



NEPC PENSION MONITOR

THIRD QUARTER 2025

International and domestic equities posted significant gains in the third quarter, further cementing year-to-date returns. As a result, funded ratio improved for many plan sponsors. During the quarter, the 30-year Treasury yield decreased five basis points to 4.73%. Credit spreads remained tight with long credit spreads declining 11 basis point in the three months ended September 30. The discount rate for the open total-return plan decreased 16 basis points to 5.49% and the discount rate for the frozen LDI-focused plan fell 17 basis points to 5.27%.

We estimate the funded status of our total-return plan rose about 2.6% over the quarter. As a result of gains in return-seeking assets, our LDI-focused plan experienced a funded status increase of 2.9%.¹

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 given rate movements and volatility in the market.

¹ Source: Factset

SAMPLE OPEN/TOTAL-RETURN PLAN

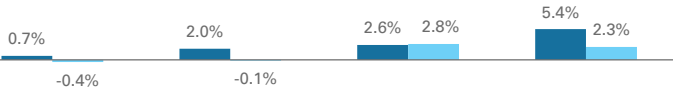
Funded Status Attribution



Δ Treasury Rates Δ Credit Spreads Δ Return Seeking Assets Net Change



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



Jul-25 Aug-25 Sep-25 Q3 2025
Assets Liabilities

SAMPLE FROZEN/LDI-FOCUSED PLAN

Funded Status Attribution



Δ Treasury Rates Δ Credit Spreads Δ Return Seeking Assets Net Change



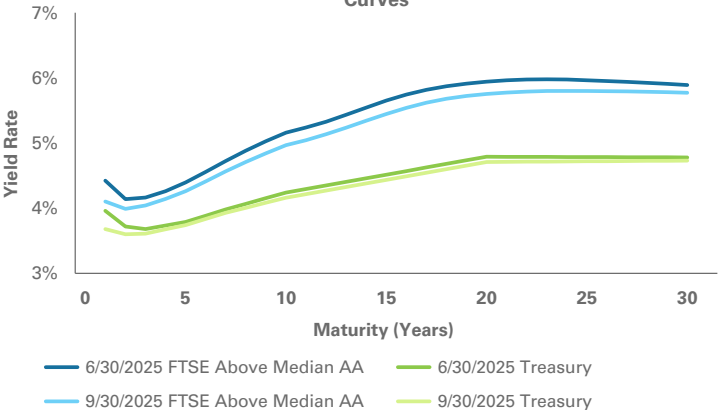
The funded status of the LDI-focused plan increased due to gains from return-seeking assets. The plan is 97.5% hedged as of September 30.



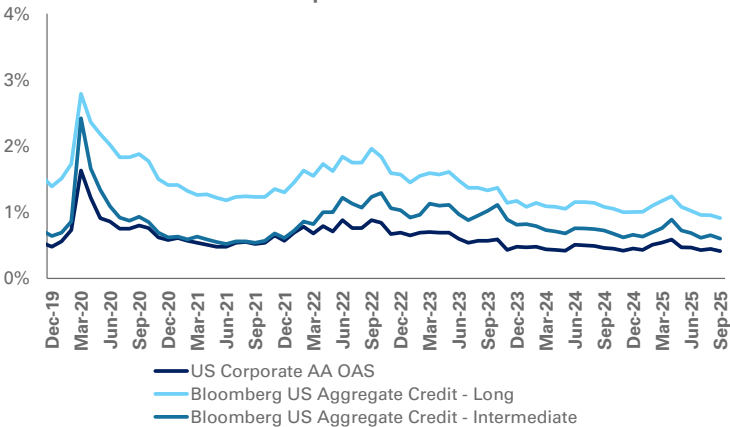
Jul-25 Aug-25 Sep-25 Q3 2025
Assets Liabilities

RATE MOVEMENT

Curves



Credit Spread Movement



RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **106.0% of PBO** as of September 30, 2025

RECENT INSIGHTS FROM NEPC

How Does the Government Shutdown Impact Your Investment Portfolio?



NEPC PENSION MONITOR

THIRD QUARTER 2025

RECENT HEADLINES

PRT Litigation Update:

NEPC continues to monitor the ongoing litigation and volume of pension risk transfers, providing quarterly updates to clients. In the third quarter, the tension between dismissals and denials persisted, with the cases against General Electric and AT&T dismissed, while the Bristol Meyers motion to dismiss was denied. Further, there was a new lawsuit filed against IBM and its independent fiduciary. The overhanging litigation appears to be a key concern fueling the sharp drop off in PRT transactions through the most recently reported quarter ending June 30. According to LIMRA data, PRT sales declined by about 45% in the second quarter from the first quarter. NEPC will continue to monitor the situation and report to clients.

DISCLOSURES

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.

Liability returns are based on the FTSE Above Median Pension Discount Curve. Liabilities for the two sample plans are based on model benefit payments of two unique, hypothetical 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. Net numbers are the sum of the funded status attributions for the sample Total Return and LDI-focused plans. The Treasury par yield curve rates are derived from input market prices, which are indicative quotations obtained by the Federal Reserve Bank of New York. The FTSE Pension Liability Index is derived from Pension Discount Curve (PDC). Rate movement provided compares the FTSE Above Median AA and Treasury yield curves between the current and prior month-end.

Indices are intended to illustrate general market performance. Comparisons shown are for informational purposes only, do not represent specific investments and are not a portfolio allocation recommendation. It is not possible to invest directly in an index. Yield rate has been derived from market prices and does not represent the performance of any actual, current or past portfolio investments. 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.

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