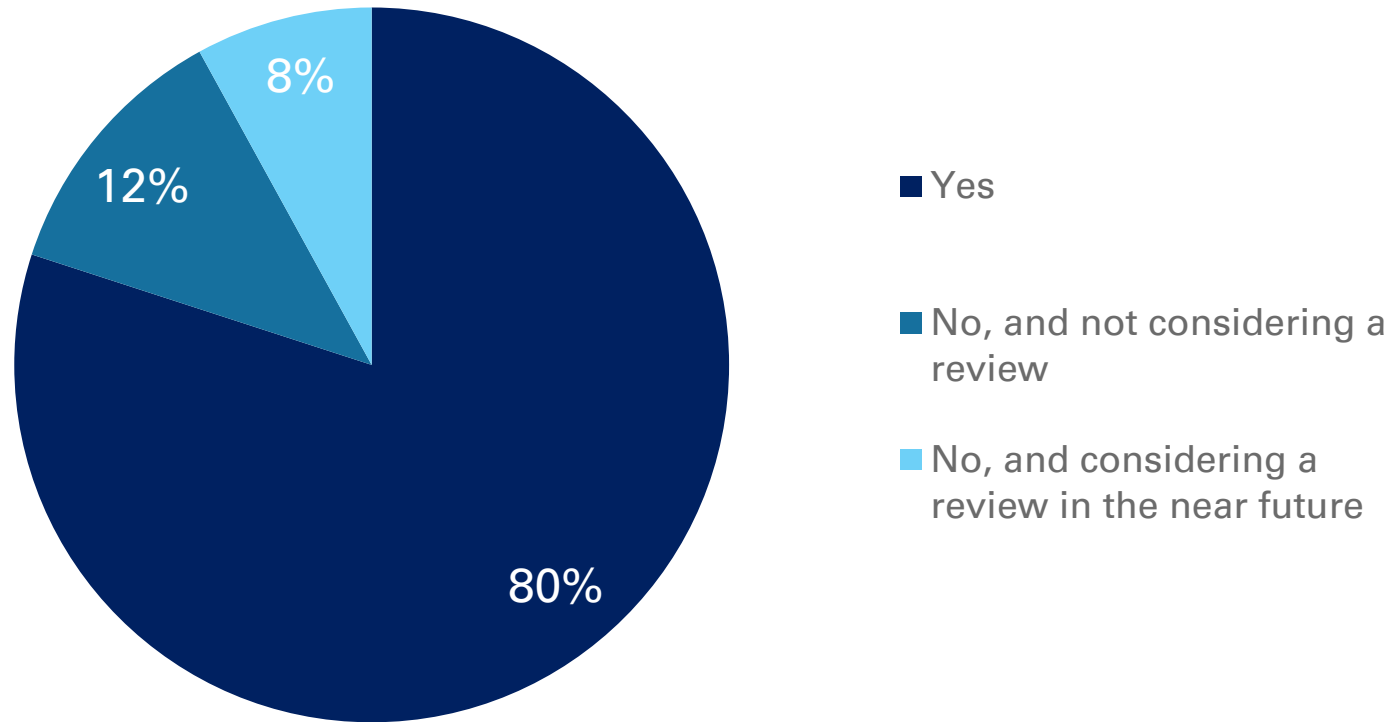
**7a** You indicated that you do not have a hedging glide path in place. What would cause you to consider a hedging glide path?



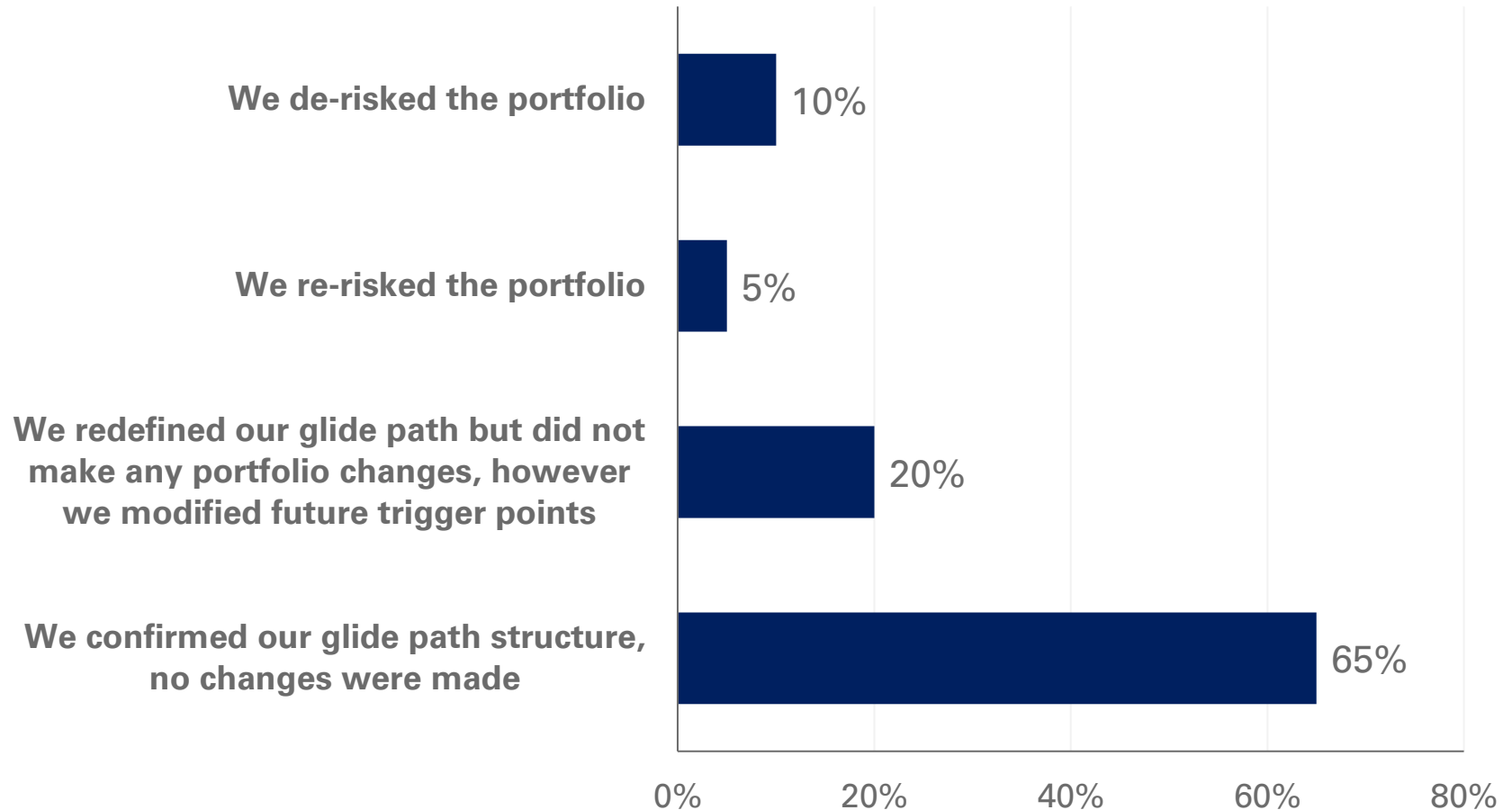
## 7b What is your maximum targeted hedge ratio at your final glide path step?



