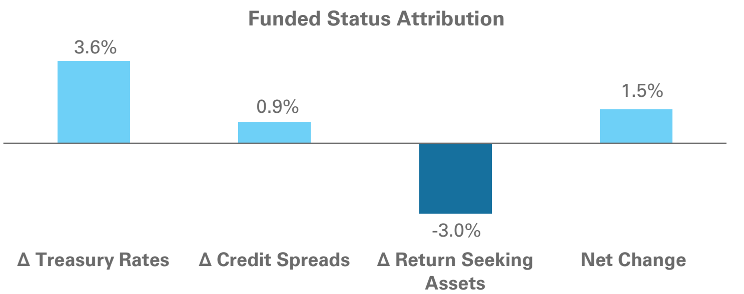
NEPC PENSION MONITOR

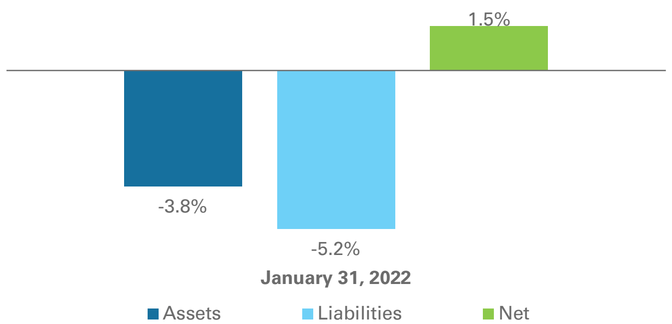
JANUARY 2022

Corporate pension plans experienced mixed results in funded status in January as equities took a dive and interest rates went up amid persisting inflation and anticipated rate tightening by the Federal Reserve. Interest rates increased and yields flattened across the curve resulting in negative returns for fixed-income mandates and lower liability valuations. Total-return plans with higher duration liabilities and lower fixed-income allocations may have experienced an increase in funded status as opposed to LDI-focused peers holding more long-dated bonds. Based on NEPC's hypothetical open- and frozen-pension plans, the funded status of the total-return plan increased 1.5%, while the LDI-focused plan declined 0.9% in January.

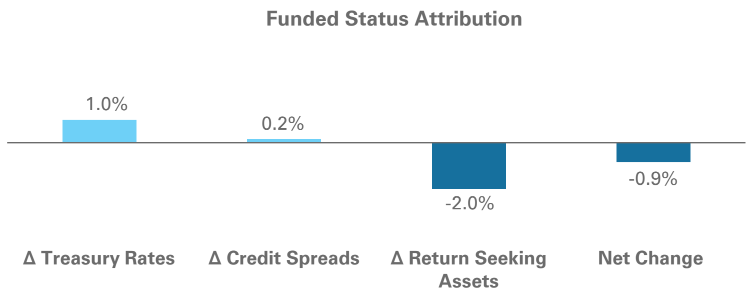
HYPOTHETICAL OPEN/TOTAL-RETURN PLAN



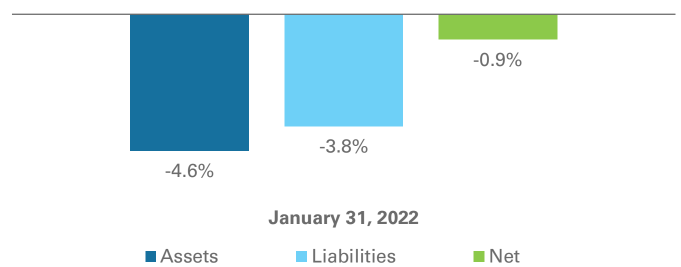
The funded status of the total-return plan increased by 1.5% as losses from equities were offset by declining liability values.



HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN



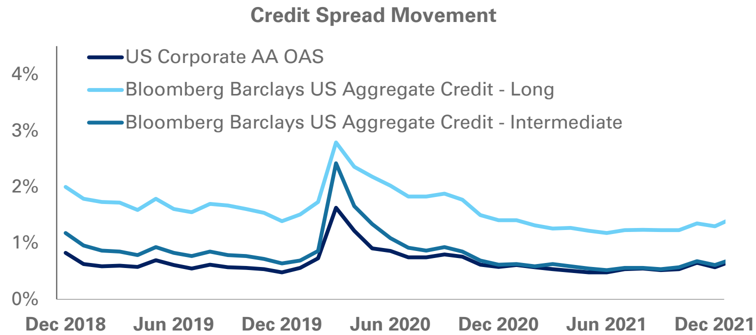
The funded status of the LDI-focused plan dropped 0.9%, with asset losses stemming from both equities and long-duration bonds. The plan is 77% hedged as of January 31.



