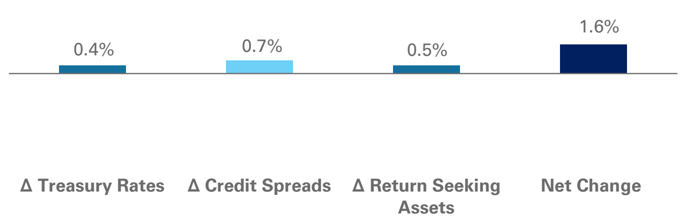

# NEPC PENSION MONITOR

**APRIL 2025**

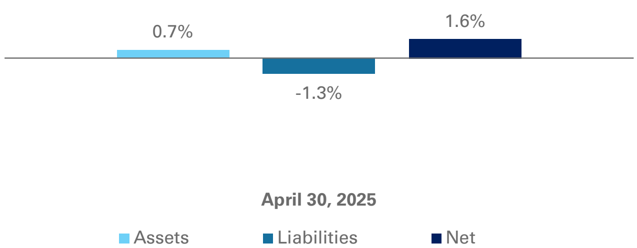
In April, some defined benefit pension plan sponsors saw an increase in funded status as global public equities and U.S. fixed income posted modest gains, outpacing the growth of pension liabilities. During the same period, the Treasury yield curve decreased across the short tenors and increased for the long tenors while credit spreads widened overall. NEPC's hypothetical total-return pension plan rose 1.6% in funded status compared to a modest uptick of 0.3% for our LDI-focused plan.

## HYPOTHETICAL OPEN/TOTAL-RETURN PLAN

**Funded Status Attribution**

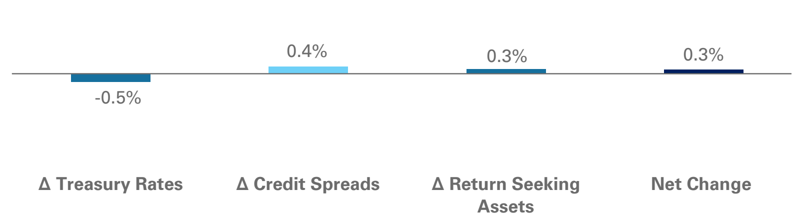



**The funded status of the total-return plan increased due to the rise in long Treasury rates in April, combined with gains from global equities.**

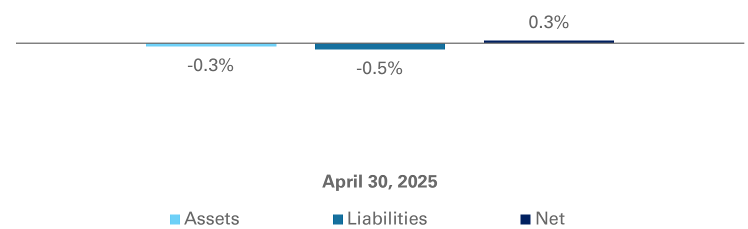



## HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

**Funded Status Attribution**




**The funded status of the LDI-focused plan remained relatively flat. The plan is 93% hedged as of April 30.**

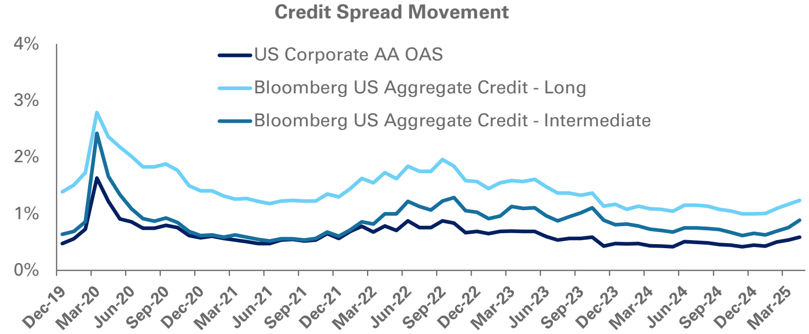



## RATE MOVEMENT COMMENTARY

The Treasury yield curve shifted lower at the short- and intermediate-end and higher at the long-end in April. The 10-year yield declined to 4.17%, while the 30-year yield increased seven basis points to 4.66%; corporate bond spreads widened for the month.