**7c Have you completed a formal review of your glide path during the last 12 months?**

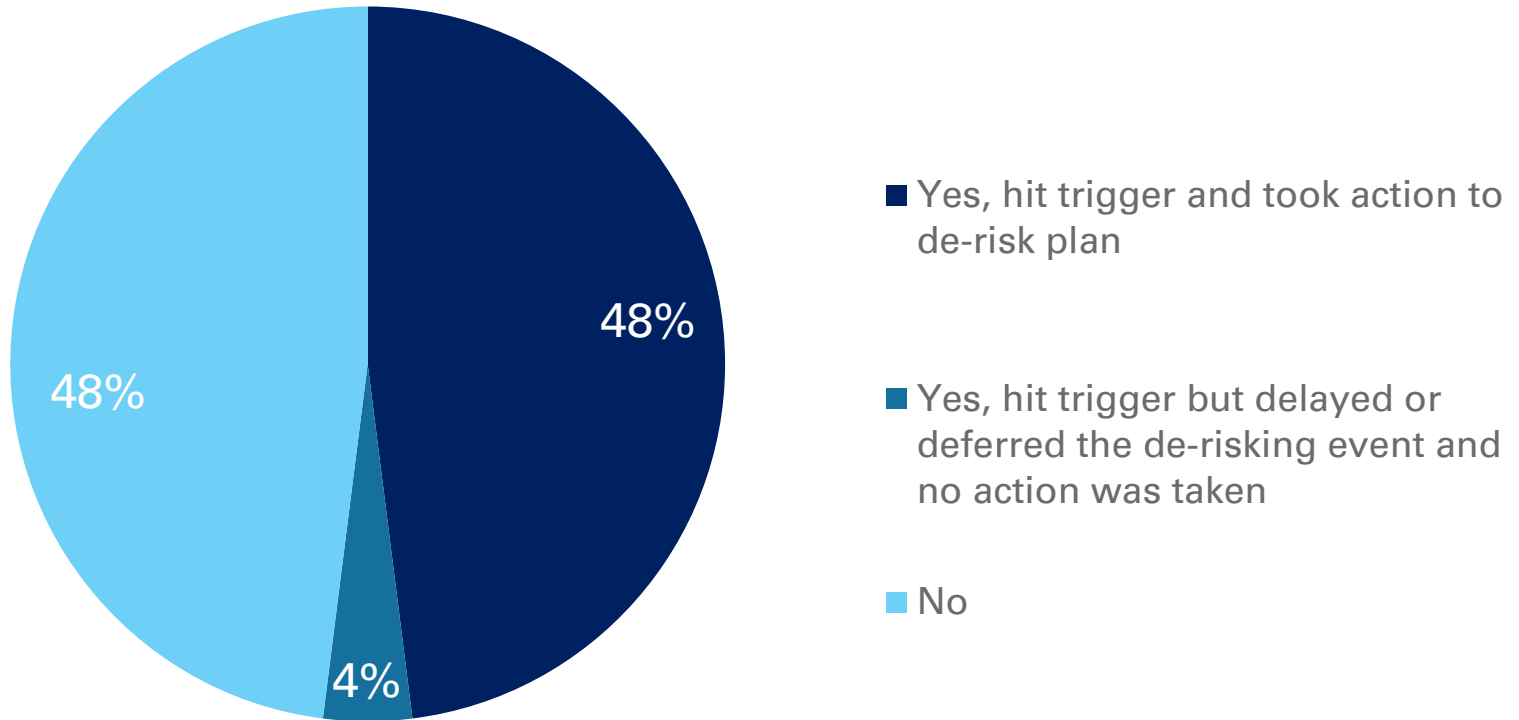


## 7d Did the review result in any of the below?

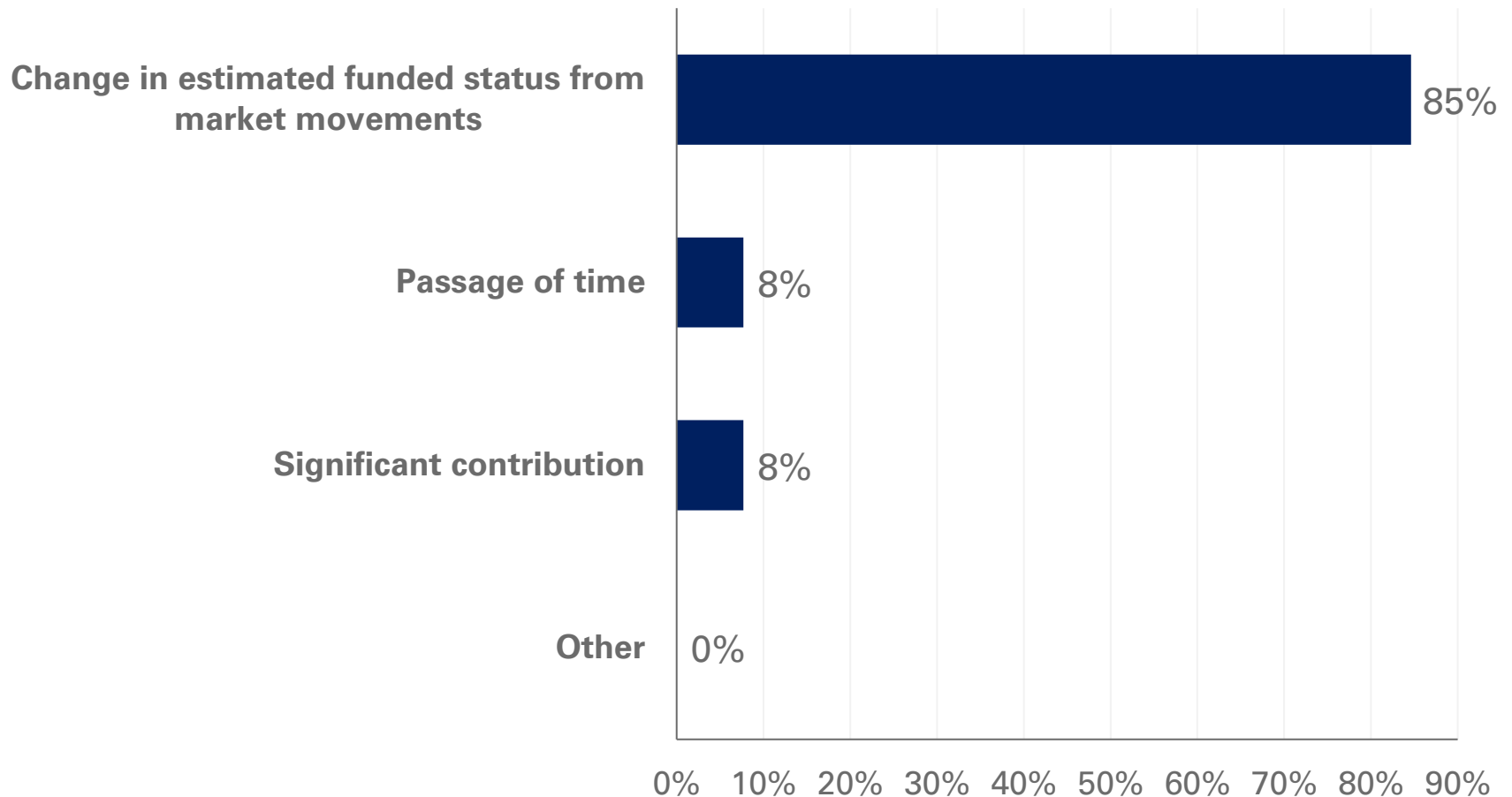


8

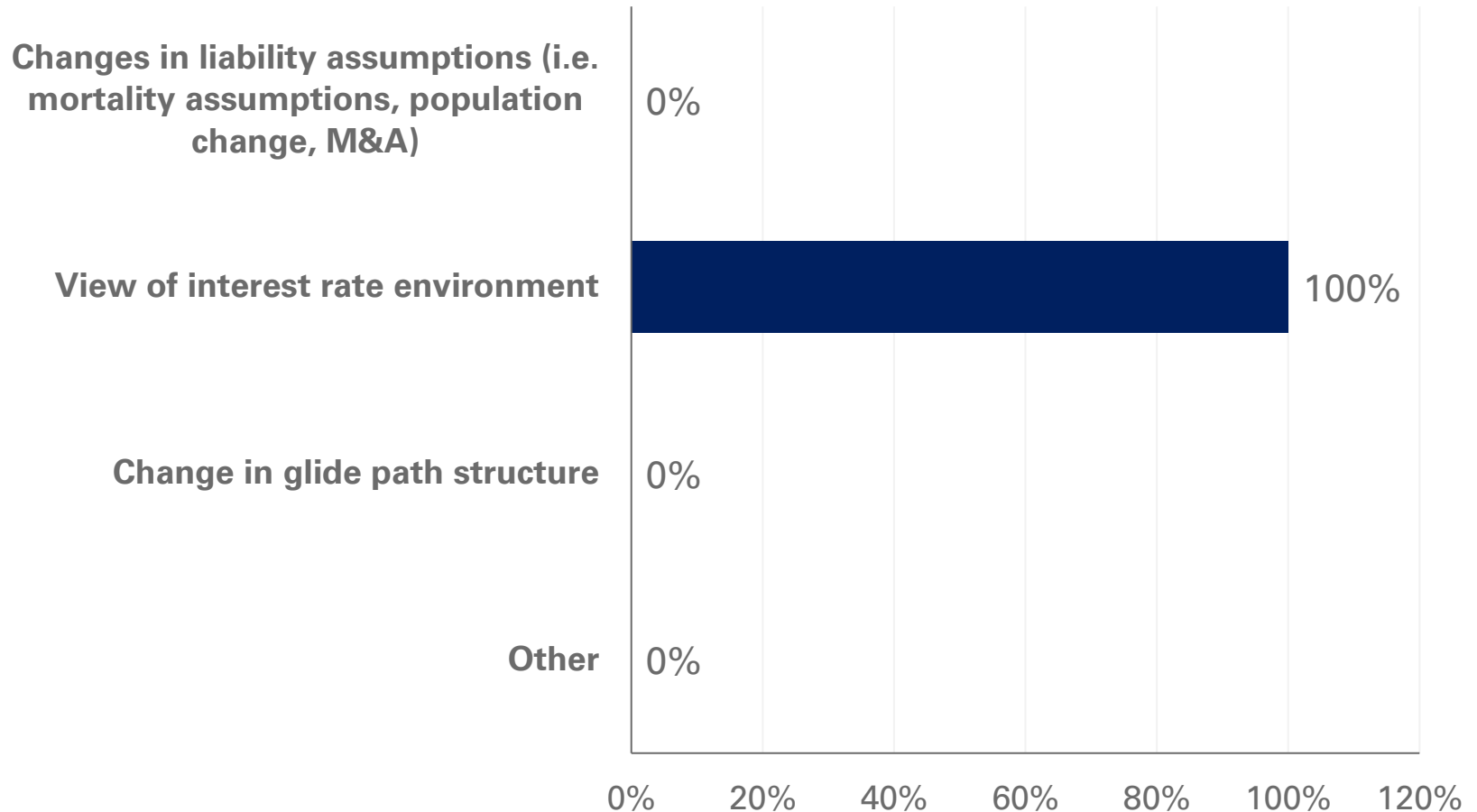
Since January 1st 2022, have you hit a trigger on your plan's glide path?



