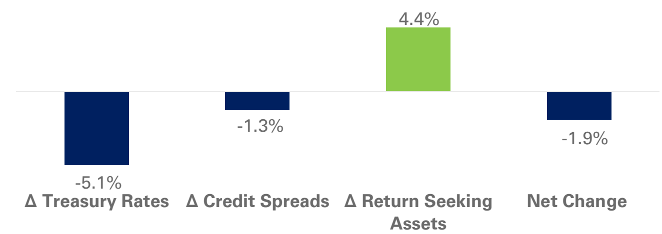
NEPC PENSION MONITOR

SECOND QUARTER 2021

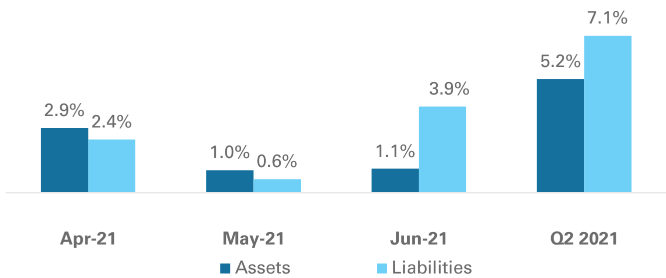
U.S. corporate pension plans focused on hedging interest rate risk experienced modest gains in funded status in the second quarter. With Treasury yields falling over the quarter, plan liabilities increased, likely outpacing gains from the robust equity market for plans focused on a total-return asset policy. During the second quarter, the funded status of a total-return plan declined by 1.9%, underperforming the LDI-focused plan which improved by 2.0%.

HYPOTHETICAL OPEN/TOTAL-RETURN PLAN

Funded Status Attribution

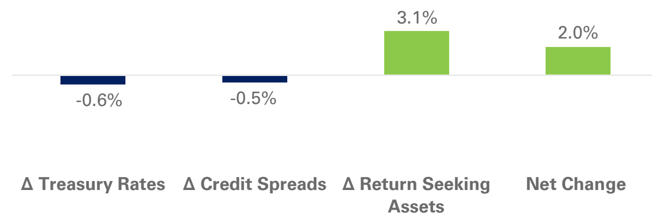


The funded status of the total-return plan declined over the quarter as falling Treasury rates pushed liabilities higher. This plan has a higher duration of liabilities and is more sensitive to interest-rate movements on the long end of the curve.

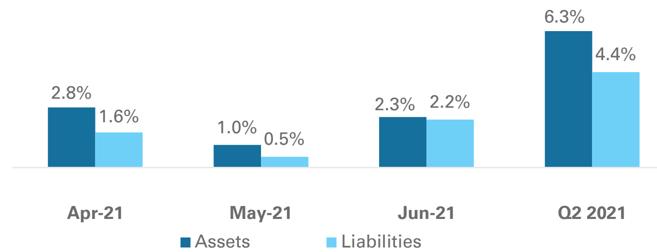


HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

Funded Status Attribution



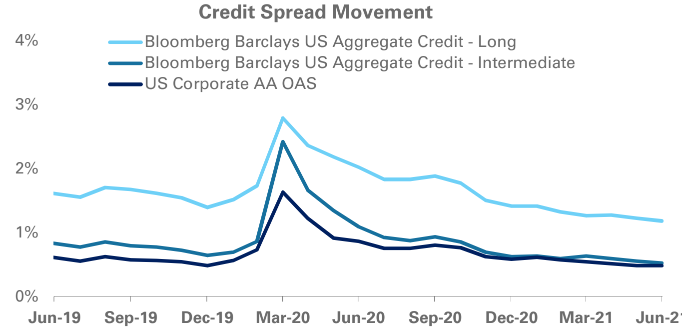
The LDI-focused plan saw an increase in funded status over the quarter mainly from gains in risk assets. The plan is 87% hedged as of June 30.