RATE MOVEMENT COMMENTARY

The Treasury curve rose and continued to flatten in January, with the 10-year increasing 27 basis points to 1.79%, and the 30-year bond rising 21 basis points to 2.11%. The yield curve remains inverted between the 20- and 30-year points of the curve. Credit spreads widened during the market turmoil, with the intermediate- and long-credit spreads widening 11 basis points and 15 basis points, respectively.

The uptick in Treasury rates and credit spreads resulted in an increase to the effective pension discount rates used for NEPC's hypothetical pension plans. The discount rate for the open total-return plan rose to 3.13%, while the rate for the frozen LDI-focused plan increased to 2.97%.



RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately **105.5%** of PBO, as of January 31, 2022

RECENT INSIGHTS FROM NEPC

A Decade In Review: The 2021 Defined Benefit Trends Survey
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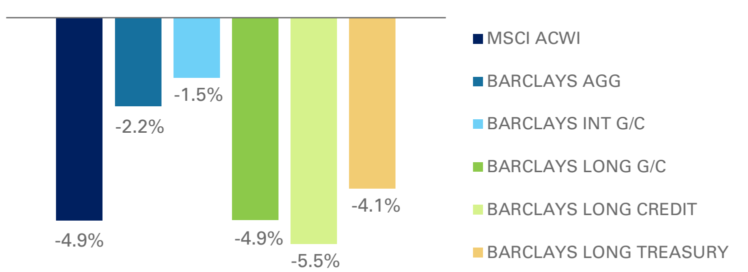
NEPC PENSION MONITOR

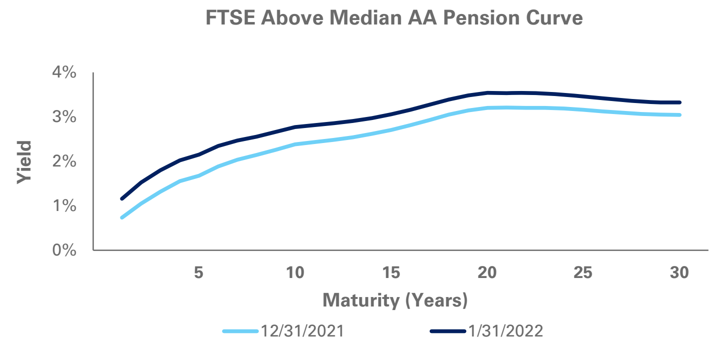
JANUARY 2022

PLAN SPONSOR CONSIDERATIONS

January saw the biggest market pullback since April 2020 amid rising concerns around inflation and the Fed's intention to begin quantitative tightening in March. The Treasury yield curve increased and flattened and credit spreads widened as equities tumbled, providing a double-punch to pension plan assets. Investors should consider rebalancing as a risk management tool after such a turn. With rates and equity markets increasing in volatility, plan sponsors should remain diligent about maintaining hedge ratio ranges and monitoring LDI glide path triggers.

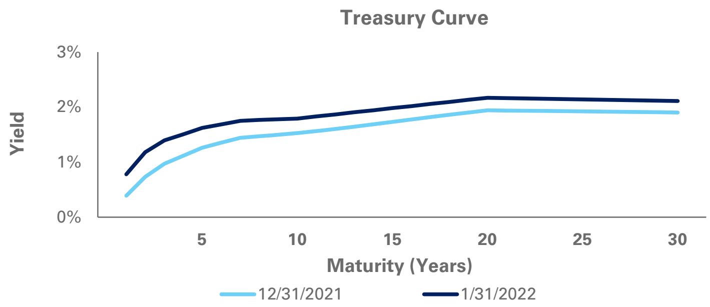
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





U.S. equities corrected in January with the S&P 500 Index falling over 10% before ending the month down 5.2%. International developed markets also had a rough start to 2022 as Germany flirted with a recession and the MSCI EAFE Index fell 4.8%. Emerging market equities were down 1.9%, according to the MSCI EM Index. Globally, the MSCI ACWI Index fell 4.9% in January.

The Treasury curve broadly rose and continued to flatten as the short end of the curve saw a sharper increase. Credit spreads also widened over the month. This resulted in negative returns for long-duration fixed income, with the Barclays Long Treasury Index dropping 4.1% while the Barclays Long Credit Index lost 5.5% in January.



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 reset at 100% funded as of December 31, 2021.

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.