## 8a What event primarily caused the "trigger"?

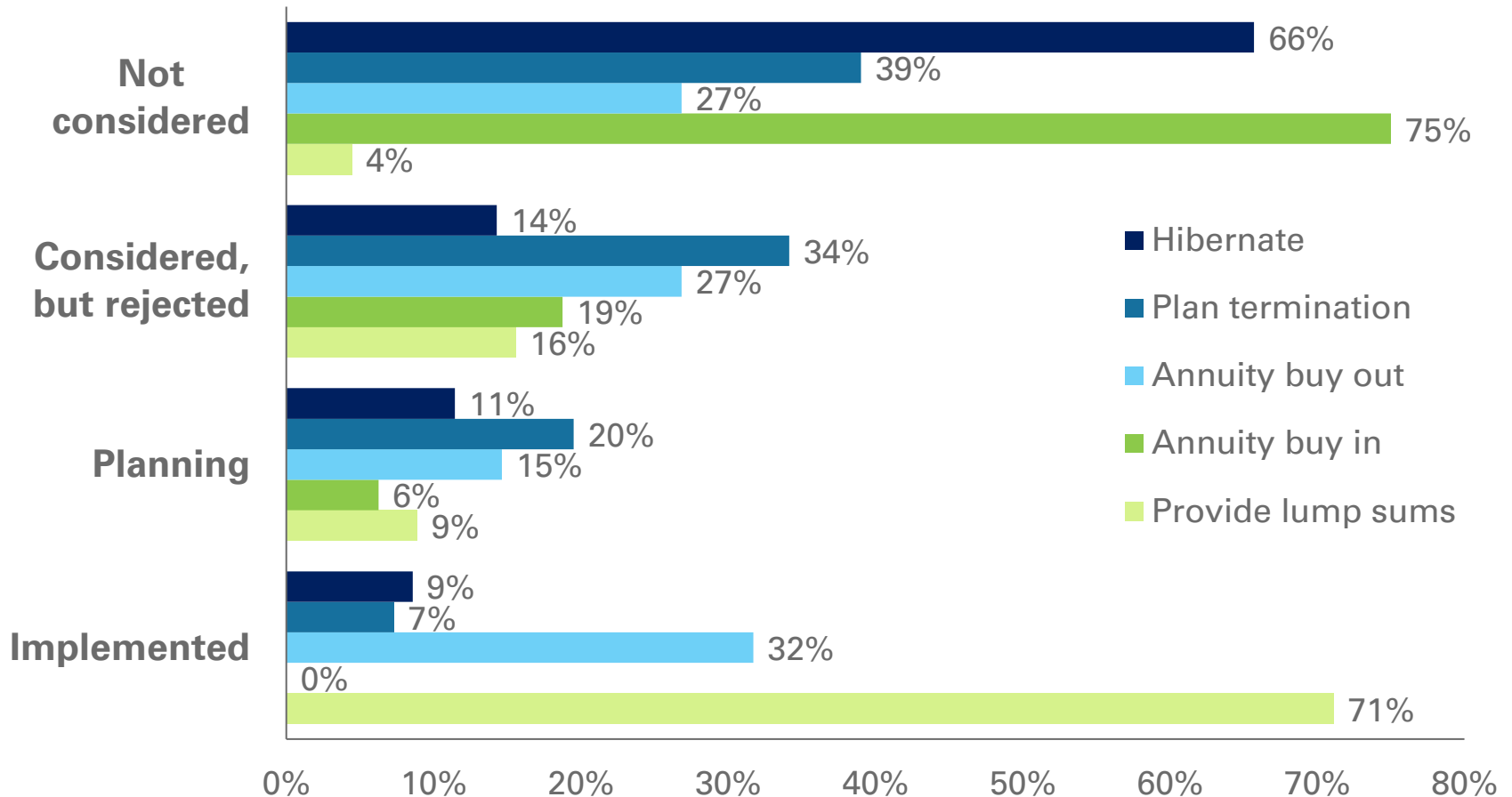


**8b** What was the primary reason you delayed the de-risking event or took no action?



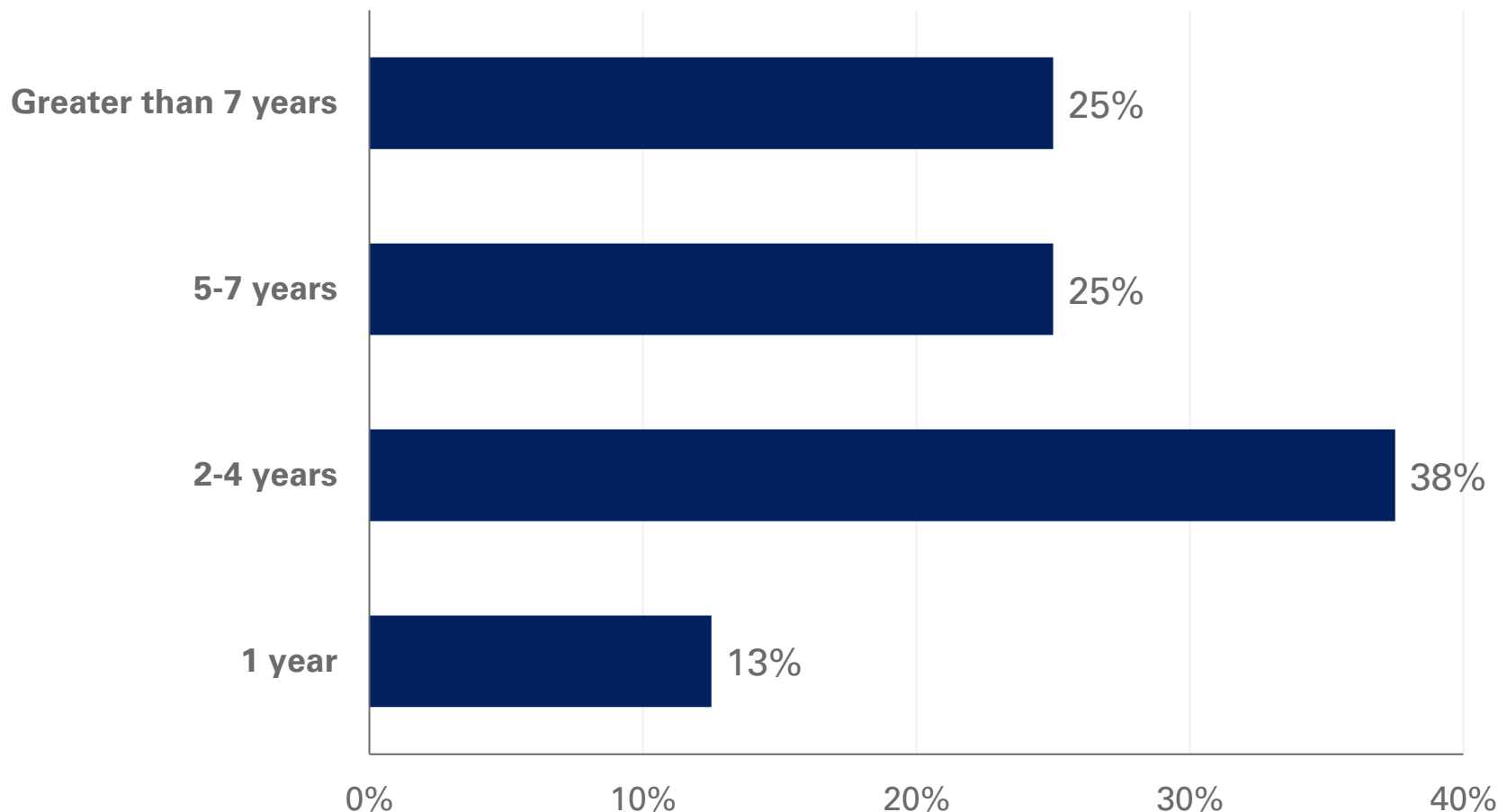
9

Please categorize the following risk reduction strategies you have previously implemented as they relate to your plan.

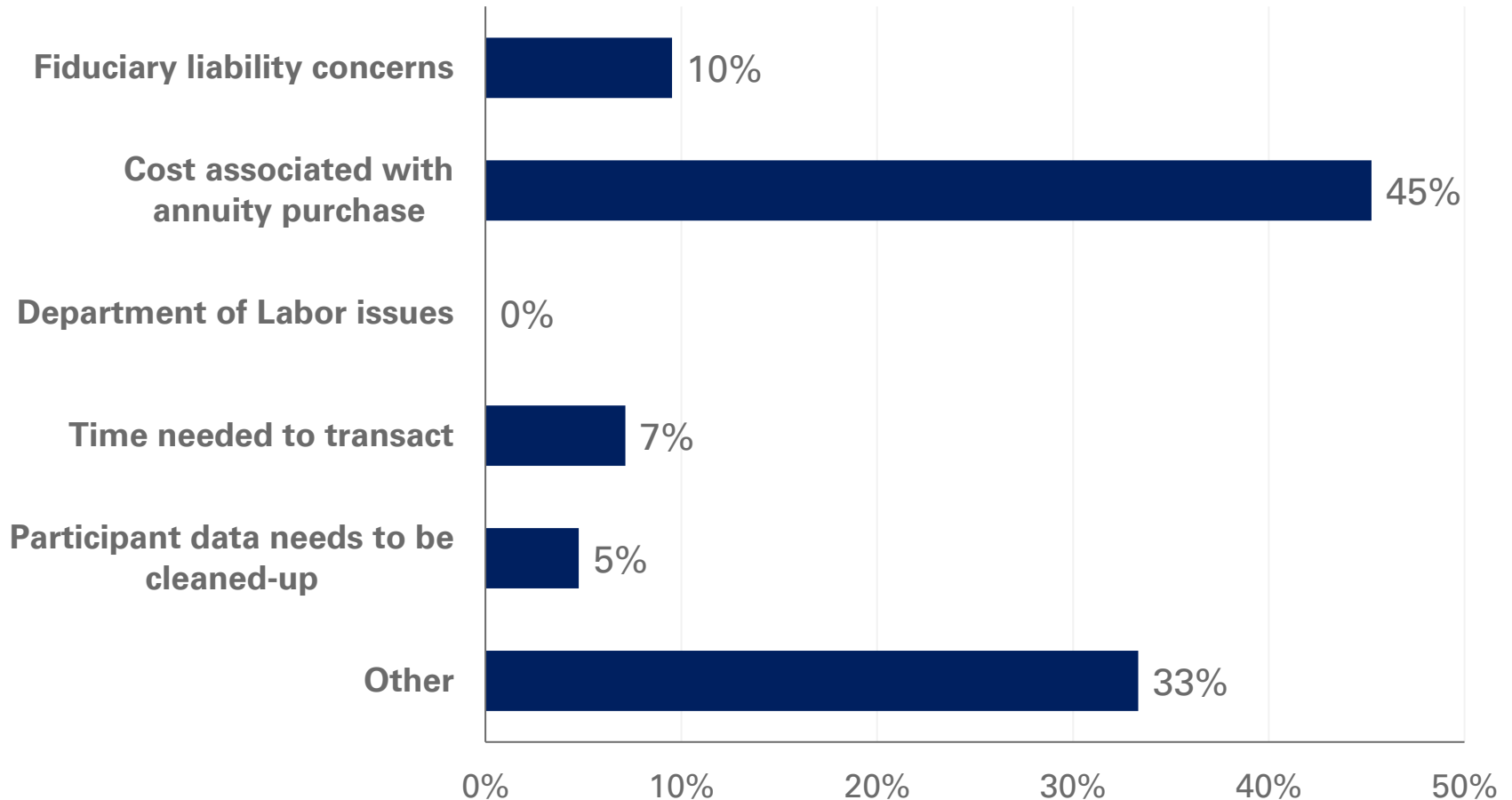




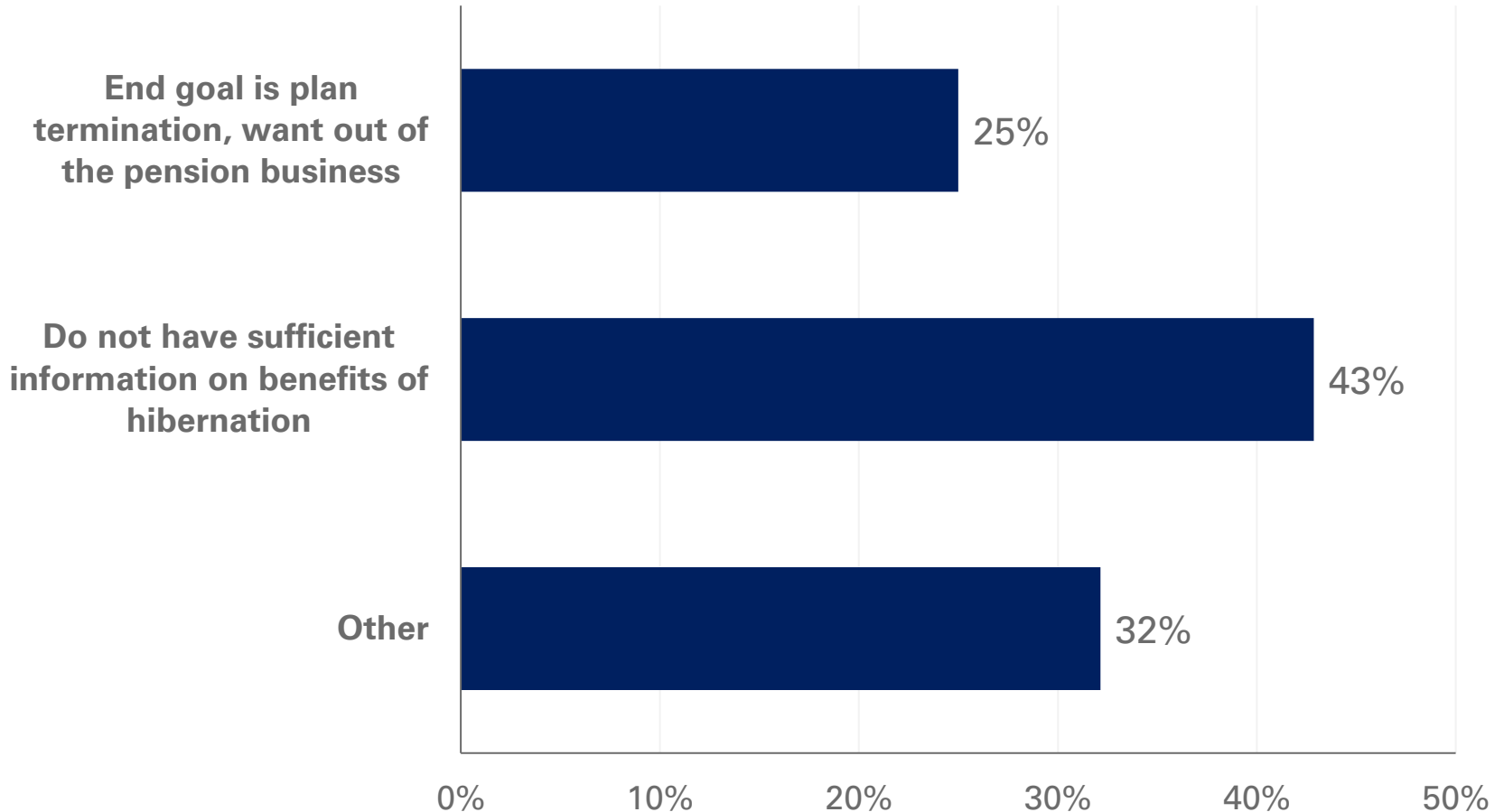
**9a** You indicated that you are planning a plan termination in the future. Please indicate the expected timing of the plan termination.