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 10 basis points to 5.70% for the open total-return plan, while the discount rate for the frozen LDI-focused plan rose six basis points to 5.50%.

**Credit Spread Movement**




## RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately **105.5%** of PBO, as of April 30, 2025

## RECENT INSIGHTS FROM NEPC

**Extension Strategies Come into Their Own**

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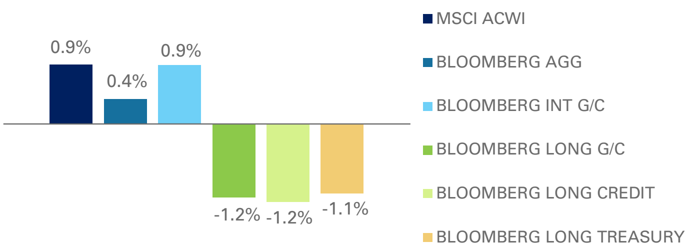
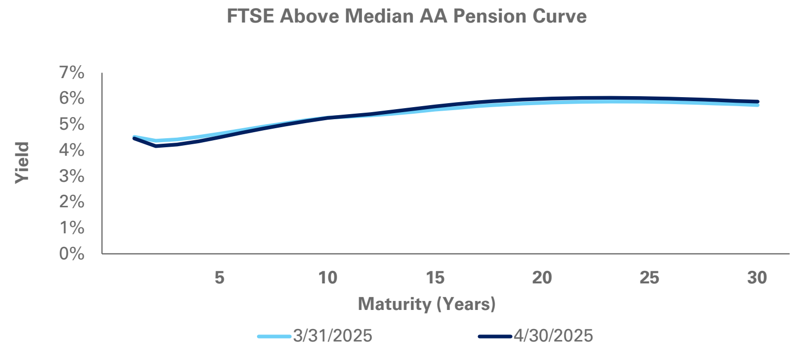
## PLAN SPONSOR CONSIDERATIONS

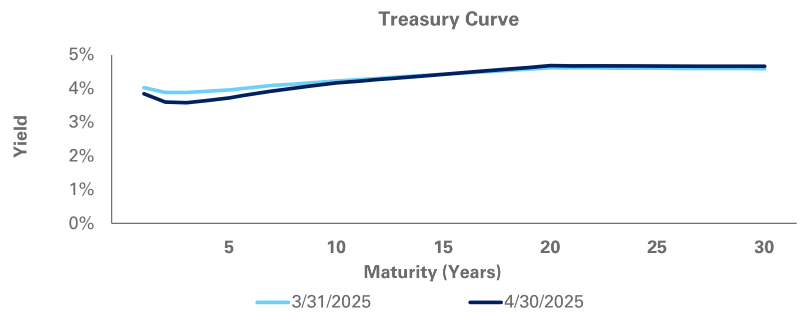
In April, global public equities increased modestly, while long-dated fixed-income posted losses. During this period, Treasury rates declined across short- and intermediate-tenors and rose across the long tenors, while credit spreads widened overall. At NEPC, we anticipate continued market volatility 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 and allocating across the yield curve as interest rates change.

## MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT




U.S. equities decreased 0.7% in April, according to the S&P 500 Index. During the same period, non-U.S. equities experienced gains with international developed markets up 4.6%, according to the MSCI EAFE Index; emerging market equities gained 1.3% last month, according to the MSCI EM Index. Broadly, global equities increased 0.9% during the month, according to the MSCI ACWI Index.




At the end of April, the Treasury curve decreased at the short end and increased at the long end from the previous month. This resulted in losses for longer-dated investment-grade fixed-income markets, with long-credit fixed income and long Treasuries in the red. In April, the Bloomberg Long Treasury Index declined 1.1% and the Bloomberg Long Credit Index was down 1.2%.

### 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 13.5-year duration, while the LDI-focused plan represents a frozen plan with a 9-year duration as of December 31, 2024. 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, 2024.

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.