

NEPC PENSION MONITOR

JANUARY 2026

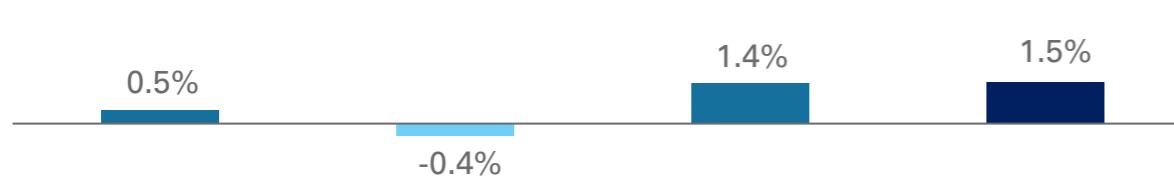
In January, defined benefit pension plan sponsors likely experienced an increase in funded status due to positive equity markets. The Treasury yield curve remained relatively unchanged; the 10- and 30-year yields increased slightly to 4.26% and 4.87%, respectively. The discount rate for NEPC's hypothetical total-return pension plan was unchanged at 5.62% and the frozen LDI-focused plan increased 1 basis point to 5.37%. The total-return pension plan and LDI-focused plan saw increases in funded status of 1.5% and 0.9%, respectively.

We anticipate continued market volatility and the potential for market disruption. Plan sponsors should diligently monitor sources of change in funded status versus expectations, as equities and interest rates are likely to remain volatile. This includes closely observing interest-rate hedge ratios and allocating across the yield curve as interest rates change.

Source: Factset, FTSE and Brentwood LLC, as of January 31, 2026

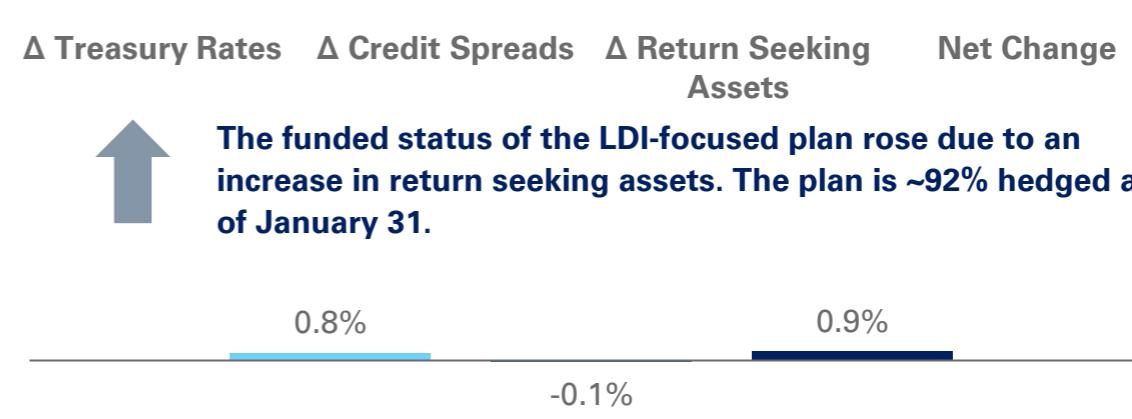
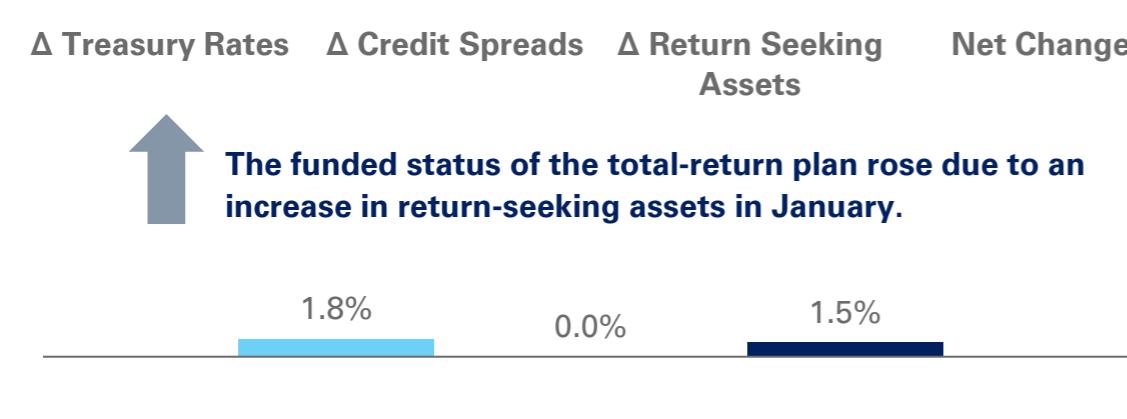
SAMPLE OPEN/TOTAL-RETURN PLAN

