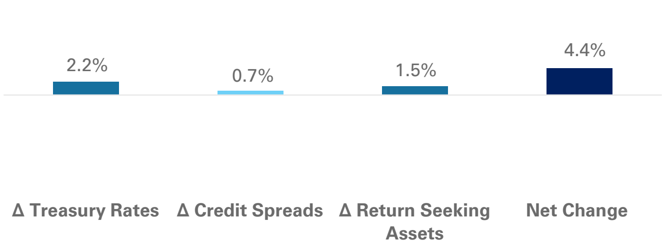
NEPC PENSION MONITOR

SECOND QUARTER 2024

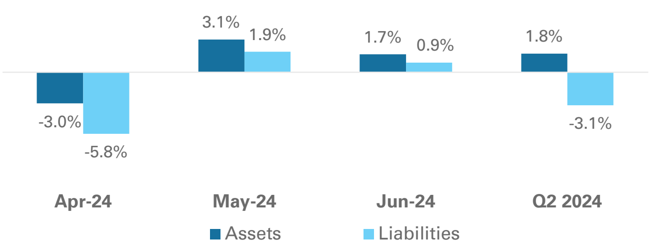
Rising Treasury rates, combined with a strong performance by equities, led to higher funded ratios for many U.S. corporate pension plans in the second quarter. Rallying stocks and return-seeking assets significantly improved funded ratios for the three months ended June 30. Gains from equity markets were complemented by decreases in liabilities driven by increasing Treasury yields and modestly widening credit spreads.

Estimated discount rates for pension liabilities, based on long-duration fixed-income yields, rose approximately 22 basis points during the quarter. We estimate the funded status of our total-return plan was up 4.4%, while our LDI-focused plan experienced a funded status increase of 2.1% in the second quarter.

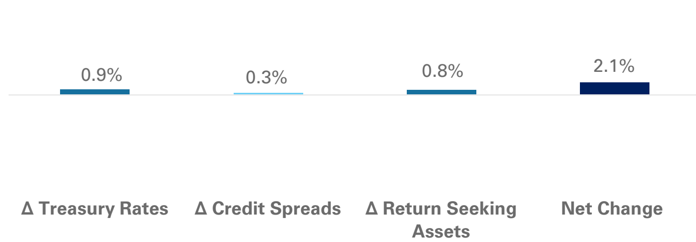
HYPOTHETICAL OPEN/TOTAL-RETURN PLAN



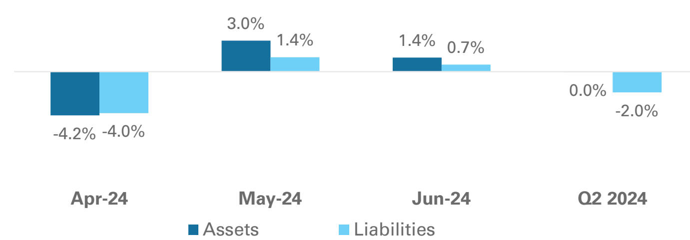
The funded status of the total-return plan increased as Treasury yields rose, return-seeking assets experienced gains, and credit spreads widened. Gains from return-seeking assets and declining liabilities increased the funded status.



HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

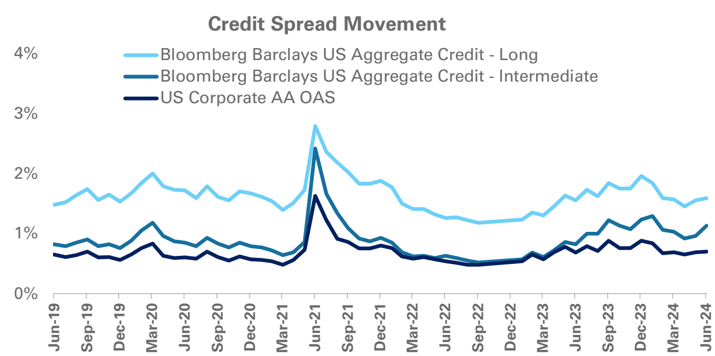


The funded status of the LDI-focused plan increased due to gains from return-seeking assets and higher Treasury yields. The plan is 95% hedged as of June 30.



