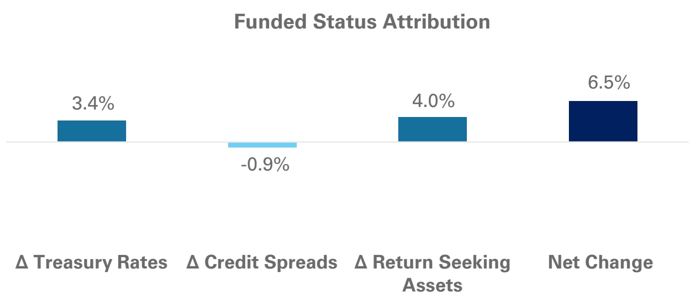
NEPC PENSION MONITOR

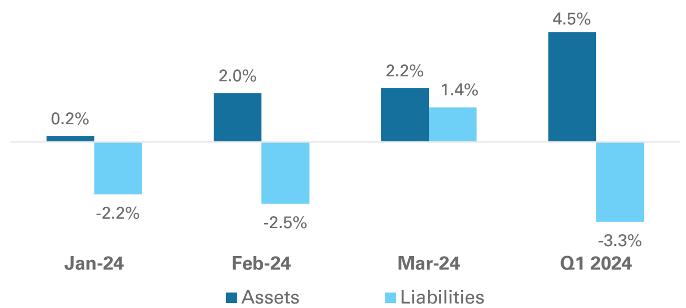
FIRST QUARTER 2024

Rising Treasury rates combined with strong equity performance led to higher funded ratios for many U.S. corporate pension plans in the first quarter. Equities rallied in the three months ended March 31 and return-seeking assets contributed to a material improvement in funded ratios. Those gains were complemented by decreases in liabilities driven by increasing Treasury yields. Global equities were also up in the third quarter. Estimated discount rates for pension liabilities, based on long-duration fixed-income yields, rose approximately 24 basis points. We estimate the funded status of our total-return plan was up 6.5%, while our LDI-focused plan experienced a funded status increase of 3.4% in the first quarter.

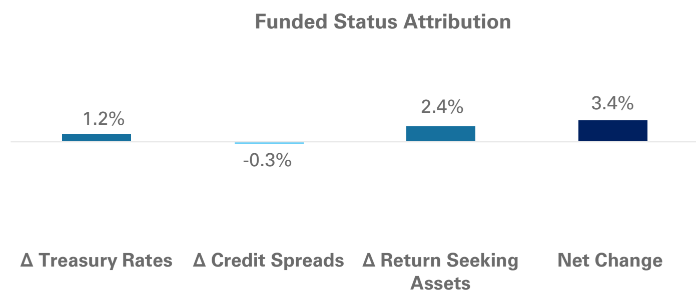
HYPOTHETICAL OPEN/TOTAL-RETURN PLAN



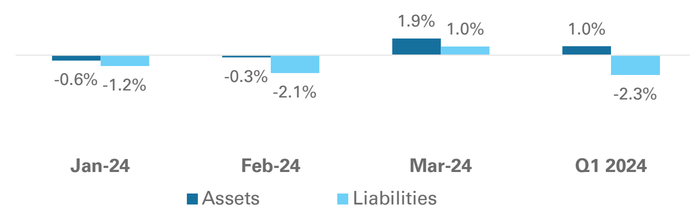
The funded status of the total-return plan increased as Treasury yields rose and return-seeking assets experienced gains, offset slightly by credit spreads contracting. Gains from return-seeking assets and declining liabilities increased the funded status.



HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

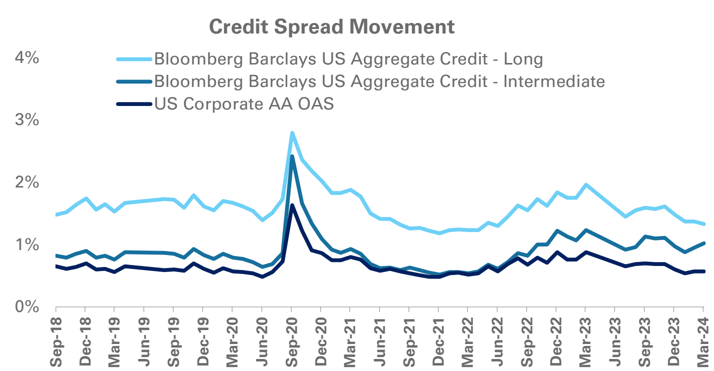


The funded status of the LDI-focused plan increased due to gains from return-seeking assets and higher Treasury yields. The plan is 93% hedged as of March 31.