Funded Status Attribution



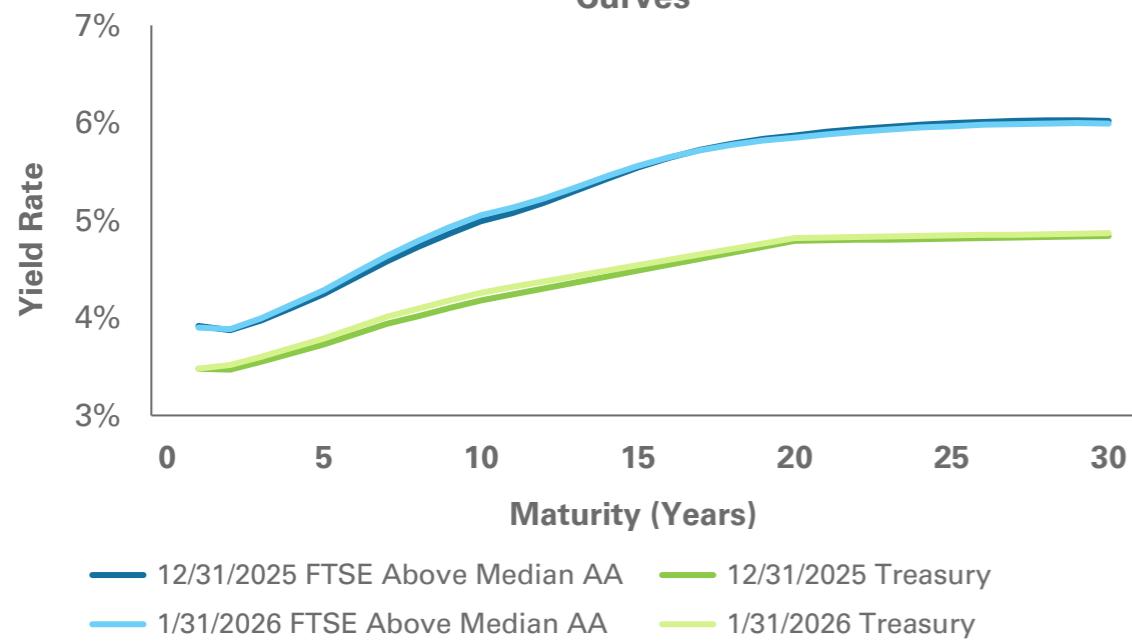
SAMPLE FROZEN/LDI-FOCUSED PLAN

Funded Status Attribution

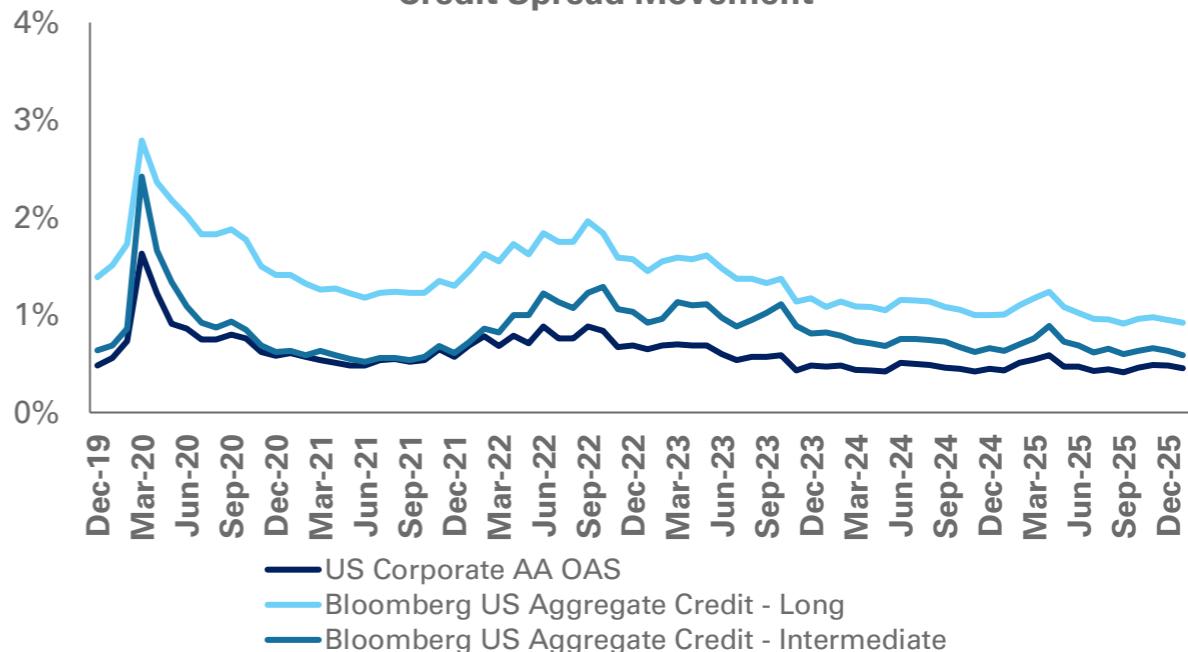


RATE MOVEMENT

Curves



Credit Spread Movement



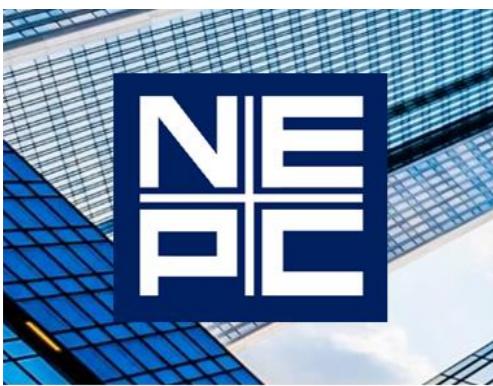
RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately **106.2%** of PBO, as of January 31, 2026

RECENT INSIGHTS FROM NEPC

[Blog Part 1: The Art of Terminating a Corporate Pension Plan](#)

[Blog Part 1: Voluntary Employee Beneficiary Association - An Overview](#)



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RECENT CORPORATE PENSION HEADLINES

Sponsors saw continued good news on the pension risk transfer (PRT) litigation front in January. The Verizon PRT case was dismissed on January 8th. The Department of Labor came out in support of Lockheed Martin. Weyerhaeuser, despite currently facing a PRT litigation case, announced a new PRT in the amount of \$455 million. Plaintiffs have struggled to show actual, present, or imminent harm which has led to the dismissal of many cases to date though some remain outstanding. NEPC will continue to monitor the situation and provide updates to clients.

Sources:

DOL. (2026, February 3). US Department of Labor Files Amicus Brief Clarifying Legal Framework for Pension Risk Transfers. U.S. Department of Labor. <https://www.dol.gov/newsroom/releases/ebsa/ebsa20260109-0>.

NAPA. (2026, February 3). Lack of standing sinks another pension risk transfer suit. NAPA-Net. <https://www.napa-net.org/news/2026/1/lack-of-standing-sinks-another-pension-risk-transfer-suit/>

Samuels, R. (2026, February 3). Weyerhaeuser announces new pension risk transfer, remains subject of a pending lawsuit. Pensions & Investments. <https://www.pionline.com/institutional-investors/pension-risk-transfer/pi-weyerhaeuser-pension-risk-transfer-february-2026/>

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, 2025. 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, 2025.

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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