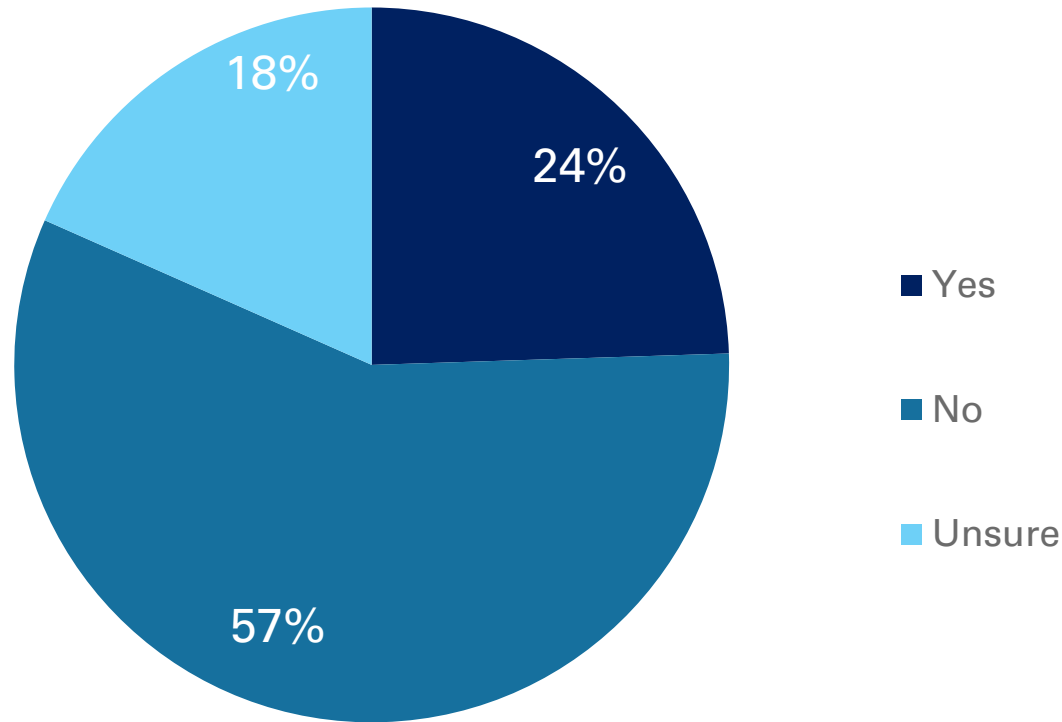
**9b** You indicated that you have "Not considered" or "Considered, but rejected" an annuity purchase at this time. Please indicate the reasons - select all that apply.



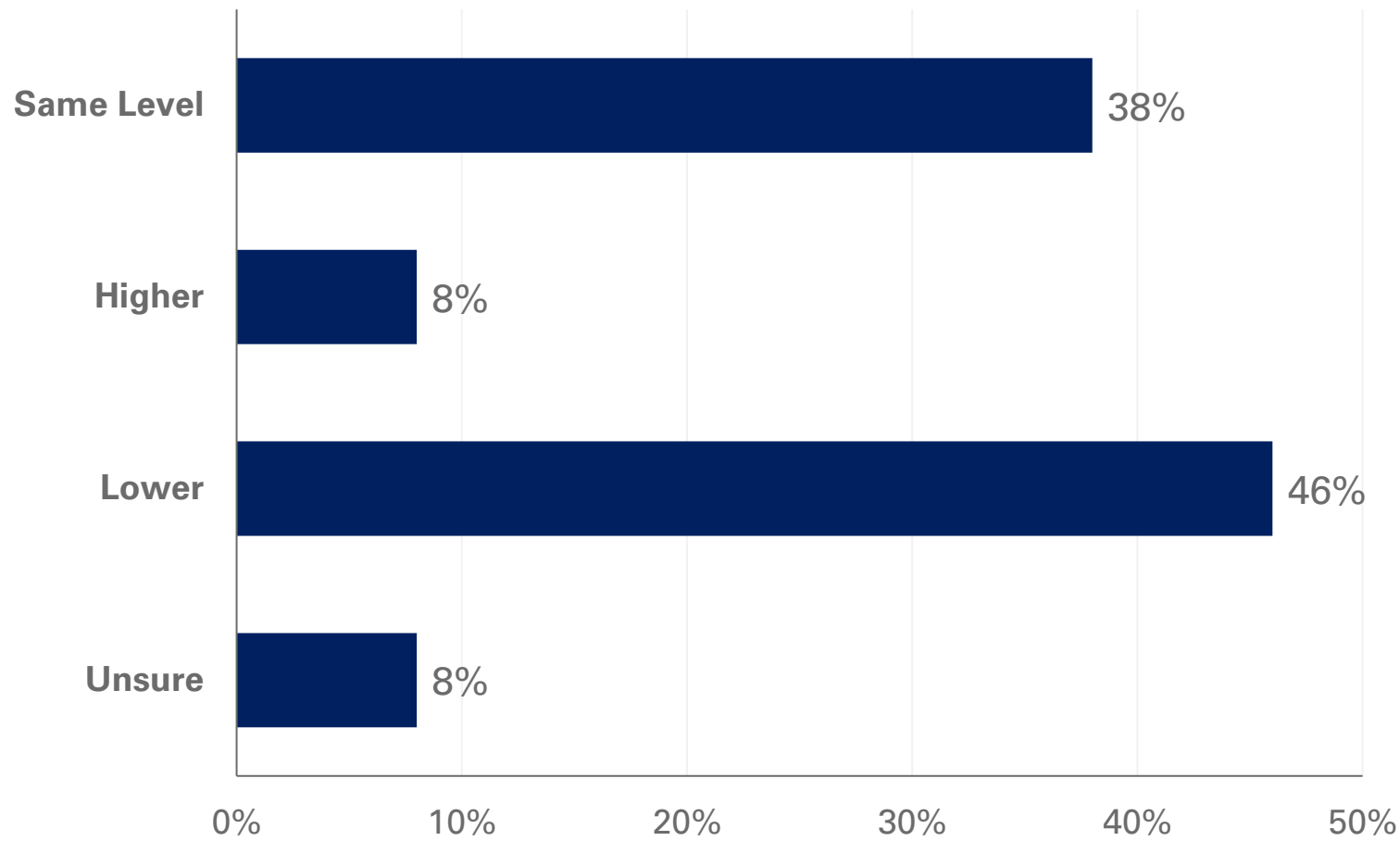
**9c** You indicated that you have "Not Considered" or "Considered, but rejected" a hibernation strategy at this time. Please indicate the reasons - select all that apply.



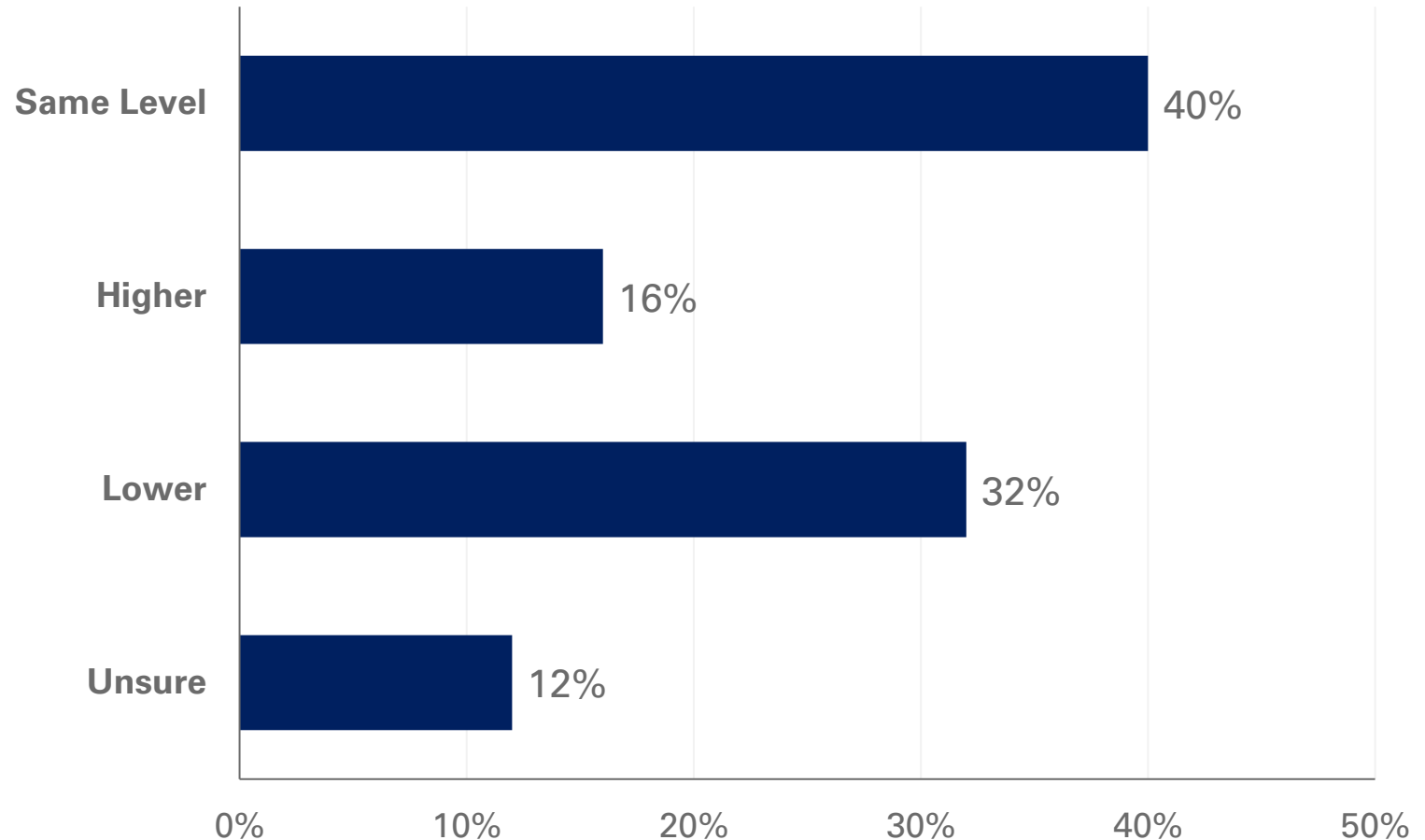
**10 Are you considering offering a lump-sum payment option to retirees currently receiving annuities in the next 12 months?**



