NEPC PENSION MONITOR

SECOND QUARTER 2025

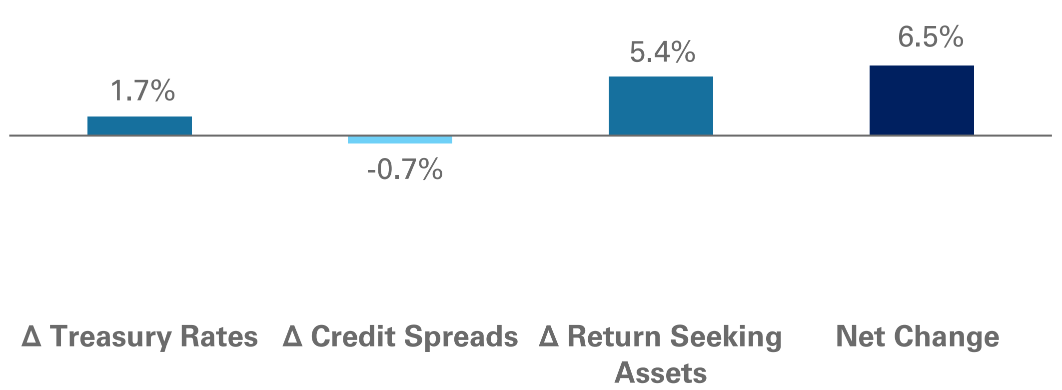
International and domestic equities posted significant gains in the second quarter. Short-term interest rates declined while long-term interest rates rose for the three months ended June 30. During the same period, the 30-year Treasury yield increased 19 basis points to 4.78%. In addition, there was a 15 basis point decline in long-credit spreads. The movement in Treasury yields resulted in static pension discount rates, with the discount rate for the open total-return plan rising five basis points to 5.65% and the discount rate for the frozen LDI-focused plan remaining unchanged at 5.44%.

We estimate the funded status of our total-return plan increased about 6.5% over the quarter. As a result of gains from return-seeking assets, our LDI-focused plan experienced a funded status increase of 3.7%.

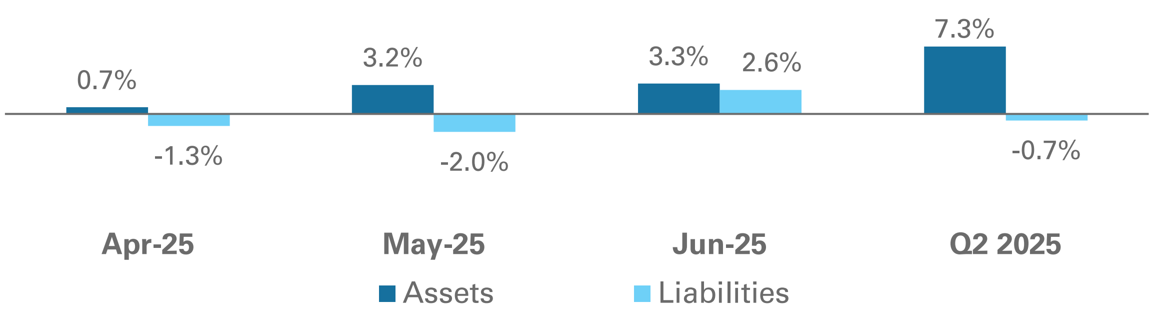
Total-return plans may want to consider the impact of rate volatility on plan liabilities and the role of LDI in light of the current rate environment. For certain plan sponsors, lower rates may increase liabilities and reduce funded status, which could lead to higher required contributions and PBGC variable-rate premiums. NEPC consultants are available to discuss the impact and cost of various pension finance and derisking strategies in light of rate movements and volatility in the market.

