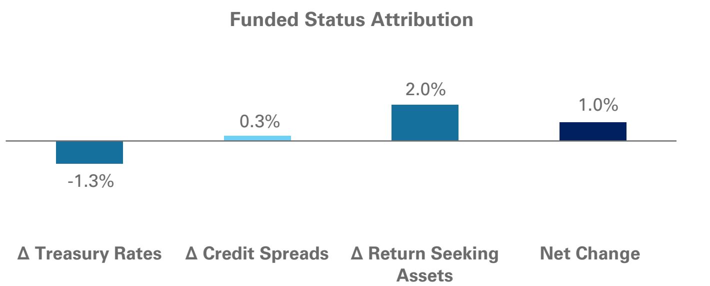
NEPC PENSION MONITOR

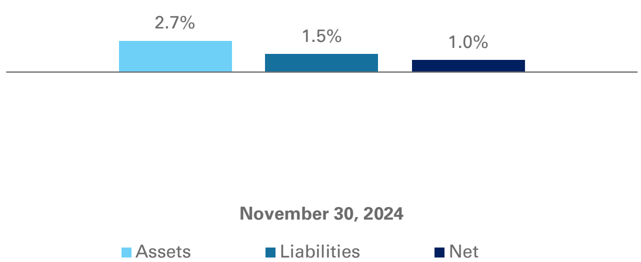
NOVEMBER 2024

In November, defined benefit pension plan sponsors likely experienced an increase in funded status fueled by gains in global equities. During this period, strong returns from global public stocks offset potential decreases in funded status resulting from modestly lower liability discount rates. Through the end of November, global public equities were in the black year-to-date. The Treasury yield curve decreased across most tenors for the month and corporate pension plans likely experienced downward pressure on funded status if they were underhedged to interest rates. NEPC's hypothetical total-return pension plan saw an increase of 1% in funded status compared to an increase of 1.5% for our LDI-focused plan.

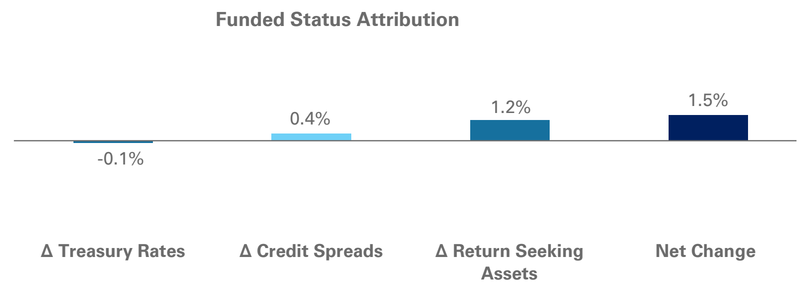
HYPOTHETICAL OPEN/TOTAL-RETURN PLAN



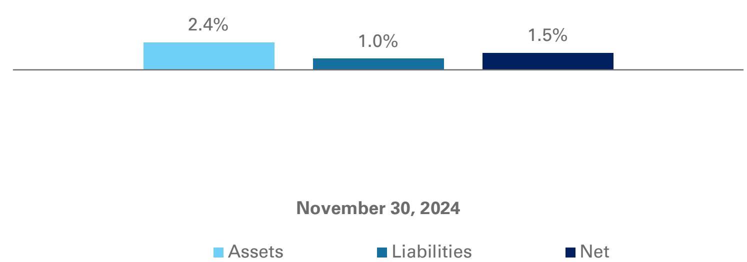
The funded status of the total-return plan increased modestly due to gains in return-seeking assets and credit spreads, offset by decreases in Treasury rates in November.



HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN



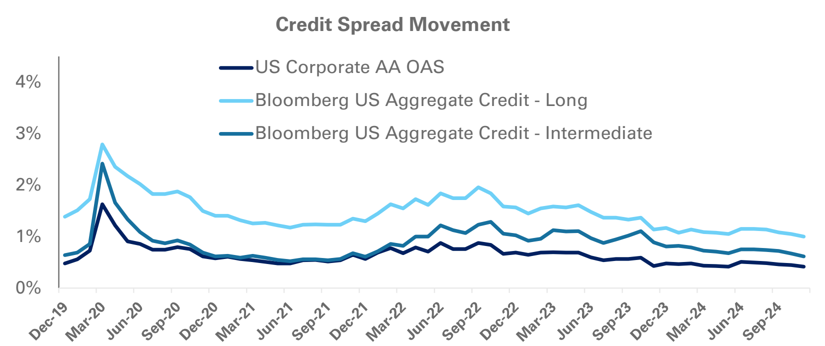
The funded status of the LDI-focused plan increased due to gains in return-seeking assets and credit spreads. The plan is 97% hedged as of November 30.