RATE MOVEMENT

The Treasury yield curve flattened and fell over the quarter, declining 35 basis points at the long end, with the 30-year Treasury yield landing at 2.06% as of June 30. Long-credit spreads contracted further, tightening eight basis points over the second quarter to historical lows. These factors combined to push discount rates lower for valuing liabilities. The discount rate for the open total-return plan decreased 41 basis points, ending the quarter at 2.87%; the discount rate for the frozen LDI-focused plan dropped 38 basis points to 2.64% as of June 30.

Credit Spread Movement



RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **101.3%** of PBO as of June 30, 2021.

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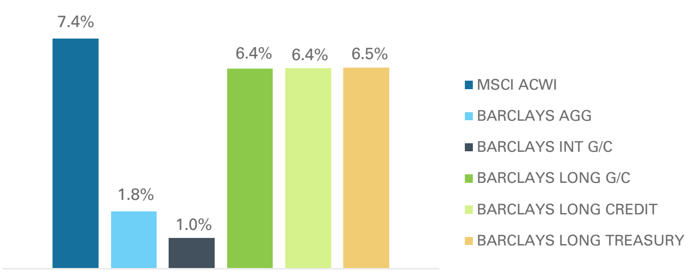
NEPC PENSION MONITOR

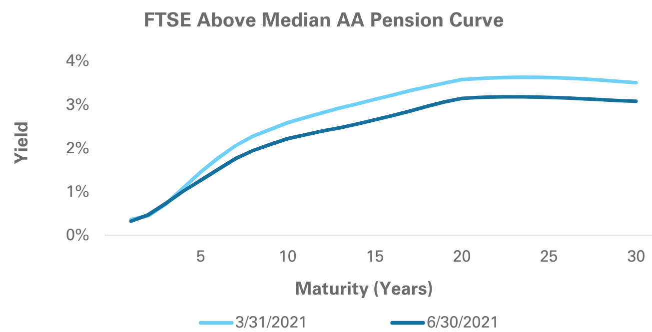
SECOND QUARTER 2021

CONSIDERATIONS FOR PLAN SPONSORS

The equity market continued its march upward, fueled by low interest rates and the easing of pandemic-related restrictions. In the U.S., a high vaccination rate and summertime exuberance are adding to the economic momentum; however, the Delta variant of COVID-19 is raising concerns while triggering fresh lockdowns in Europe and Asia. With strong performance in equities and uptick in interest rates in the first quarter of 2021, plan sponsors may see a significant increase in funded status over the last year, with many pondering the future of their pension plans. Please reach out to your NEPC consultant if you have any questions on pension risk transfers, annuity buyouts and hibernation strategies.

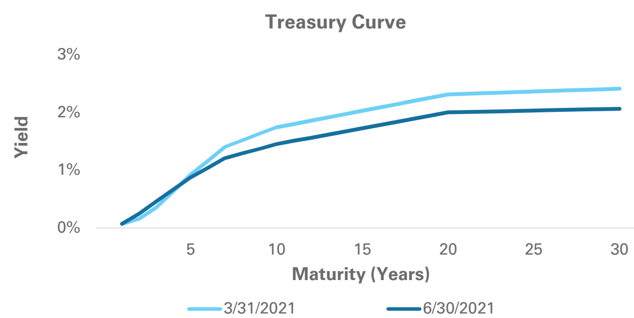
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





Equity markets continued their march up, producing outsized returns for the quarter. With the vaccine rollout and many states ending pandemic-related restrictions, the S&P 500 Index gained 2.3% in June and 8.5% in the second quarter. Similarly, the MSCI ACWI Index was up 1.3% last month and returned 7.4% for the three months ending June 30; emerging market equities gained 0.2% last month with total returns of 5% in the second quarter.

Treasuries rallied and the yield curve flattened, with yields falling 35 basis points at the 30-year tenor, resulting in a gain of 6.5% in the second quarter, according to the Barclays Long Treasury Index. Corporate spreads ground tighter over the quarter, contracting eight basis points on the long end, fueling gains of 6.4% in long credit, according to the Barclays Long Credit Index.



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 Govt/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 compare 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.