



NEPC PENSION MONITOR

MAY 2026

In May, pension plan sponsors with allocations to global equities likely experienced continued improvement in funded status. Funded ratios for both the hypothetical total-return and LDI-focused plans increased, driven by strong performance in return-seeking assets alongside a modest rise in Treasury yields and tightening corporate bond spreads. The Treasury yield curve shifted upward across all tenors, led by the short end; 10- and 30-year yields rose to 4.45% and 4.99%, respectively.

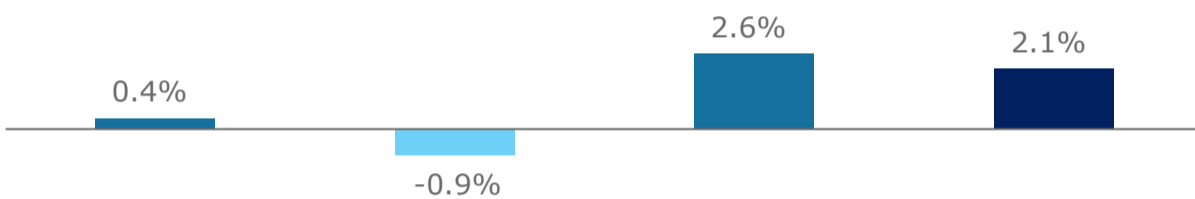
The discount rate for NEPC's hypothetical total-return pension plan declined five basis points to 5.75%, while the frozen LDI-focused plan decreased four basis points to 5.54%. Although these changes modestly increased liabilities, gains in return-seeking assets more than offset the impact. As a result, funded status improved by 2.1% for the total-return plan and by 2.0% for the LDI-focused plan.

Given strong equity performance and muted fixed income returns in recent months, some pension plans may have reached their next glide path trigger or achieved a sufficiently favorable funded position to consider de-risking. We suggest ongoing monitoring of funded status to determine whether glide path thresholds have been met and to assess the timing and execution of any glide path implementation to help protect and preserve recent gains.

Source: FactSet, FTSE and Brentwood LLC, as of May 31, 2026

SAMPLE OPEN/TOTAL-RETURN PLAN

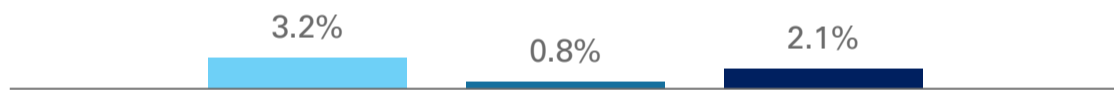
Funded Status Attribution



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



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

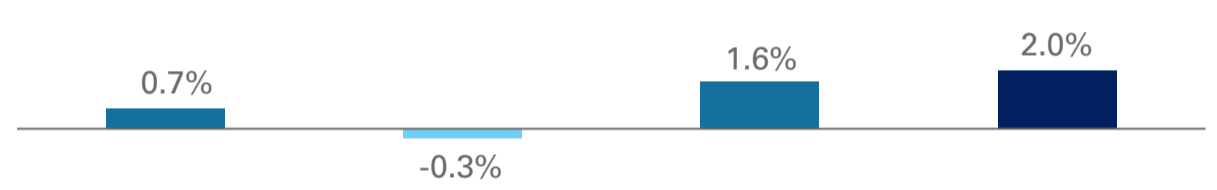


May 31, 2026

Assets Liabilities Net

SAMPLE FROZEN/LDI-FOCUSED PLAN

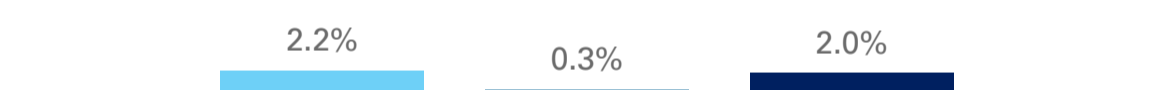
Funded Status Attribution



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 ~95% hedged as of May 31.

