



# NEPC PENSION MONITOR

## THIRD QUARTER 2026

Domestic and international equities posted modest gains in the third quarter of 2026. Persistent inflation concerns led the Federal Reserve to raise interest rates by 25 basis points. Treasury rates rose, resulting in higher pension discount rates. The resulting decline in liability values led to a significant improvement in funded status for many plan sponsors.

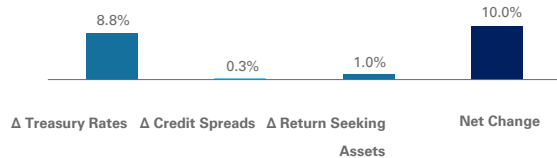
For the three months ending September 30, the 30-year Treasury yield increased 73 basis points to 5.64%. During this period, credit spreads widened four basis points but remain at historically tight levels. The discount rate for the open total-return plan increased 86 basis points to 6.58%, and the discount rate for the frozen LDI-focused plan increased 87 basis points to 6.41%. As a result, the funded status of our total-return and LDI-focused plans rose by 10.0% and 3.7%, respectively.

Total-return plans may want to consider the impact of higher discount rates on plan liabilities and the role of LDI and other de-risking strategies in the current rate environment to help protect funded status. For certain plan sponsors, higher rates may reduce liabilities and improve funded status, potentially leading to lower required contributions and PBGC variable-rate premiums. NEPC consultants are available to discuss the implications, costs, and potential benefits of various pension finance and de-risking strategies in light of interest rate movements and market volatility.

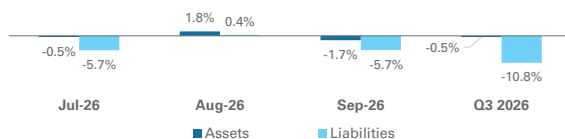
Source: FactSet, FTSE, as of September 30, 2026

### SAMPLE OPEN/TOTAL-RETURN PLAN

#### Funded Status Attribution

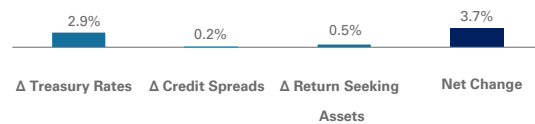


↑ The funded status of the total-return plan increased materially due to gains from higher Treasury rates.

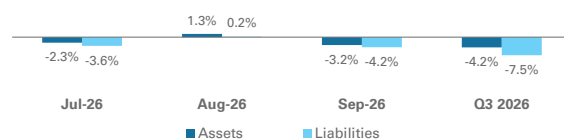


### SAMPLE FROZEN/LDI-FOCUSED PLAN

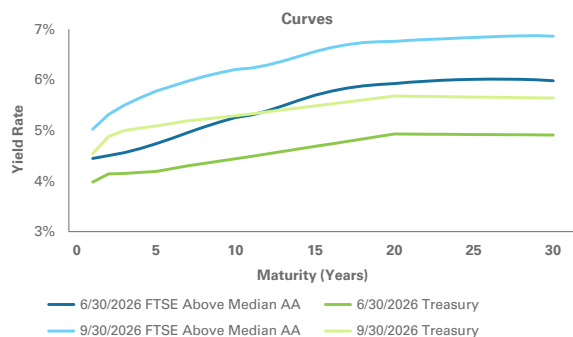
#### Funded Status Attribution



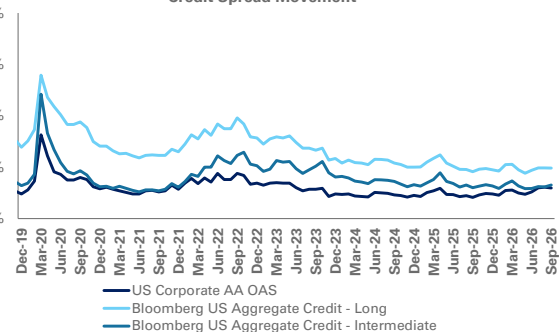
↑ The funded status of the LDI-focused plan increased due to gains from higher Treasury rates. The plan is 99% hedged as of June 30.



### RATE MOVEMENT



### Credit Spread Movement



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

### RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **106.8% of PBO** as of September 30, 2026

### RECENT INSIGHTS FROM NEPC

[2026 NEPC Corporate Defined Benefit Peer Study and Survey](#)

[Treasury Yields Touch 5%. What's Next?](#)



# NEPC PENSION MONITOR

## THIRD QUARTER 2026

### RECENT CORPORATE PENSION HEADLINES

A Massachusetts federal judge dismissed AT&T from a proposed class action lawsuit regarding an \$8.05 billion pension risk transfer to Athene Annuity and Life Assurance Co., ruling that AT&T had delegated selection responsibility and was not involved in choosing the provider. However, the court allowed claims to proceed against the independent fiduciary, State Street, finding potential liability for the decision. The ruling highlights a growing shift in pension risk transfer litigation, where plan sponsors that outsource decision-making without red flags are increasingly protected from ERISA breach-of-fiduciary-duty claims.

The trend continues to be favorable for plan sponsors, as no new pension risk transfer litigation has been brought since IBM in September 2025. To the best of our knowledge, four cases are still outstanding. NEPC will continue to monitor the situation and report updates.

PRT sales were down 26% year-over-year based on the latest data through the second quarter from LIMRA. The decline is largely attributed to transaction timing, deal sequencing, and deal-size mix rather than a drop in long-term demand. Of note, there were no transactions above \$250 million during the second quarter.

#### Sources:

LIMRA. (2026, August 13). LIMRA: U.S. pension risk transfer sales total nearly \$3 billion in second quarter 2026. LIMRA. [https://www.limra.com/en/newsroom/news-releases/2026/limra-u.s.-pension-risk-transfer-sales-total-nearly-\\$3-billion-in-second-quarter-2026](https://www.limra.com/en/newsroom/news-releases/2026/limra-u.s.-pension-risk-transfer-sales-total-nearly-$3-billion-in-second-quarter-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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