RATE MOVEMENT COMMENTARY

The Treasury yield curve shifted downwards in November. The 10-year yield decreased 10 basis points to 4.18%, while the 30-year yield fell 11 basis points to 4.36%. Corporate bond spreads were slightly lower for the 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 10 basis points to 5.27% for the open total-return plan, while the discount rate for the frozen LDI-focused plan fell 11 basis points to 5.18%.



RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately **105.1%** of PBO, as of November 30, 2024

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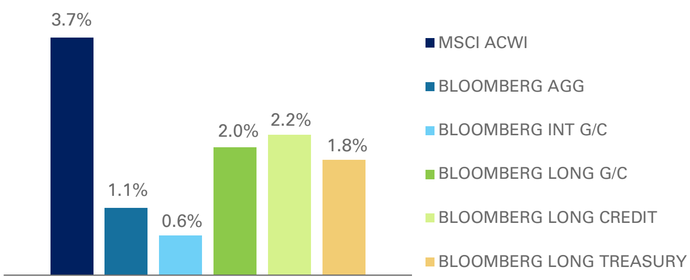
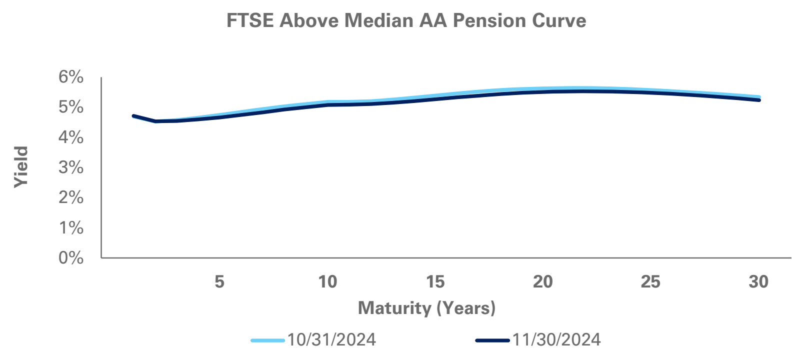
PLAN SPONSOR CONSIDERATIONS

In November, global public equities experienced gains primarily driven by strong returns from U.S. equities. Long-dated fixed-income assets posted gains as Treasury rates declined for the month. Treasury yields shifted downward last month across most maturities, while credit spreads were also slightly lower. 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.

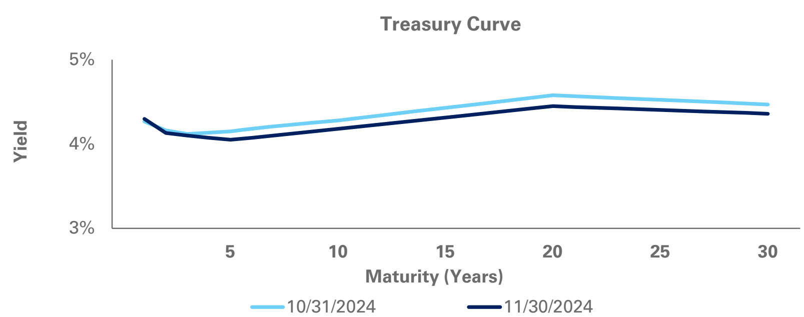
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





U.S. equities increased 5.9% in November, according to the S&P 500 Index. During the same period, non-U.S. equities experienced losses with international developed markets down 0.6%, according to the MSCI EAFE Index. Emerging market equities were down 3.6% last month, according to the MSCI EM Index. Broadly, global equities were up 3.7% during the month, according to the MSCI ACWI Index.

In November, the Treasury curve decreased from the previous month and remains relatively flat. This generally resulted in positive performance for investment-grade fixed-income markets, with long-credit fixed income and long Treasuries posting gains. During the month, the Bloomberg Long Treasury Index rose 1.8% and the Bloomberg Long Credit Index was up 2.2%.



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.