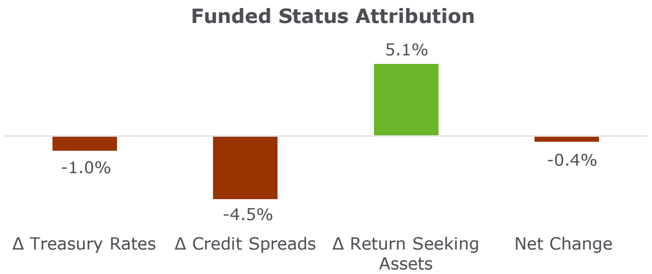
NEPC PENSION FUNDED STATUS MONITOR

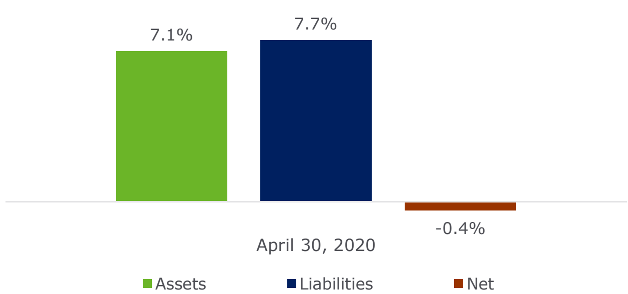
APRIL 2020

The funded status of a corporate pension plan was generally flat in April, with allocation affecting individual results. Funded status was boosted by the rebound in equities and credit spreads after a volatile first quarter. However, liabilities increased significantly. Therefore, the funded status for a typical total-return plan decreased by around 0.4%, while an LDI-focused plan improved by 0.9%, according to NEPC's hypothetical open- and frozen-pension plans.

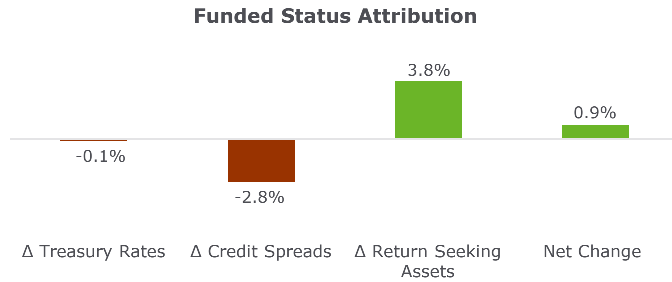
HYPOTHETICAL OPEN/TOTAL-RETURN PLAN



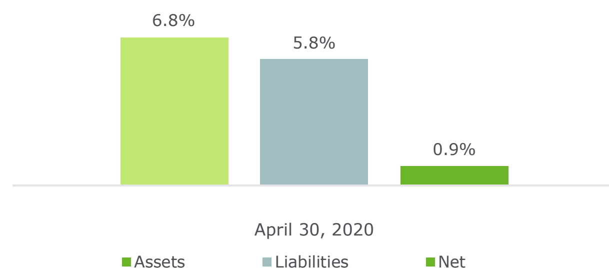
The funded status of the total-return plan fell by 0.4% as the growth in liabilities outpaced the rebound in equities, which bounced back from their lows in March as markets grappled with the fallout from the COVID-19 pandemic.



HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

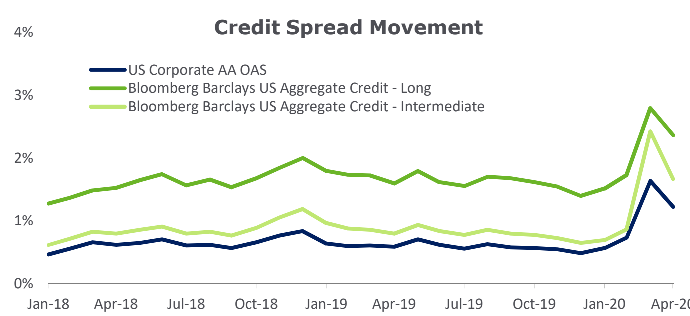


The LDI-focused plan experienced an increase in funded status of 0.9% mostly due to the recovery of risk assets after their sharp drop in March. The plan is currently 75% hedged, as of April 30.



