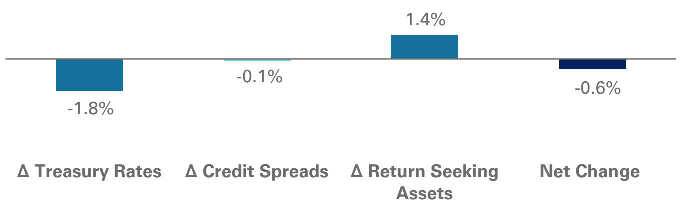
NEPC PENSION MONITOR

AUGUST 2024

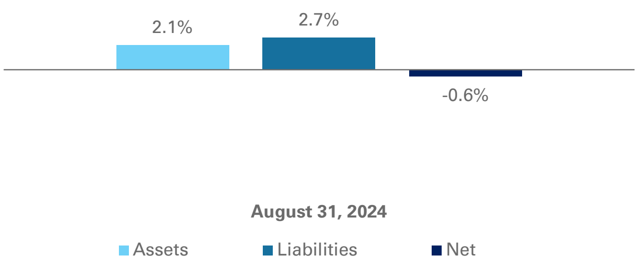
In August, pension plan sponsors experienced a continued decline in liability discount rates amid lower Treasury yields. During this period, gains from global public equities offset the funded status losses resulting from lower discount rates. Through the end of August, global public equity returns remained positive year-to-date. The Treasury yield curve declined across most tenors last month and corporate pension plans likely experienced mixed changes in funded status. NEPC's hypothetical total-return pension plan saw a marginal decline of 0.6% in funded status compared to a 0.2% increase for our LDI-focused plan.

HYPOTHETICAL OPEN/TOTAL-RETURN PLAN

Funded Status Attribution

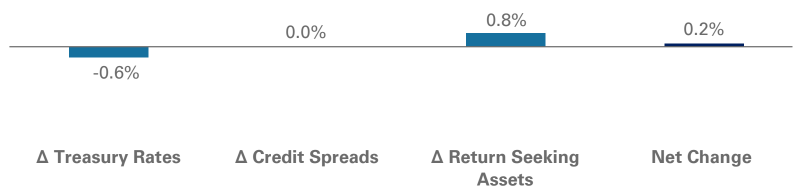


The funded status of the total-return plan decreased modestly due to gains in return-seeking assets, offset by a drop in Treasury rates in August.

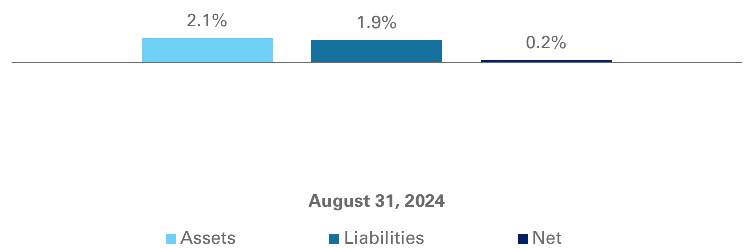


HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

Funded Status Attribution



The funded status of the LDI-focused plan stayed relatively flat due to gains from return-seeking assets, offsetting the decrease in Treasury rates. The plan is 96% hedged as of August 31.

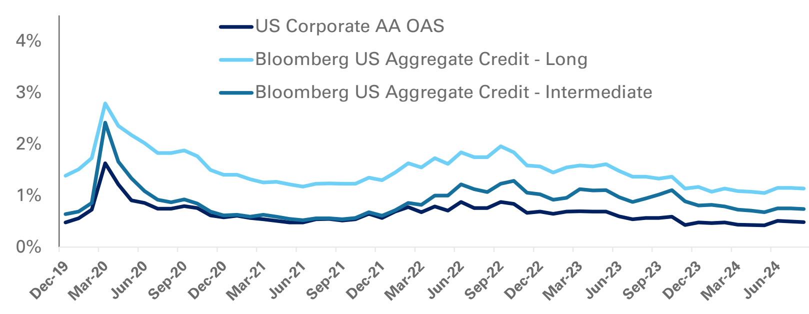


RATE MOVEMENT COMMENTARY

The Treasury yield curve dipped in August, and remained inverted from the one- to 10-year tenors. The 10-year yield decreased 17 basis points to 3.92%, while the 30-year yield ticked down 14 basis points to 4.21%. Corporate bond spreads were largely unchanged last month and remain tight relative to historical levels.