RATE MOVEMENT

Short- and long-term interest rates increased for the three months ended June 30th. The 30-year Treasury yield increased 17 basis points in the second quarter to 4.51%. In addition to the increase in yields, there was a six-basis point increase 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 22 basis points to 5.50% and the discount rate for the frozen LDI-focused plan increasing 22 basis points to 5.44% as of June 30.



RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **104.7%** of PBO as of June 30, 2024

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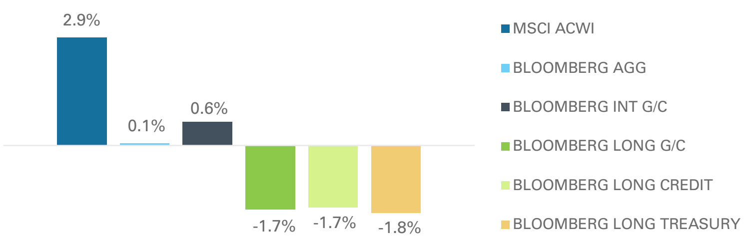
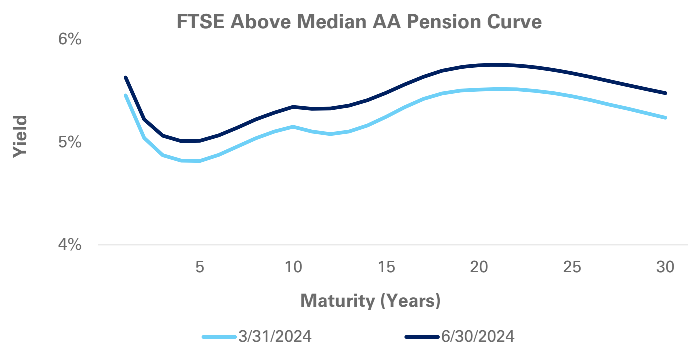
SECOND QUARTER 2024

CONSIDERATIONS FOR PLAN SPONSORS

Global equity markets and US large-cap equities were generally positive in the second quarter. Investment-grade fixed-income markets experienced losses across intermediate- and longer-dated maturities as yields moved higher. Performance for credit-oriented fixed income assets was positive as higher starting yields offset losses from higher Treasury rates and widening credit spreads.
On June 24, 2024, the Department of Labor (DOL) released a report to Congress, a request made under the SECURE 2.0 Act of 2022. This report thoroughly reviewed the efficacy of DOL Interpretive Bulletin 95-1 in the current Pension Risk Transfer Market. The Employee Benefit Security Administration was tasked with determining if changes are necessary to the departments' guidelines when plan sponsors evaluate and select an annuity provider for defined benefit plans. In the report, the DOL did not propose any changes regarding DOL 95-1 and found that the bulletin's current factors are still relevant from a prudent fiduciary perspective when a plan sponsor evaluates annuity providers. The report recommends that the Department continue exploring developments in the life insurance industry and in pension risk transfer to determine whether some of the bulletin's factors need revision or supplementation and whether additional guidance should be developed.

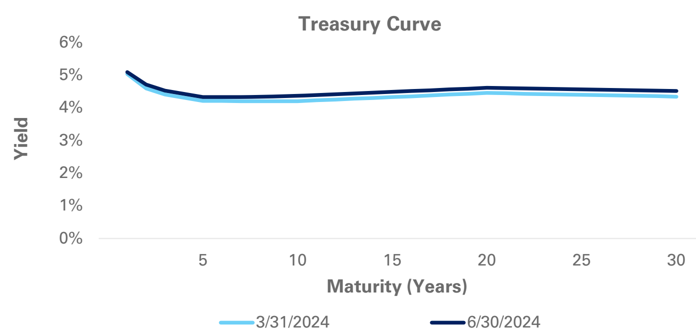
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





U.S. equities gained 4.3% in the second quarter. The MSCI EAFE decreased 0.4% during the quarter; the MSCI Emerging Market Index rose 5% during the same period.

Treasury yields increased and the yield curve remained inverted. The 30-year Treasury yield increased 20-basis points for the quarter, resulting in losses of 1.8% for the Bloomberg Long Treasury Index. During the same period, the Bloomberg Long Credit Index decreased 1.7%.



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.