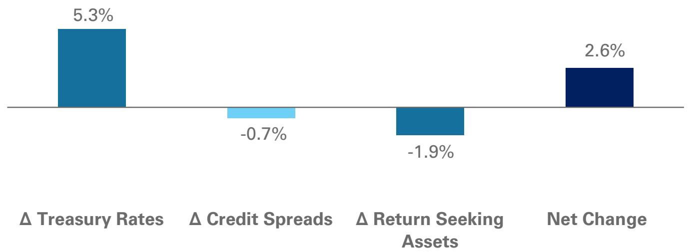
NEPC PENSION MONITOR

APRIL 2024

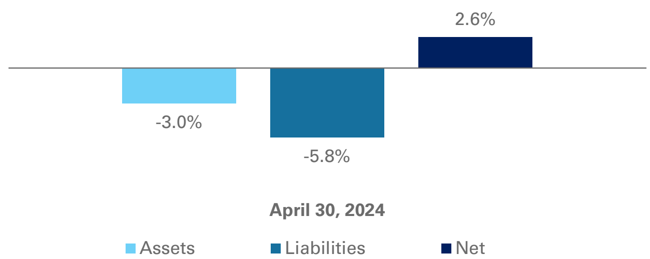
In April, pension plan sponsors experienced higher liability discount rates amid a rise in U.S. Treasury yields. During this period, global public equities declined, and the Treasury yield curve rose across most tenors. Total-return-focused plans likely experienced positive changes in funded status due to higher discount rates despite losses from public equities. NEPC's hypothetical total-return pension plan saw an improvement of 2.6% in funded status compared to 0.2% decrease for our LDI-focused plan.

HYPOTHETICAL OPEN/TOTAL-RETURN PLAN

Funded Status Attribution

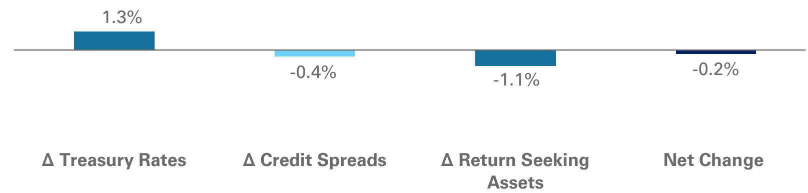


The funded status of the total-return plan increased largely due to a rise in Treasury rates in April.

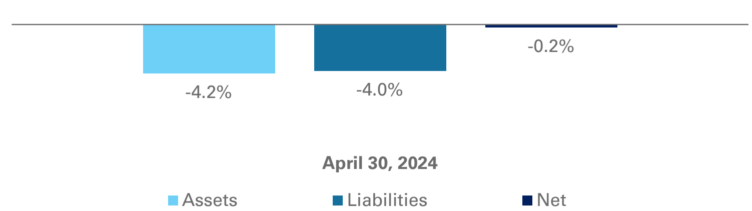


HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

Funded Status Attribution



The funded status of the LDI-focused plan was relatively flat due to losses from return-seeking assets offsetting the rise in Treasury rates. The plan is 93% hedged as of April 30.

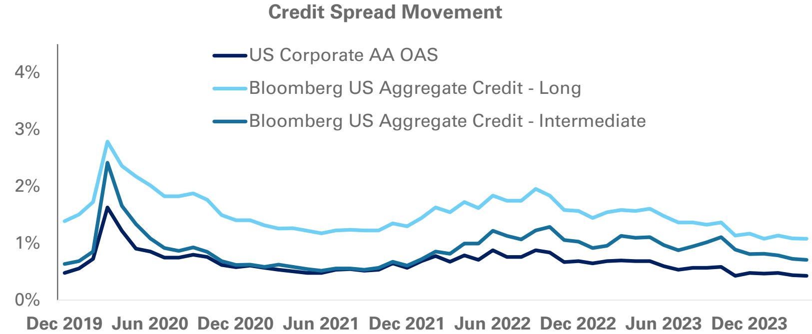


RATE MOVEMENT COMMENTARY

The Treasury yield curve rose in April, and remained inverted from the one- to five-year tenors. The five-year yield increased 51 basis points to 4.72%, while the 30-year yield ticked up 45 basis points to 4.79%. Corporate bond spreads were largely unchanged for the month.

The movement in Treasury rates and credit spreads resulted in higher pension discount rates used to value pension liabilities. The discount rates for NEPC's hypothetical pension plans increased about 43 basis points to 5.71% for the open total-return plan, while the discount rate for the frozen LDI-focused plan rose 44 basis points to 5.67%.