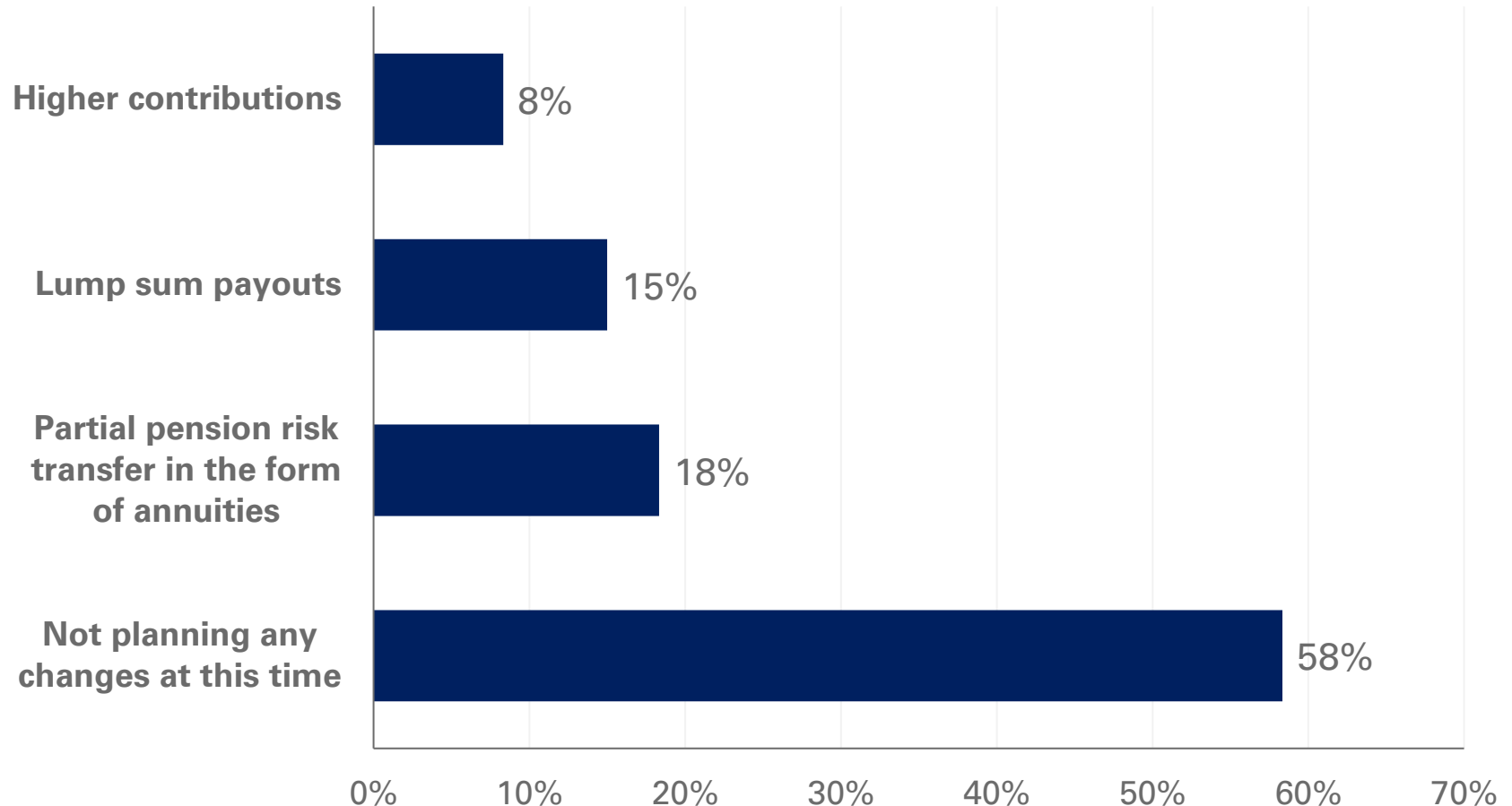
# 11 What are your expectations for inflation over the next 12 months?



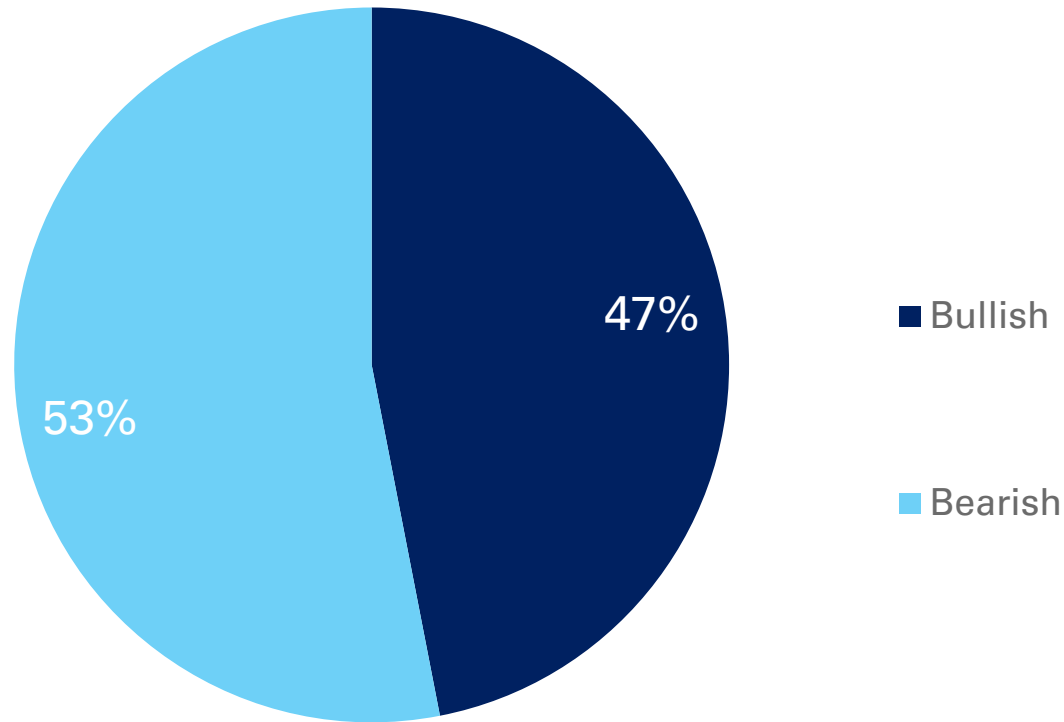
## 12 Where do you expect corporate pension discount rates to be 12 months from now?



**13 Due to the increasing PBGC rate premiums, are you considering any of the following changes to your plan strategy in the next six months? (Please select all that apply)**