HYPOTHETICAL OPEN/TOTAL-RETURN PLAN

Funded Status Attribution

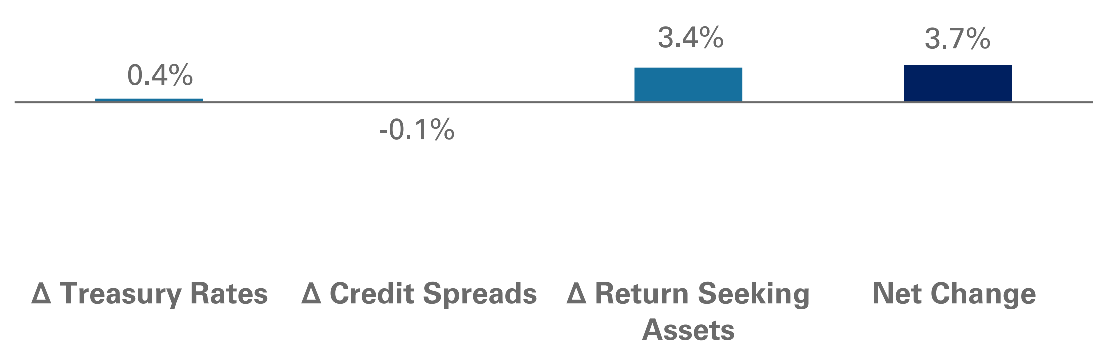


The funded status of the total-return plan increased significantly due to gains from return-seeking assets.

