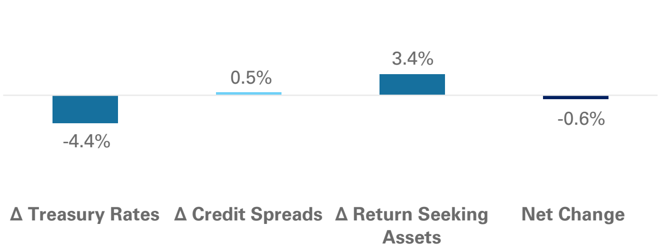
NEPC PENSION MONITOR

THIRD QUARTER 2024

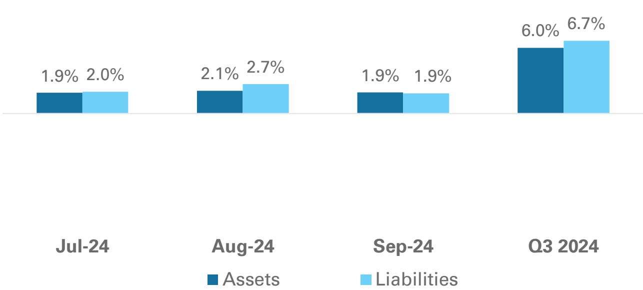
Strong gains from public equities and other return-seeking assets improved funded ratios for LDI-focused corporate defined benefit plans for the three months ended September 30. Returns from equities were offset by increases in liabilities driven by declining Treasury yields and modestly tighter credit spreads for total-return focused plans. Estimated discount rates for pension liabilities, based on long-duration fixed-income yields, dropped around 52 basis points during the quarter. We estimate the funded status of our total-return plan remained relatively flat, with a decrease of 0.6%, while our LDI-focused plan experienced a funded status increase of 2% in the third quarter.

HYPOTHETICAL OPEN/TOTAL-RETURN PLAN

Funded Status Attribution

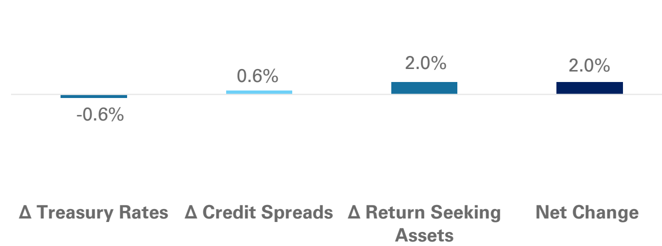


The funded status of the total-return plan remained relatively flat as Treasury yields dropped and credit spreads narrowed, offsetting gains from return-seeking assets.

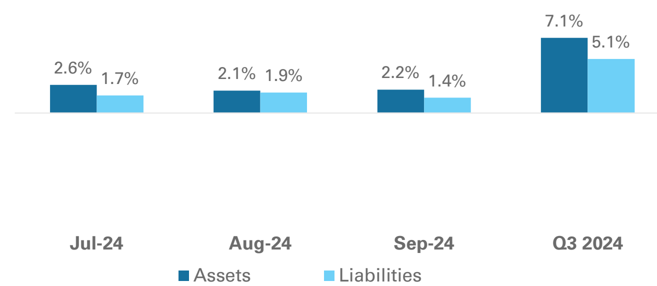


HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

Funded Status Attribution



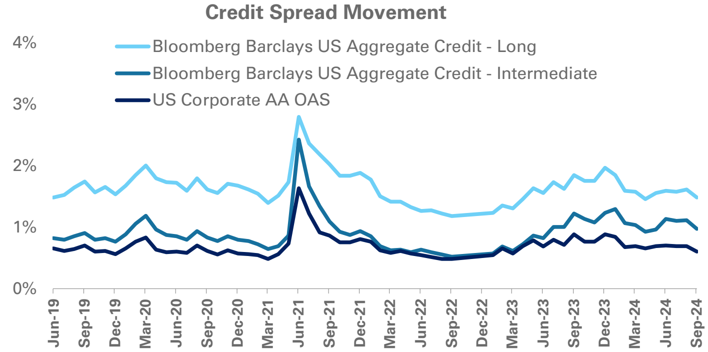
The funded status of the LDI-focused plan increased due to gains from return-seeking assets despite lower Treasury yields. The plan is 97% hedged as of September 30.



