



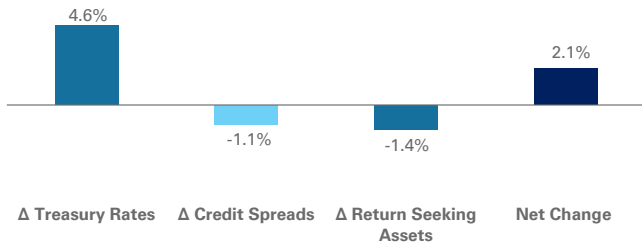
NEPC PENSION MONITOR

OCTOBER 2024

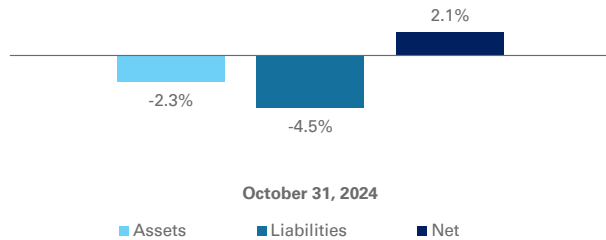
In October, defined benefit pension plan sponsors experienced varied changes in funded status due to a combination of higher liability discount rates and losses in global equities. During this period, losses from global public stocks offset potential increases in funded status resulting from higher liability discount rates. Through the end of October, global public equity returns remained positive year-to-date with gains across many regions. The Treasury yield curve increased across most tenors for the month and corporate pension plans likely experienced mixed changes in funded status. NEPC's hypothetical total-return pension plan increased 2.1% in funded status compared to a decline of 0.1% for our LDI-focused plan.

HYPOTHETICAL OPEN/TOTAL-RETURN PLAN

Funded Status Attribution



The funded status of the total-return plan increased modestly due to higher Treasury rates, offset by modestly tighter credit spreads and losses in return-seeking assets in October.

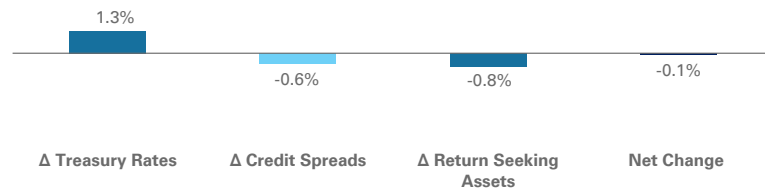


October 31, 2024

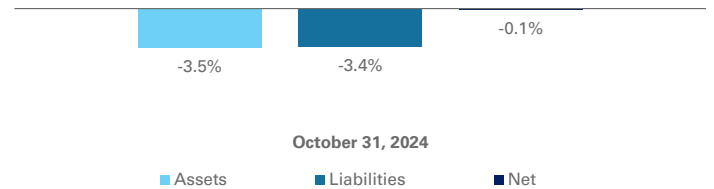
■ Assets ■ Liabilities ■ Net

HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

Funded Status Attribution



The funded status of the LDI-focused plan stayed relatively flat due to increases in Treasury rates offset by tighter credit spreads and losses in return-seeking assets. The plan is 96% hedged as of October 31.



October 31, 2024

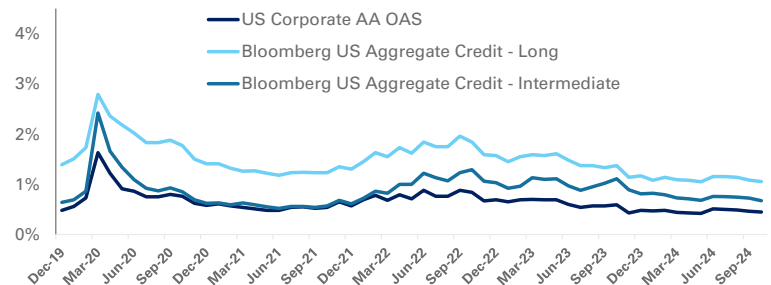
■ Assets ■ Liabilities ■ Net

RATE MOVEMENT COMMENTARY

The Treasury yield curve shifted upward in the month of October. The 10-year yield increased 47 basis points to 4.28%, while the 30-year yield rose 33 basis points to 4.47%. Corporate bond spreads were modestly lower for the month and remain tight relative to historical levels.