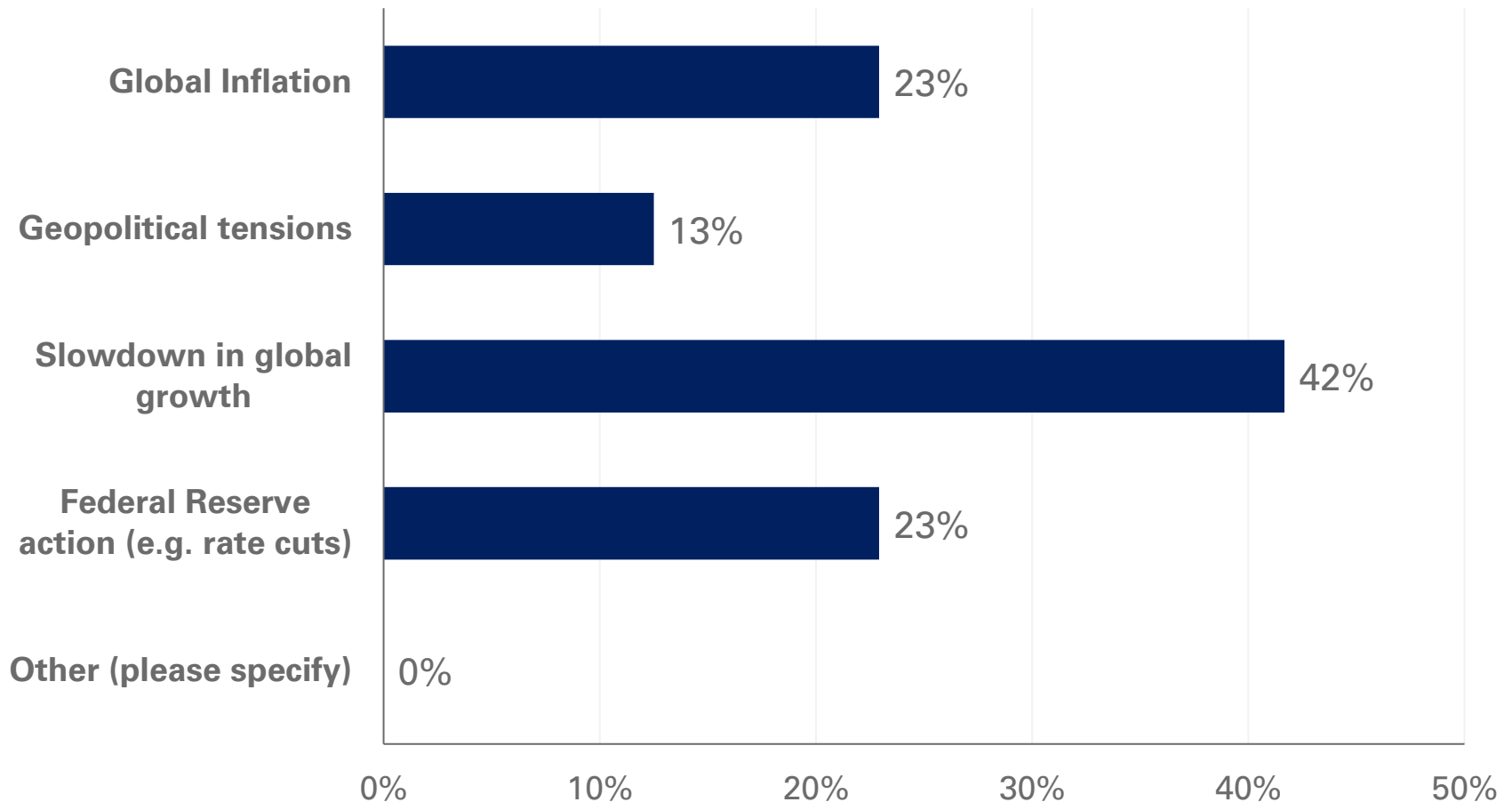


**14** Are you bullish or bearish on the stock market in the next 12 months?

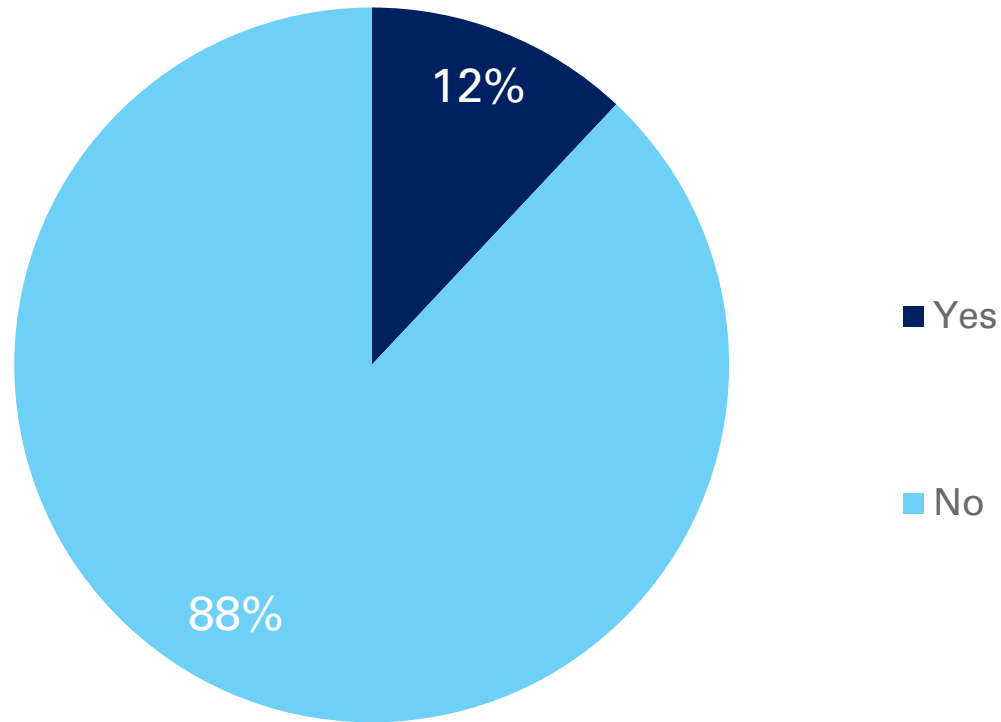




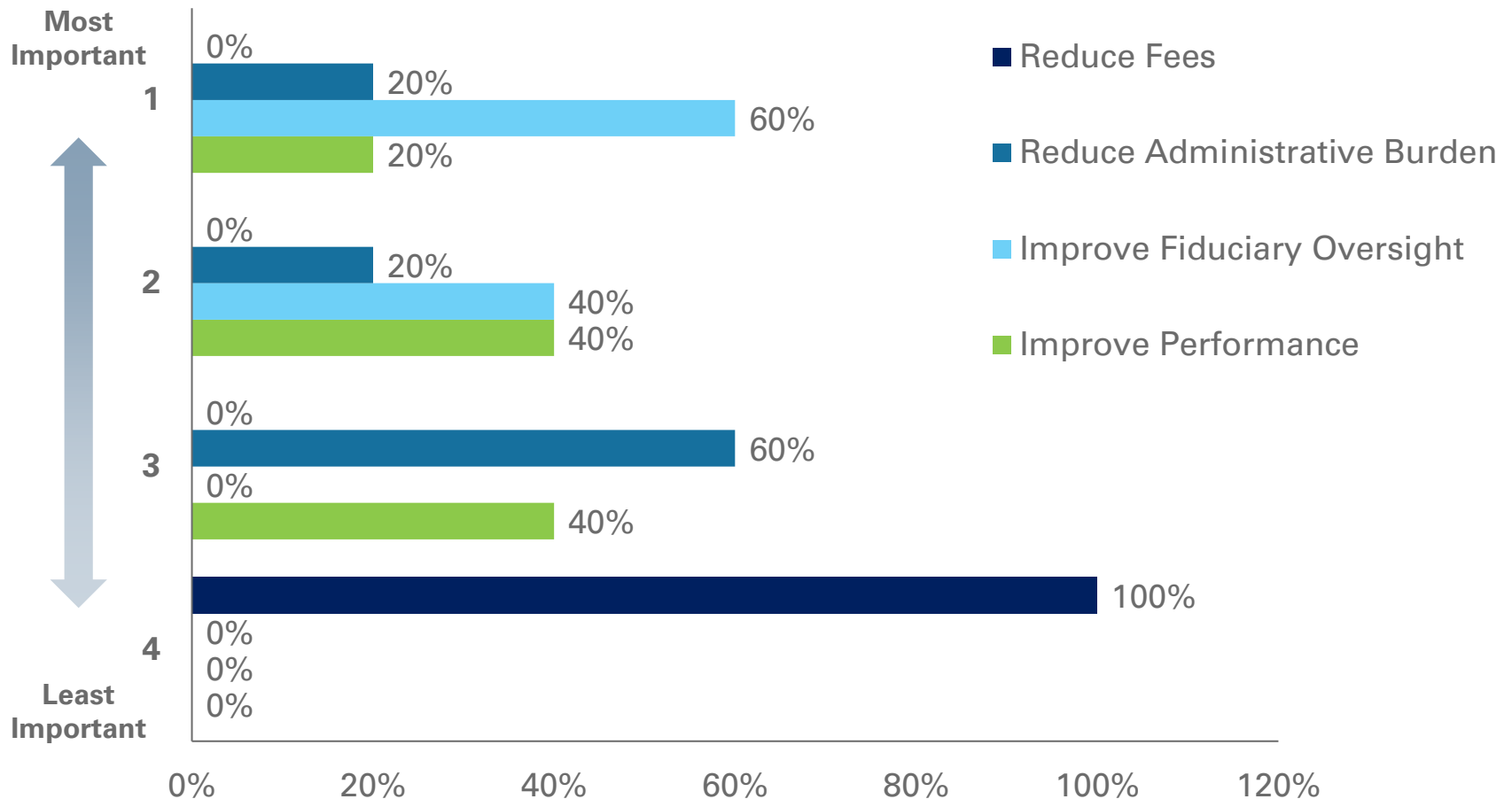
**15 Which of the following poses the greatest threat to your investment program over the near term?**



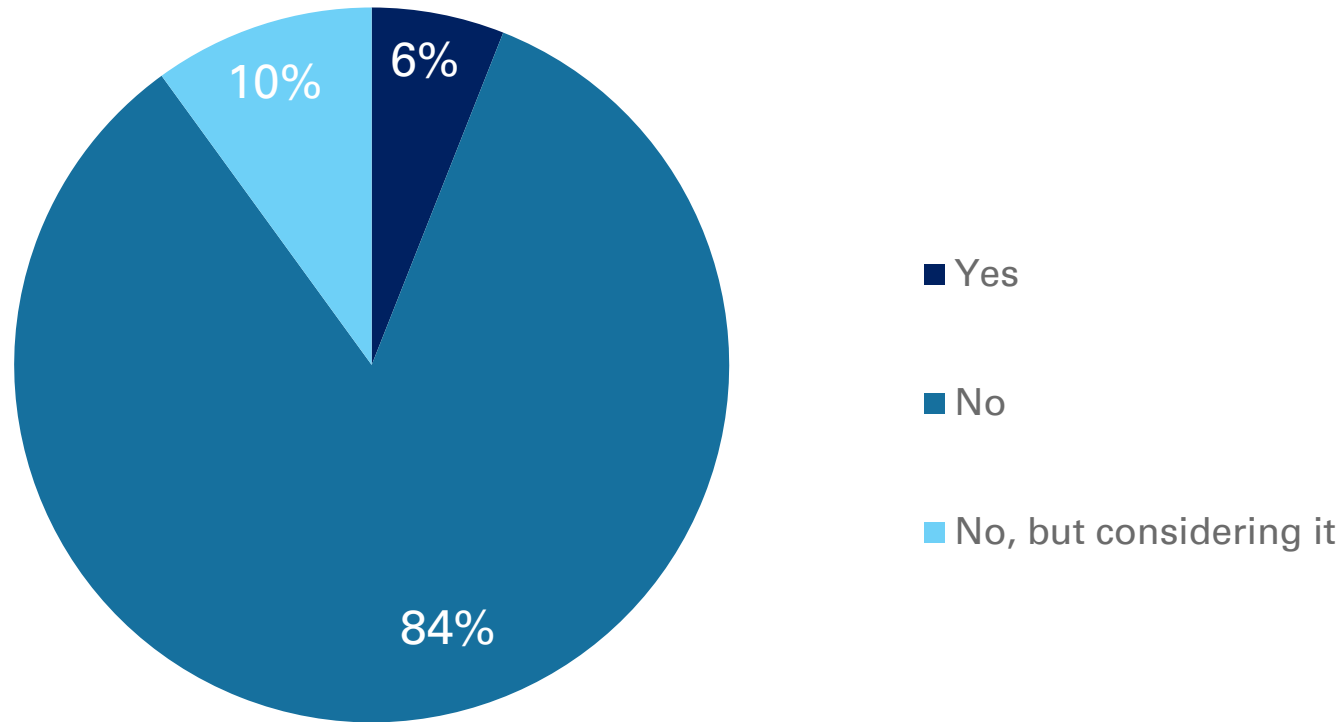
## 16 Do you utilize an Outsourced Chief Investment Officer (OCIO)?