Credit Spread Movement



RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately **104.8%** of PBO, as of April 30, 2024

RECENT INSIGHTS FROM NEPC

Street Smarts: Markets Brace for No Rate Cuts in 2024

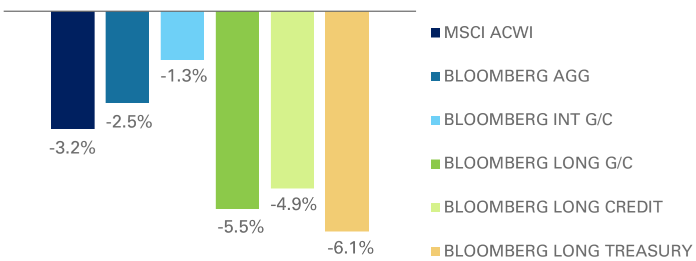
NEPC PENSION MONITOR

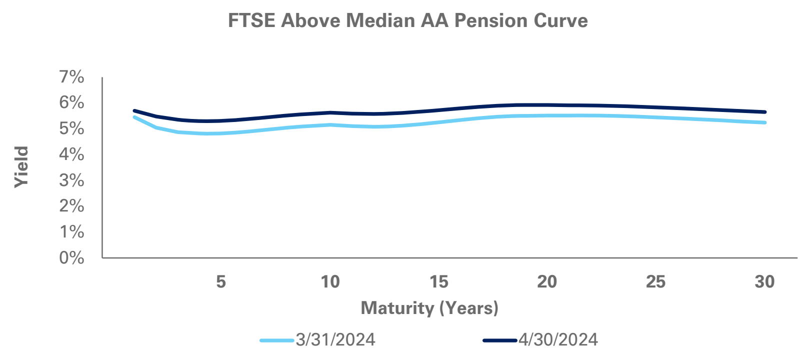
APRIL 2024

PLAN SPONSOR CONSIDERATIONS

Global public equities declined in April, and long-dated fixed-income debt posted losses fueled by higher Treasury rates. Treasury yields increased in April as inflation remained elevated and the Federal Reserve held rates steady. Credit spreads across various maturities remained largely unchanged with modest contractions. At NEPC, we anticipate continued market volatility and the potential for market disruption. Plan sponsors should remain diligent about monitoring sources of change in funded status versus expectations, as equities and interest rates are likely to remain volatile. This includes closely monitoring ranges of hedge ratios to avoid becoming overhedged to longer-maturity rates with a flatter yield curve.

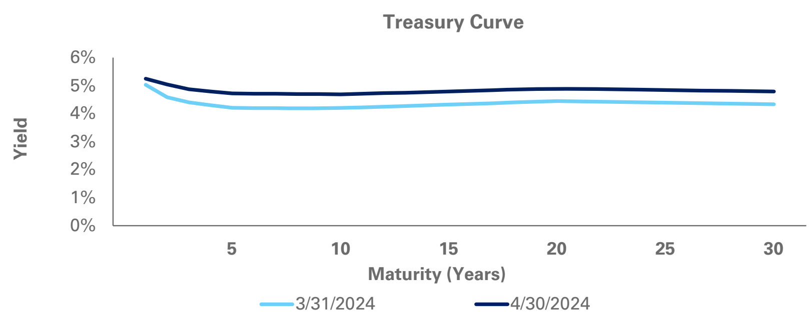
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





In April, U.S. equities fell 4.1%, according to the S&P 500 Index. During the same period, non-U.S. equities also experienced losses with international developed markets down 2.6%, according to the MSCI EAFE Index. Emerging market equities performed better than global public equities and were up 0.4% last month, according to the MSCI EM Index. Broadly, global equities fell 3.3% during the same period, according to the MSCI ACWI Index.

In April, the Treasury curve rose from the previous month and remained inverted from the one- to five-year tenors. This generally resulted in losses for investment-grade fixed-income markets, with long-credit fixed income experiencing modestly lower losses compared to long Treasuries. During the month, the Bloomberg Long Treasury Index decreased 6.1% and the Bloomberg Long Credit Index fell 4.9%.



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. The total-return plan reflects an open plan with a 14.5-year duration, while the LDI-focused plan represents a frozen plan with a 9.5-year duration as of December 31, 2023. 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, 2023.

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.

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.