RATE MOVEMENT

Short- and long-term interest rates increased for the three months ended March 31. The 30-year Treasury yield increased 31 basis points in the first quarter to 4.34%. In opposition to the increase in yields, there was an eight-basis point decline in long-credit spreads. During this period, higher Treasury yields resulted in an increase in pension discount rates, with the discount rate for the open total-return plan rising 23 basis points to 5.28% and the discount rate for the frozen LDI-focused plan increasing 24 basis points to 5.22% as of March 31.



RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **104.2**% of PBO as of March 31, 2024

RECENT INSIGHTS FROM NEPC

Taking Stock: The Current State of Corporate Pension Plans
Click here to read

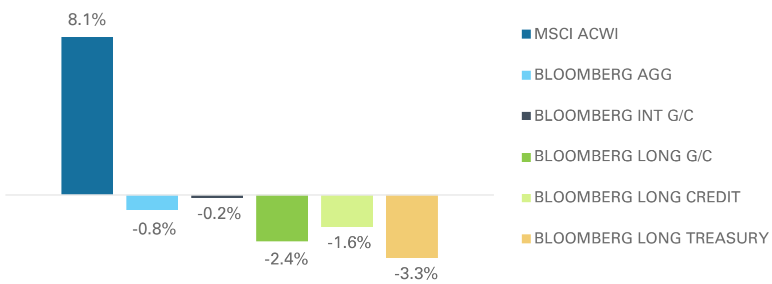
NEPC PENSION MONITOR

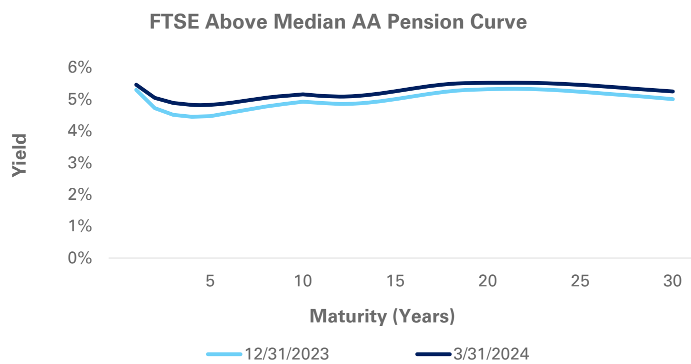
FIRST QUARTER 2024

CONSIDERATIONS FOR PLAN SPONSORS

Equity markets were generally positive in the first quarter. Investment-grade fixed-income markets experienced losses across intermediate- and longer-dated maturities as yields moved higher. Performance for growth-oriented fixed-income assets was positive as contracting credit spreads and higher starting yields offset losses from higher Treasury rates. Total-return plans may want to consider the impact of rate declines on plan liabilities and the role of LDI in light of the current rate environment. For certain plan sponsors, lower rates may increase liabilities and reduce funded status, which could lead to higher required contributions and PBGC variable-rate premiums. NEPC consultants are available to discuss the impact and cost of various pension finance and derisking strategies.

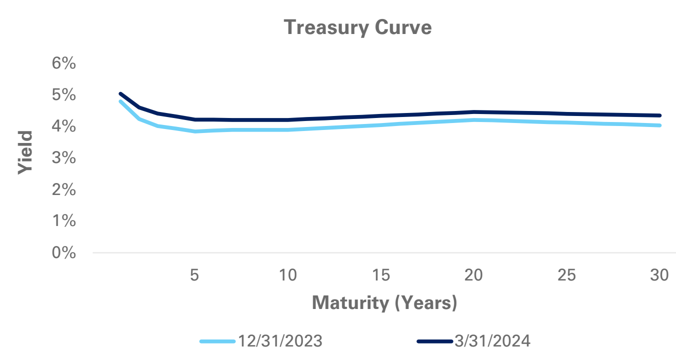
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





U.S. equities gained 10.6% in the first quarter. Non-U.S. developed market stocks underperformed the U.S. as the MSCI EAFE increased 5.8% during the quarter; the MSCI Emerging Market Index rose 2.4% during the same period.

Treasury yields increased and the yield curve remained inverted. The 30-year Treasury yield increased 31-basis points for the quarter, resulting in losses of 3.3% for the Bloomberg Long Treasury Index. During the same period, the Bloomberg Long Credit Index decreased 1.6%.



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. The total-return plan reflects an open plan with a 14.5-year duration, while the LDI-focused plan represents a frozen plan with a 9.5-year duration as of December 31, 2023. The benefit payments are not rolled forward each month to maintain a stable demographic profile. 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 to 80% funded (Total-Return) and 100% funded (LDI-focused) as of December 31, 2023.

The total-return plan assumes an allocation of 60% global equity, 40% core bonds. The LDI-focused plan assumes an asset allocation of 30% global equity and 70% US IG credit and Treasuries constructed to match the beginning of year 90% hedge ratio, 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.