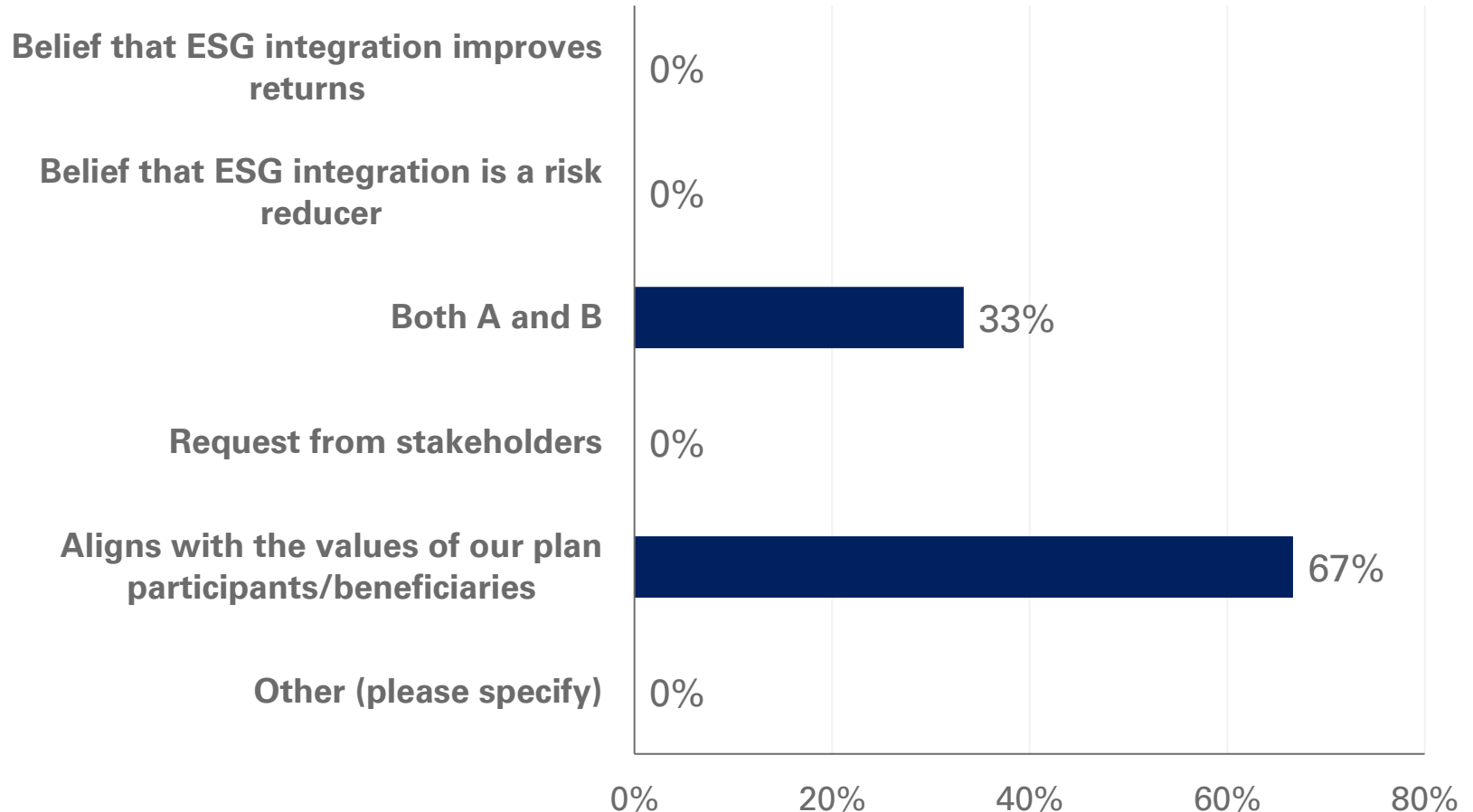
## 16a What are the primary drivers for utilizing an OCIO?



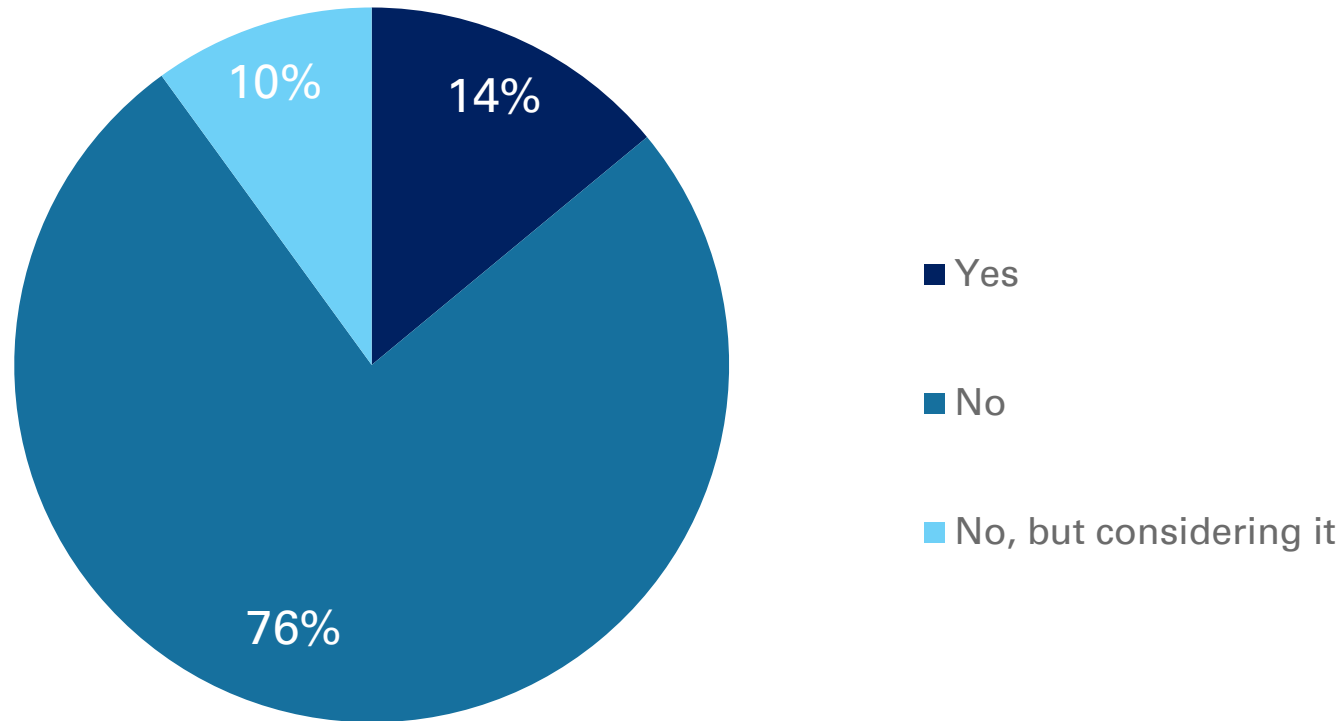
**17** Have you incorporated Environmental, Social and Governance (ESG) factors into the selection process for your plan's investments?



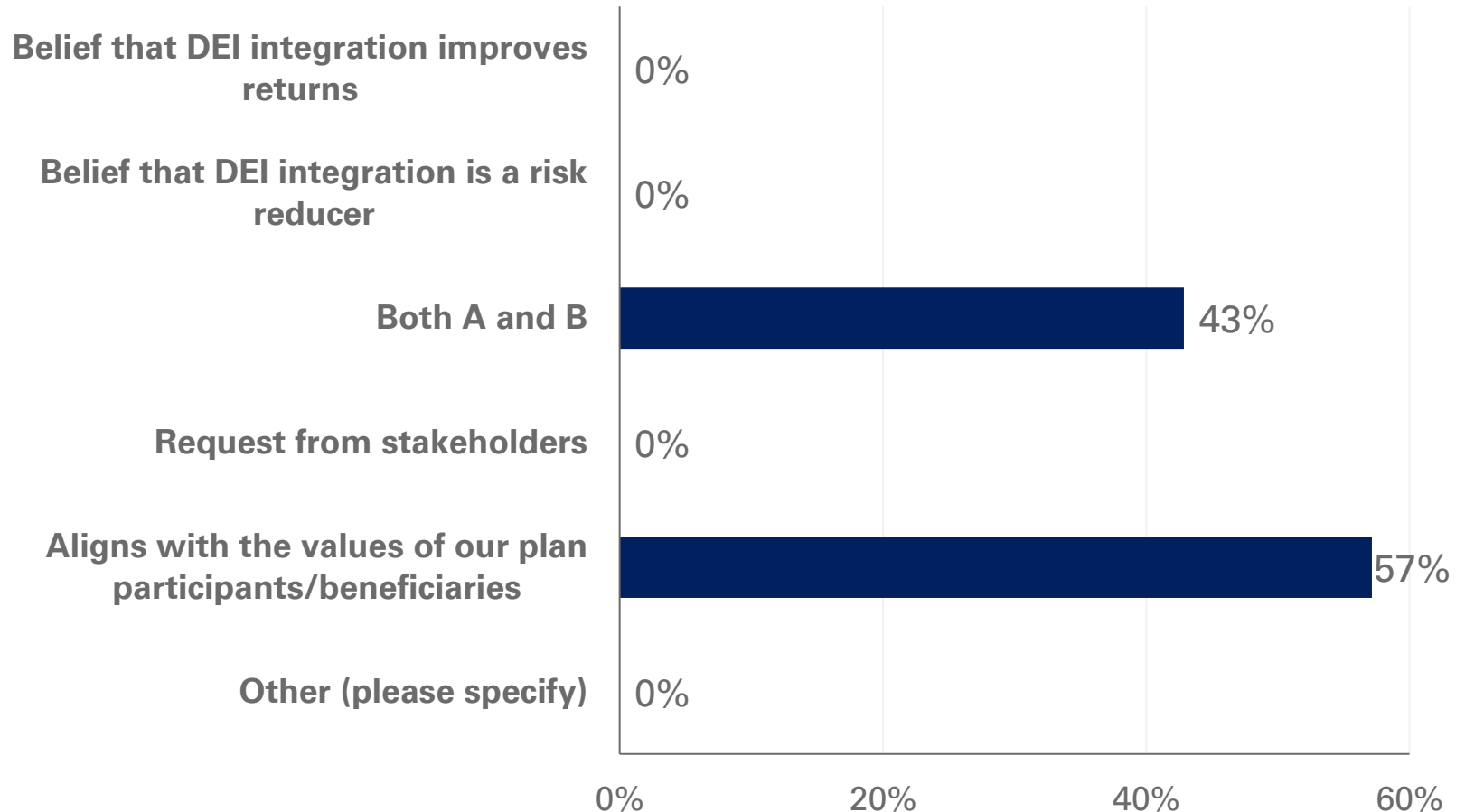
## 17a What is your primary reason for incorporating or considering incorporating ESG?