The movement in Treasury rates and credit spreads resulted in higher pension discount rates used to value pension liabilities. The discount rates for NEPC's hypothetical pension plans increased about 32 basis points to 5.37% for the open total-return plan, while the discount rate for the frozen LDI-focused plan increased 37 basis points to 5.29%.

Credit Spread Movement



RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately 105.5% of PBO, as of October 31, 2024

RECENT INSIGHTS FROM NEPC

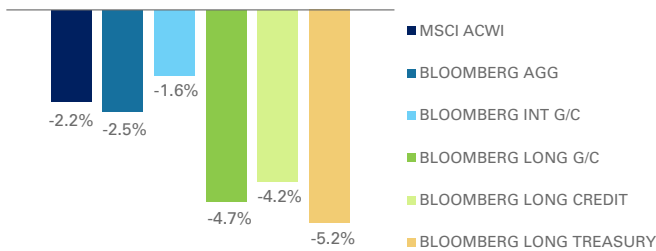
Taking Stock: NEPC Asset Allocation Roundtable, The 2024 Edition



PLAN SPONSOR CONSIDERATIONS

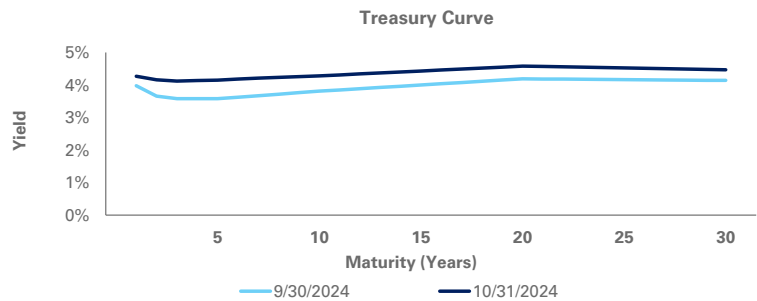
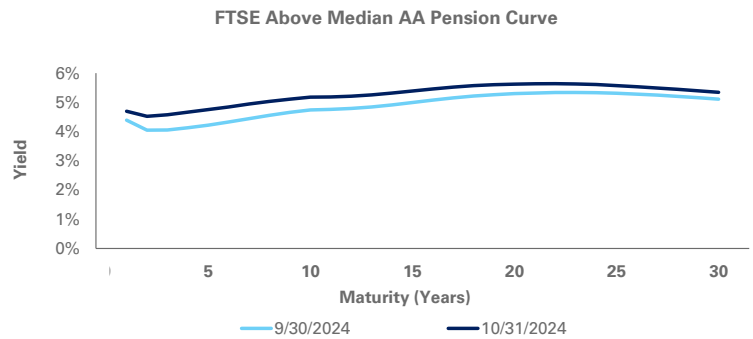
In October, global public equities were in the red and long-dated fixed-income posted losses fueled by increases in Treasury rates. Treasury yields shifted upward last month across most maturities, while credit spreads remained largely unchanged. At NEPC, we anticipate continued market volatility and 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 interest rate hedge ratios to avoid becoming overhedged to longer-maturity rates with a changing yield curve.

MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT



U.S. equities fell 0.9% in October, according to the S&P 500 Index. During the same period, non-U.S. equities also experienced losses with international developed markets down 5.4%, according to the MSCI EAFE Index. Emerging market equities were down 4.4% last month, according to the MSCI EM Index. Broadly, global equities decreased 2.2% during the month, according to the MSCI ACWI Index.

In October, the Treasury curve increased from the previous month and remains relatively flat. This generally resulted in negative performance for investment-grade fixed-income markets, with both long-credit fixed income and long Treasuries experiencing losses. During the month, the Bloomberg Long Treasury Index decreased 5.2% and the Bloomberg Long Credit Index was down 4.2%.



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.