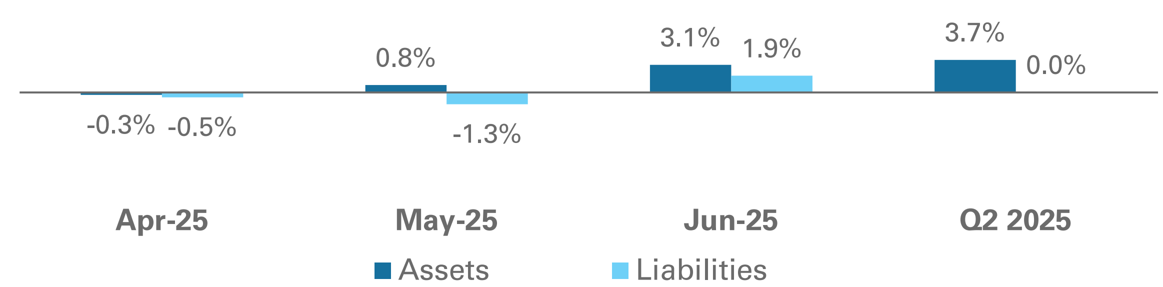


HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

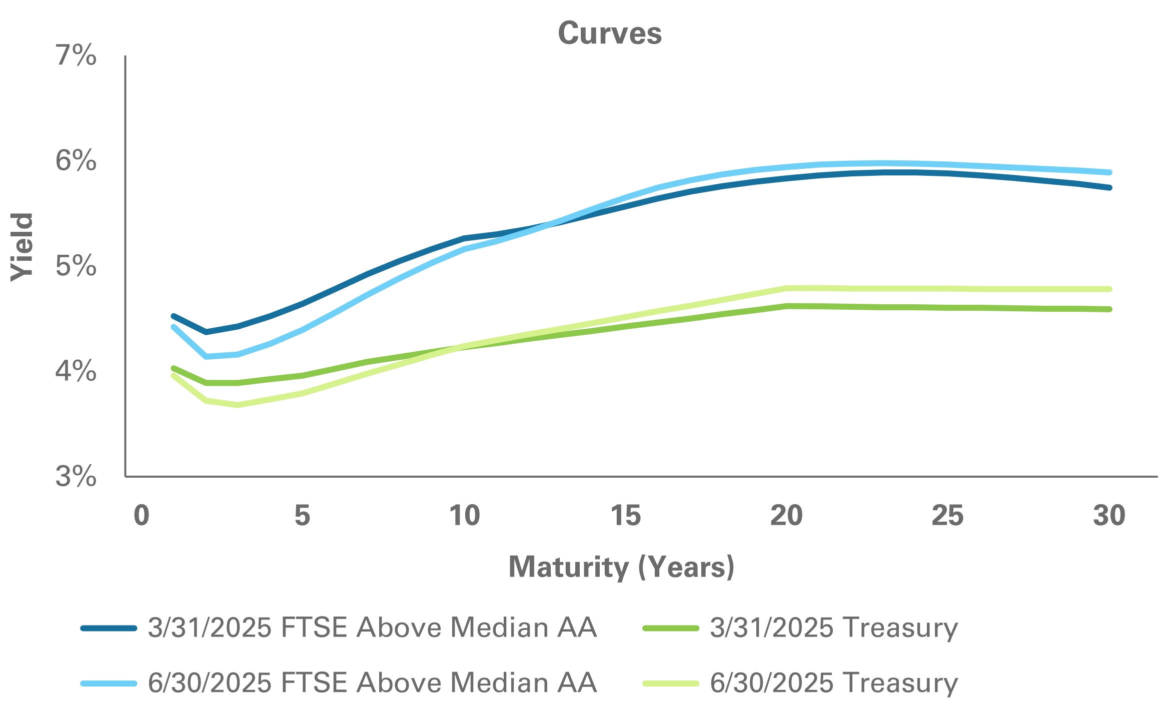
Funded Status Attribution

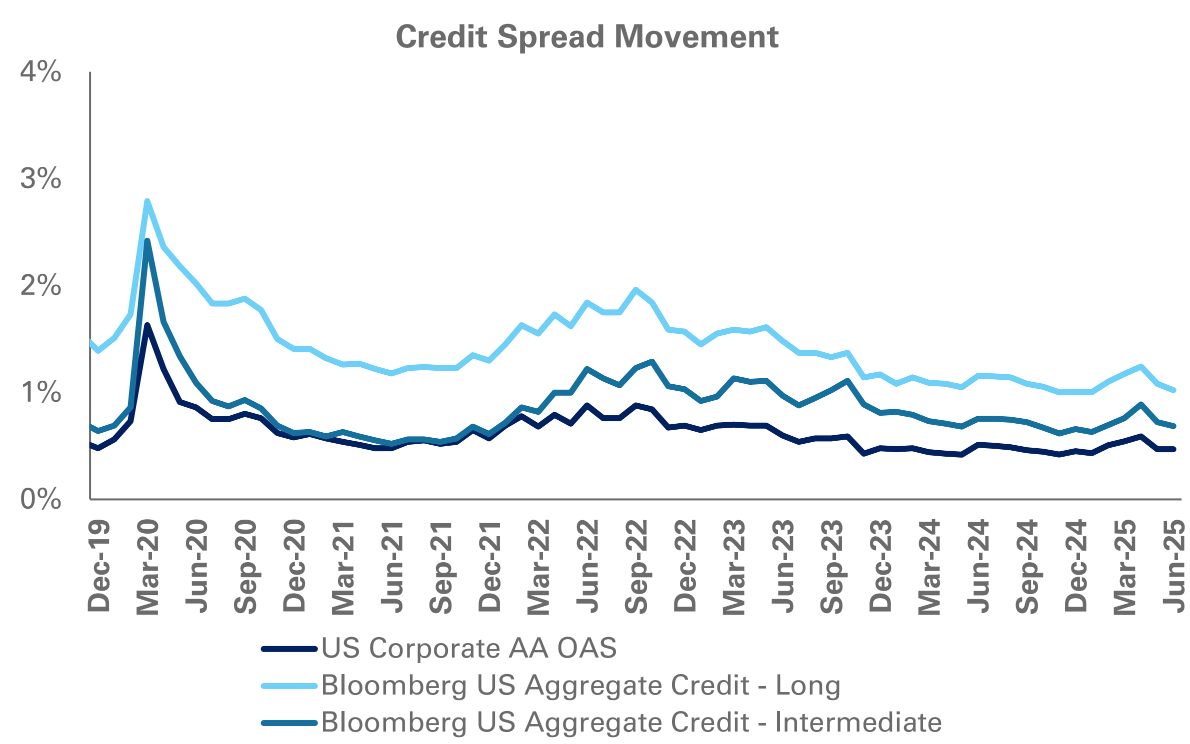


The funded status of the LDI-focused plan increased due to gains from return-seeking assets. The plan is 96% hedged as of June 30.



RATE MOVEMENT





RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **105.7% of PBO** as of June 30, 2025

RECENT INSIGHTS FROM NEPC

Making Market Volatility Work For Your Portfolio, the OCIO Way

NEPC PENSION MONITOR

SECOND QUARTER 2025

RECENT CORPORATE PENSION HEADLINES

Due to a provision in the Bipartisan Budget Act of 2015 (BBA 2015), the PBGC premium filing due date for plan years beginning in 2025 may be accelerated to September 15, 2025 instead of the usual due date of October 15, 2025. This one-time provision will impact the timing of when cash needs to be raised to fund the premium payment. The PBGC premium due date is expected to revert back to October 15 in 2026.

PRT Litigation Update

On March 31, 2025, Alcoa's motion to dismiss the lawsuit was approved, while Lockheed Martin's motion was denied. Decisions on other pending cases have yet to be finalized. NEPC is monitoring the ongoing litigation and will continue providing timely updates to clients.

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.
All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.
This memo should not be considered customized investment advice. Please contact NEPC for advice specific to your investment program.
The information in this report has been obtained from sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
These materials were prepared by NEPC, LLC, an affiliate of Hightower Advisors, LLC. The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.