RATE MOVEMENT

Short- and long-term interest rates decreased for the three months ended September 30. During the same period, the 30-year Treasury yield fell 37 basis points to 4.14%. In addition to the drop in yields, there was a drop of seven basis points in long-credit spreads. In the third quarter, lower Treasury yields resulted in a decrease in pension discount rates, with the discount rate for the open total-return plan falling 45 basis points to 5.05% and the discount rate for the frozen LDI-focused plan dropping 52 basis points to 4.92% as of September 30.

Credit Spread Movement



RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **105.2%** of PBO as of September 30, 2024

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Street Smarts: Is Currency Hedging Right for Your Portfolio?
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NEPC PENSION MONITOR

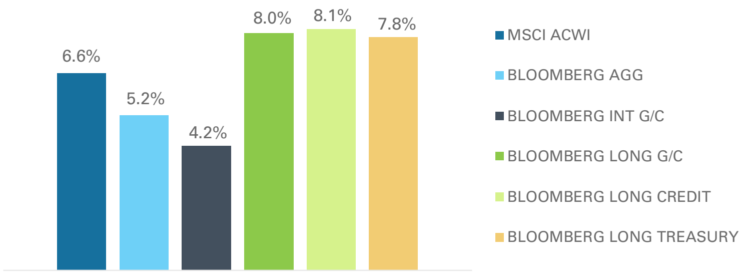
THIRD QUARTER 2024

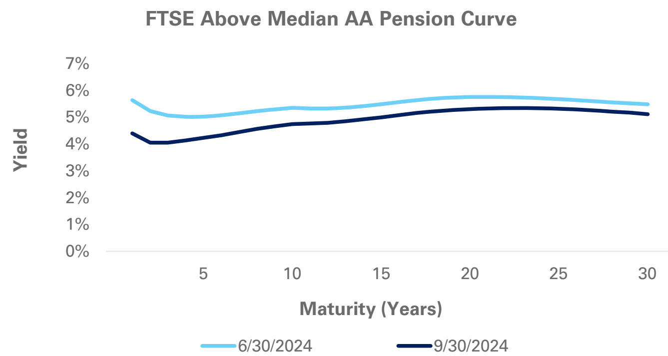
CONSIDERATIONS FOR PLAN SPONSORS

Global equities, with U.S. large-cap stocks leading the charge, rallied in the third quarter as the Federal Reserve cut rates by 50 basis points in September. Investment-grade fixed-income markets posted gains across intermediate- and longer-dated maturities as yields moved lower. Performance of credit-oriented fixed-income assets was also positive as Treasury yields declined and credit spreads tightened.

In June, the Department of Labor (DOL) released a report to Congress, a request made under the SECURE 2.0 Act of 2022. This report thoroughly reviewed the efficacy of DOL Interpretive Bulletin 95-1 in the current pension risk transfer market. The Employee Benefit Security Administration was tasked with determining if changes are necessary to the departments' guidelines when plan sponsors evaluate and select an annuity provider for defined benefit plans. In the report, the DOL did not propose any changes regarding DOL 95-1 and found that the bulletin's current factors are still relevant from a prudent fiduciary perspective when a plan sponsor evaluates annuity providers. The report recommends that the Department continues exploring developments in the life insurance industry and in pension risk transfers to determine whether some of the bulletin's factors need revision or supplementation and if additional guidance should be developed.

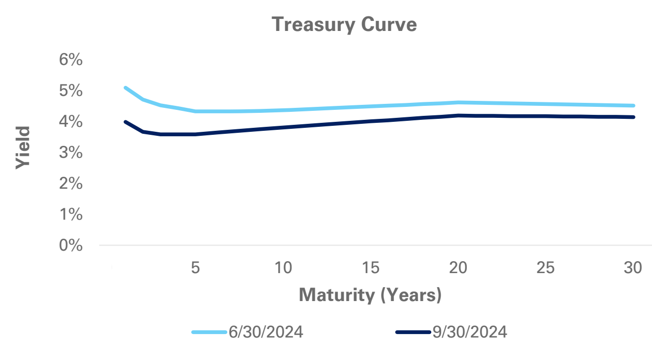
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





U.S. equities gained 5.9% in the third quarter. The MSCI EAFE increased 7.3% in the three months ended September 30; the MSCI Emerging Market Index rose 8.7% during the same period.

Treasury yields decreased and the yield curve remained inverted across some maturities. The 30-year Treasury yield decreased 37-basis points in the third quarter, resulting in gains of 7.8% for the Bloomberg Long Treasury Index; during the same period, the Bloomberg Long Credit Index increased 8.1%.



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.