RATE MOVEMENT COMMENTARY

Treasury yields remained low in April, with the 30-year Treasury falling 7 basis points to 1.28%. After widening sharply to a high of 352 on March 23, long-credit spreads contracted 43 basis points last month. This, in combination with falling Treasury rates, resulted in lower estimated discount rates. The discount rate for the open total-return plan fell 45 basis points to 3.03% on April 30, while the discount rate of the frozen LDI-focused plan decreased 50 basis points to end the month at 2.83%. This resulted in an increase to each plan's liabilities of 7.7% and 5.8%, respectively, for the total-return and LDI-focused plans. On the asset side, the contraction in credit spreads served to boost credit-based fixed income returns, partially offsetting the increase in liabilities for plans hedged using credit instruments.



RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **106.2%** of PBO, as of April 30, 2020

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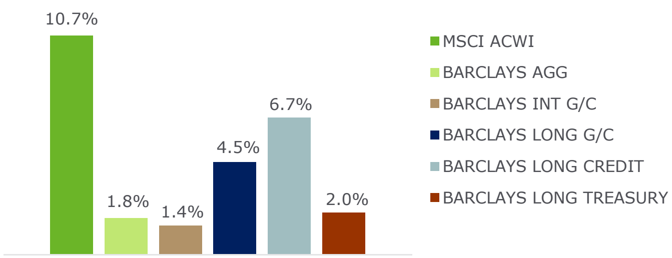
NEPC PENSION FUNDED STATUS MONITOR

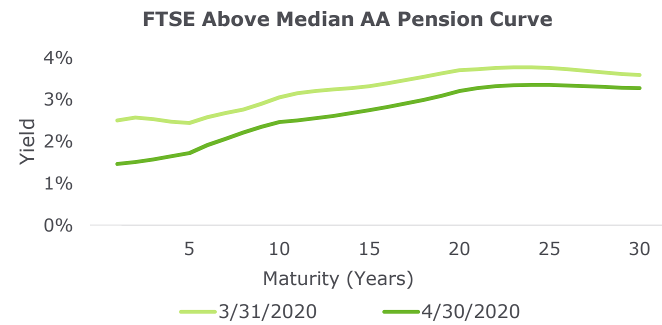
APRIL 2020

PLAN SPONSOR CONSIDERATIONS

Equity markets continued to recover in April after suffering steep losses in March as efforts to contain the virus brought economies the world over to a standstill. Credit spreads are slowly recovering as well. Discount rates used to value plan liabilities fell from the prior month, offsetting the gains from assets. Even though restrictions around social distancing are loosening around the country, signaling the reopening of the economy, we are bracing for continued market volatility. NEPC continues to recommend maintaining plan hedge ratios and sticking to long-term strategic allocations. Meanwhile, NEPC will be revisiting client glidepaths on the back of low Treasury rates, while proactively advising clients on any market opportunities that may arise.

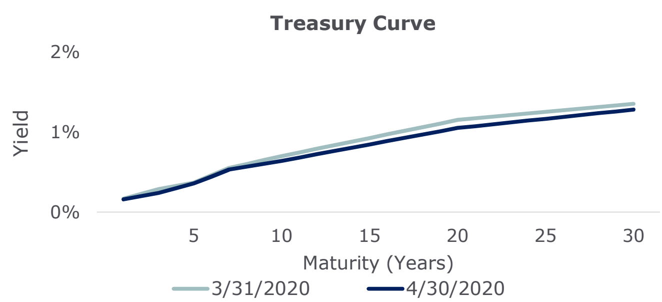
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





Equity markets staged a significant recovery in April following the sharp selloff in March. US stocks gained 12.8% in April, while international developed and emerging market equities increased 6.5% and 9.2%, respectively; the overall MSCI ACWI Index returned 10.7% for the month.

Treasuries hovered around historic lows with the long-end falling slightly, resulting in returns of 2% for long Treasuries in April, according to the Barclays Long Treasury Index. Long-credit spreads tightened 43 basis points last month which, when paired with falling rates, led to returns of 6.7% for the month.



DISCLOSURES

Liability returns are based on the FTSE Above Median Pension Discount Curve. Liabilities for the two hypothetical plans are based on sample benefit payments of two unique plans, set equal to stable duration targets as of December 31, 2018. The total-return plan reflects an open plan with a 15-year duration, while the LDI-Focused plan represents a frozen plan with a 10-year duration. The benefit payments are not rolled forward each month to maintain the duration targets. 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 set at 90% funded as of December 31, 2018.

The total-return plan assumes an allocation of 60% global equity, 40% core bonds. The LDI-focused plan assumes an asset allocation of 40% global equity and 30% long credit, 20% long Treasuries, 10% intermediate government/credit, 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.

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.

Past performance is no guarantee of future results.

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