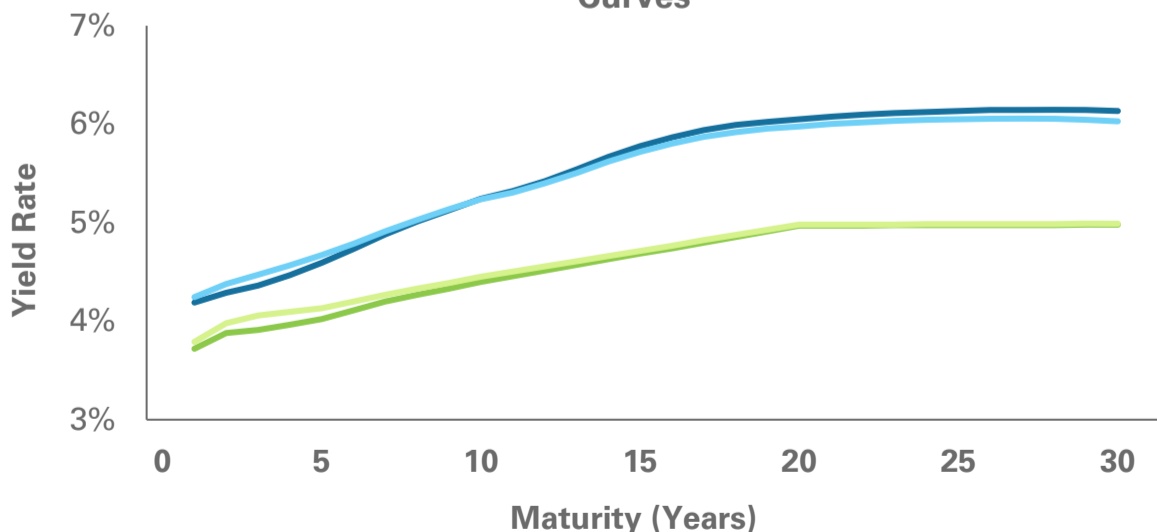


May 31, 2026

Assets Liabilities Net

RATE MOVEMENT

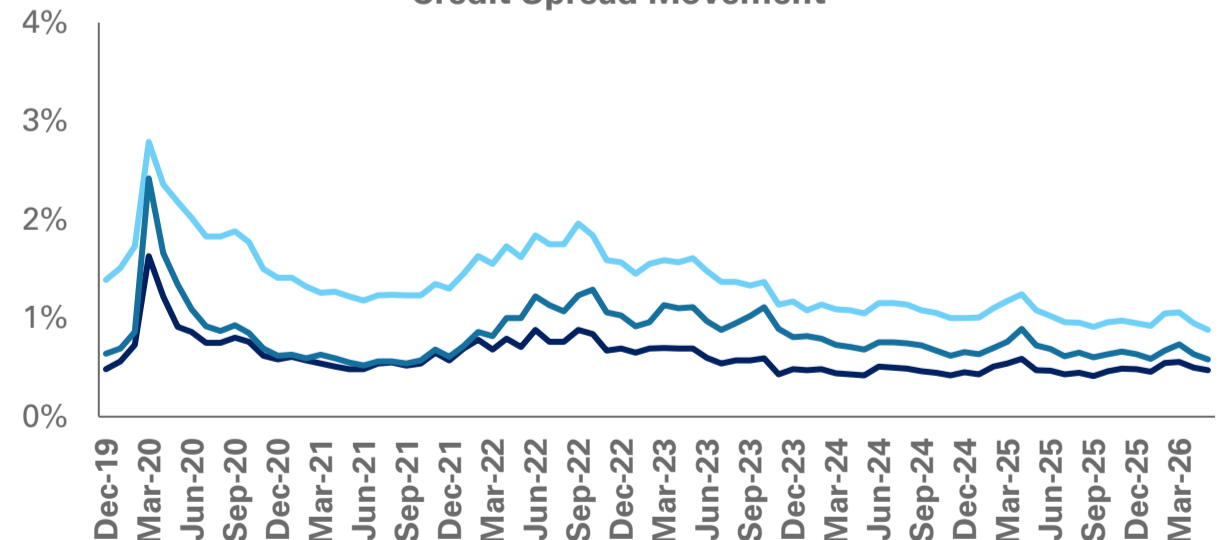
Curves



4/30/2026 FTSE Above Median AA 4/30/2026 Treasury
5/31/2026 FTSE Above Median AA 5/31/2026 Treasury

Source: FactSet, FTSE and Brentwood LLC, as of May 31, 2026

Credit Spread Movement



US Corporate AA OAS
Bloomberg US Aggregate Credit - Long
Bloomberg US Aggregate Credit - Intermediate

RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately **106.0%** of PBO, as of May 31, 2026

RECENT INSIGHTS FROM NEPC

[NEPC's May Market Commentary](#)

[Powell Plays the Long \(Political\) Game](#)



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MAY 2026

RECENT CORPORATE PENSION HEADLINES

The recent favorable news for sponsors in pension risk transfer litigation and other ERISA retirement plan cases may have more tailwinds. The new head of the Employee Benefits Security Administration (EBSA) Daniel Aronowitz emphasized the goal of de-litigation for ERISA plans in his address to the PLANSPONSOR National Conference on Jun 1st. A key goal of the Aronowitz-led EBSA is to allow fiduciaries to go about their business prudently without fear of being sued. Pension risk transfer (PRT) cases were cited among other ERISA class action lawsuits in his remarks. While the news has been good of late, NEPC will continue to monitor and report any updates on the outstanding PRT litigation to clients.

Sources:

Van Bramer, J. (2026, June 1). EBSA's Aronowitz stresses goal of limiting litigation, speedy finalization of alts rule. PLANSPONSOR. <https://www.plansponsor.com/ebsas-aronowitz-stresses-de-litigation-focus-speedy-finalization-of-alts-rule/>

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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