



NEPC PENSION MONITOR

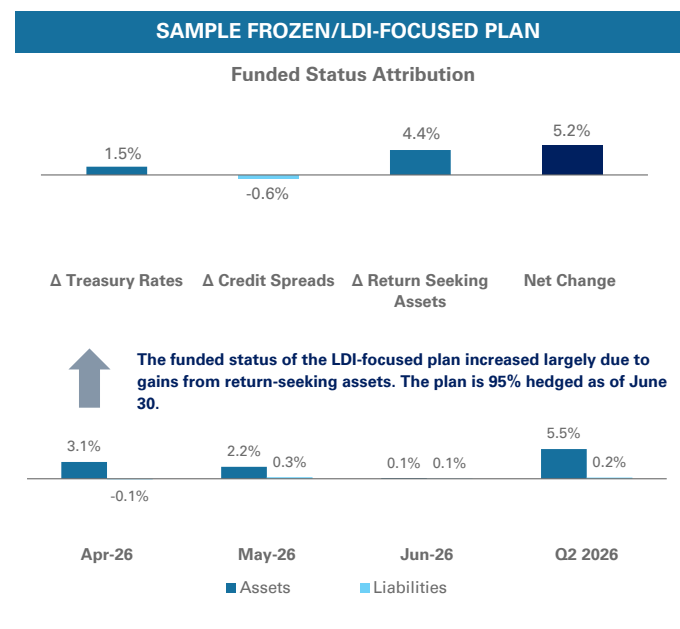
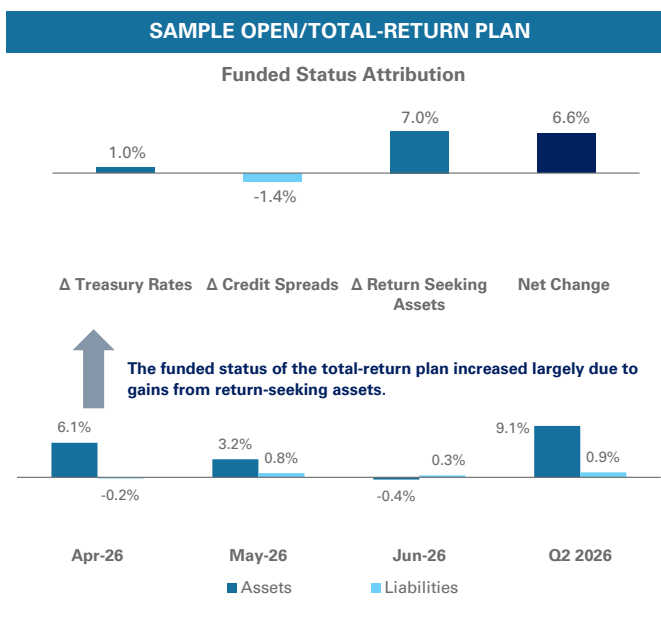
SECOND QUARTER 2026

International and domestic equities posted notable gains in the second quarter of 2026 driven by strong earnings in the technology sector. The funded ratio for plan sponsors also increased as discount rates were largely unchanged during the quarter.

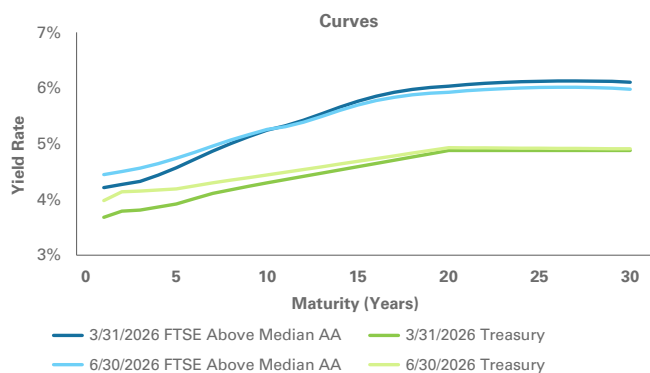
For the three months ending on June 30, the 30-year Treasury yield increased three basis points to 4.91%. During this period, credit spreads tightened three basis points. The discount rate for the open total-return plan decreased six basis points to 5.76%, and the discount rate for the frozen LDI-focused plan decreased two basis points to 5.54%. The funded status of our total-return and LDI-focused plans saw fairly significant increases, rising 6.6% and 5.2%, respectively.

Total-return plans may want to consider the impact of rate changes 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.

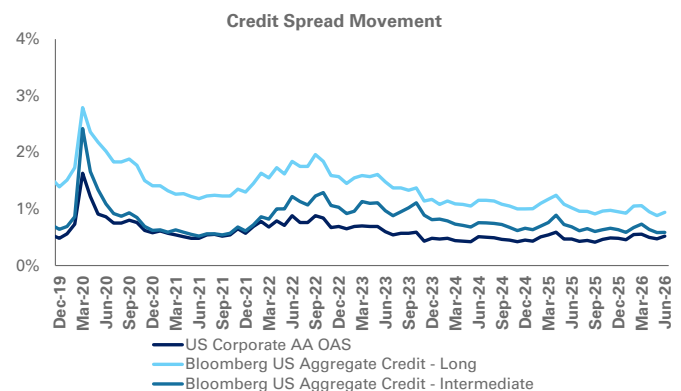
Source: FactSet, FTSE, as of June 30, 2026



RATE MOVEMENT



Source: FactSet, FTSE and Brentwood LLC, as of June 30, 2026



RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **107% of PBO** as of June 30, 2026

RECENT INSIGHTS FROM NEPC

[The Art of Terminating a Corporate Pension Plan, Part 3](#)
[The State of AI in Institutional Investing: Operating Policies and Use Cases](#)



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SECOND QUARTER 2026

RECENT CORPORATE PENSION HEADLINES

The PBGC clarified treatment of annuity buyouts for active participant reduction reporting

- In its first opinion letter in 24 years, the PBGC noted that an annuity buyout does not create an active participant reduction reportable event simply because active participant counts decline. Participants transferred to an insurer are no longer covered by PBGC insurance and should not be included in the reporting.
- The opinion is notable in the ongoing pension risk transfer (PRT) litigation environment as it states that pension risk transfers are not evidence of financial weakness; at the same time, it reaffirms the loss of PBGC protection for participants once transferred to an insurer.

Sources:

PBGC. (June 15, 2026). Reportable Event Opinion Letter <https://www.pbgc.gov/documents/opinion-letter-26-001>

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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