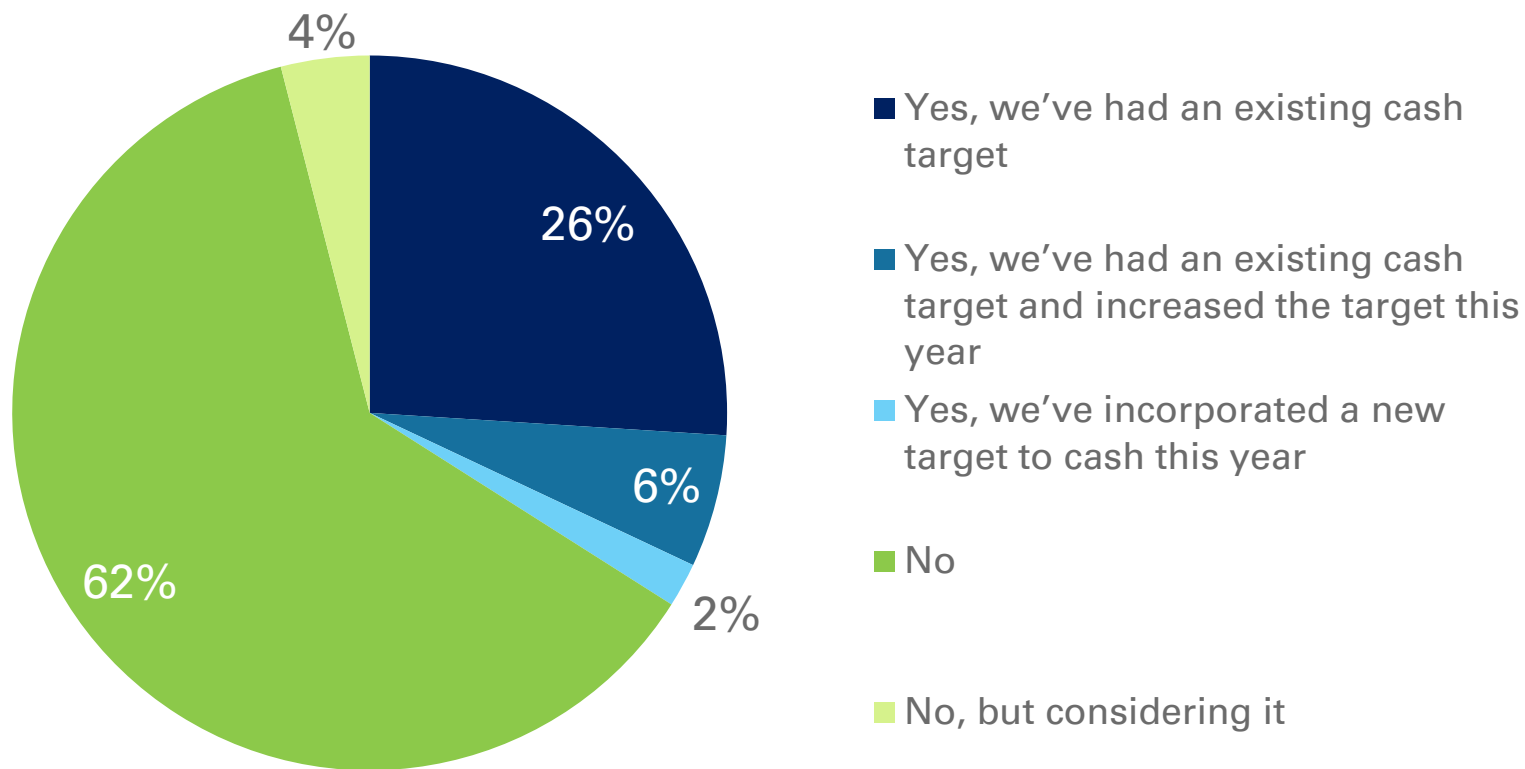
**18 Have you incorporated Diversity, Equity & Inclusion (DEI) factors into the selection process for your plan's investments?**



## 18a What is your primary reason for incorporating or considering incorporating DEI?

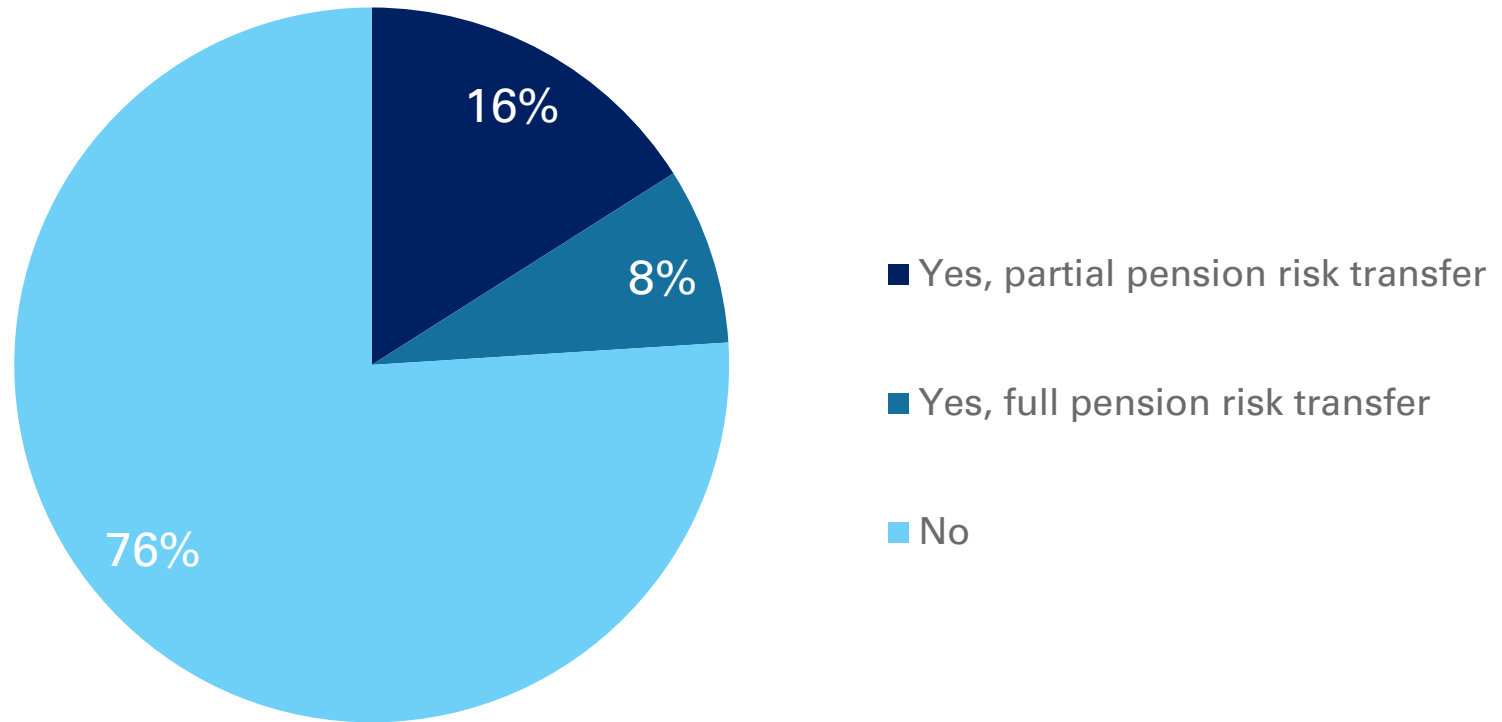


**19 Have you either incorporated or increased your target allocation to “cash” given where yields sit today?**

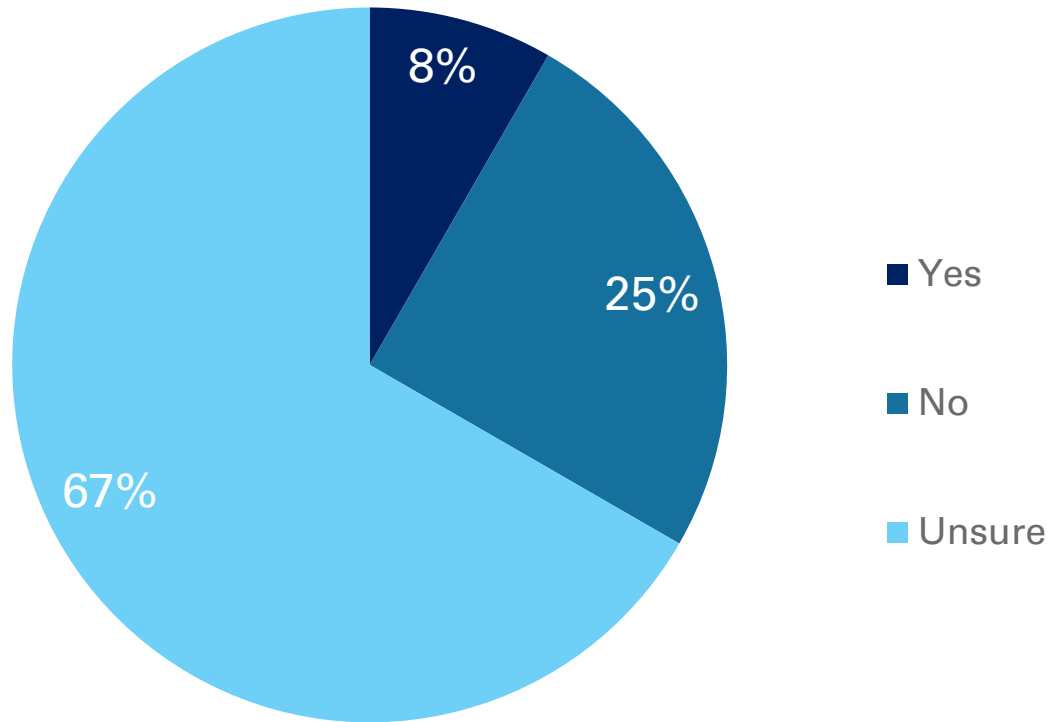




**20** Are you currently considering a full or partial pension risk transfer?



**20a** Some pension advocates and stakeholders have argued that certain insurance companies are shifting too many assets into higher risk investments that impact Risk Based Capital ratios and are calling for updates to Interpretative Bulletin 95-1 (which requires that pension fiduciaries choose the safest annuity providers when implementing PRT). Are you concerned that this attention to IB 95-1 will increase risks to plans sponsors who select insurance companies with large allocations to non-traditional assets?



# NEPC DISCLOSURES

Past performance is no guarantee of future results.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

Some of the information presented herein has been obtained from external sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this content, we cannot guarantee the accuracy of all source information contained within.

The opinions presented herein represent the good faith views of NEPC as of the publication date and are subject to change at any time.

This presentation contains summary information regarding the investment management approaches described herein but is not a complete description of the investment objectives, portfolio management and research that supports these approaches. This analysis does not constitute a recommendation to implement any of the aforementioned approaches.

**THANK YOU**



PROPRIETARY & CONFIDENTIAL