The movement in Treasury rates and credit spreads resulted in lower pension discount rates used to value pension liabilities. The discount rates for NEPC's hypothetical pension plans decreased about 19 basis points to 5.18% for the open total-return plan, while the discount rate for the frozen LDI-focused plan dropped 20 basis points to 5.07%.

Credit Spread Movement



RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately **104.9%** of PBO, as of August 31, 2024

RECENT INSIGHTS FROM NEPC

NEPC's 2023 DEI Progress Report
Part Two: Workplace & Workforce

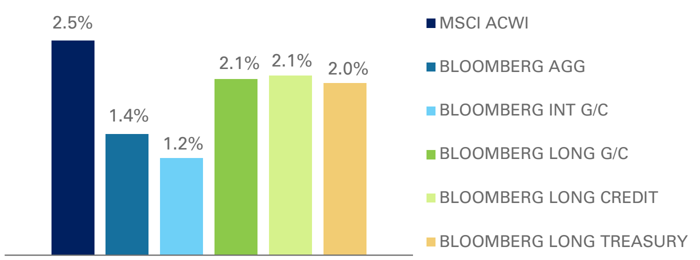
NEPC PENSION MONITOR

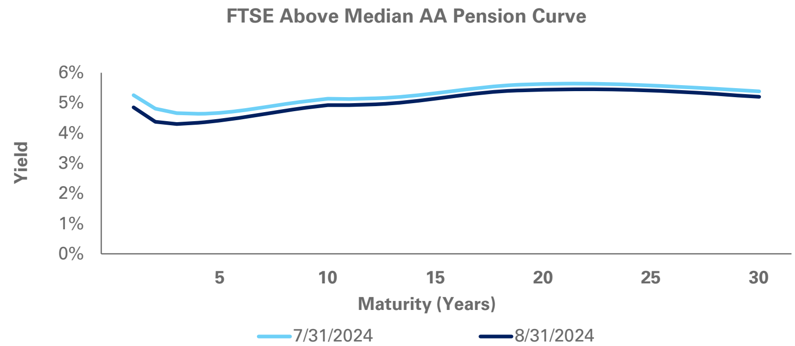
AUGUST 2024

PLAN SPONSOR CONSIDERATIONS

In August, global public equities recorded modest returns and long-dated fixed-income debt posted gains fueled by lower Treasury rates. Treasury yields declined last month across most maturities, while credit spreads remained largely unchanged. 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 interest-rate hedge ratios to avoid becoming overhedged to longer-maturity rates with a changing yield curve.

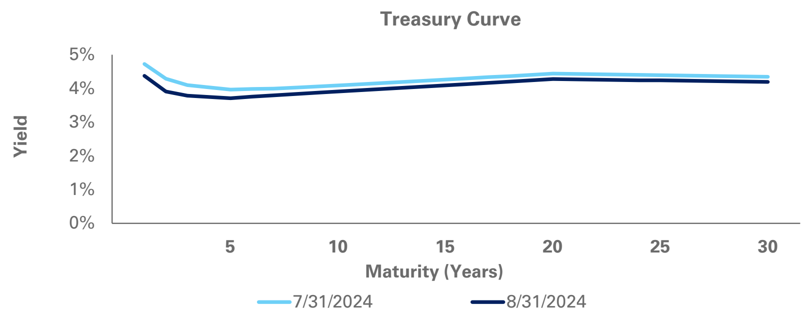
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





U.S. equities returned 2.4% in August, according to the S&P 500 Index. During the same period, non-U.S. equities also experienced gains with international developed markets up 3.3%, according to the MSCI EAFE Index. Emerging market equities were up 1.6% last month, according to the MSCI EM Index. Broadly, global equities returned 2.5% during the month, according to the MSCI ACWI Index.

In August, the Treasury curve decreased from the previous month and remained inverted from the one- to 10-year tenors. This generally resulted in positive performance for investment-grade fixed-income markets, with long-credit fixed income and long Treasuries performing similarly. During the month, the Bloomberg Long Treasury Index increased 2% and the Bloomberg Long Credit Index was up 2.1%.



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.