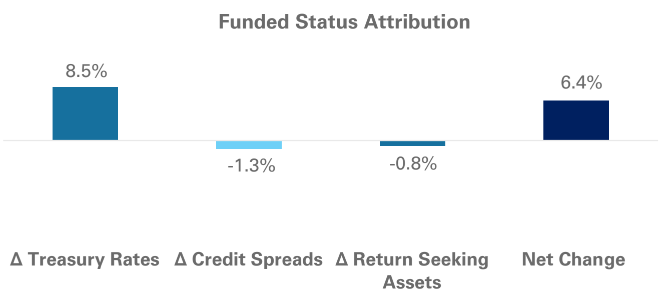
NEPC PENSION MONITOR

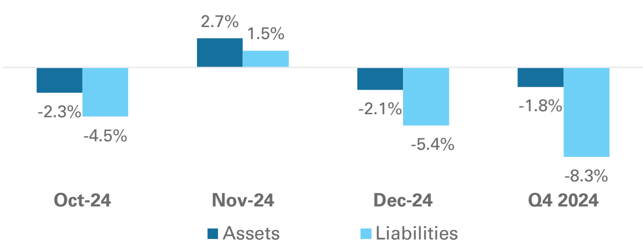
FOURTH QUARTER 2024

An uptick in Treasury rates fueled increases in liability discount rates and higher funded ratios for many U.S. corporate pension plans in the fourth quarter of 2024. While domestic equities posted gains in the final quarter of 2024, global stocks and return-seeking assets generally fell during the same period. Losses from return-seeking assets were offset by lower liabilities driven by rising Treasury rates. Total-return plans saw a significant increase in funded status while LDI-focused plans saw a modest rise due to their hedged position. Estimated discount rates for pension liabilities, based on long-duration fixed-income yields, increased around 61 basis points during the quarter. We estimate the funded status of our total-return plan increased about 6.4%, while our LDI-focused plan experienced a funded status increase of 1.3% in the three months ended December 31.

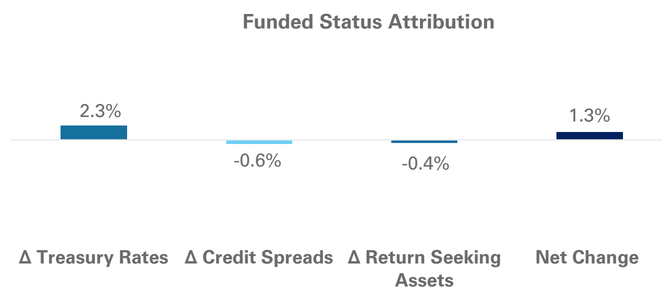
HYPOTHETICAL OPEN/TOTAL-RETURN PLAN



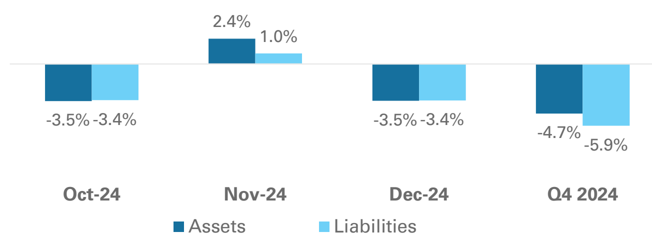
The funded status of the total-return plan increased significantly as Treasury yields rose, offsetting tighter credit spreads and losses from return-seeking assets.



HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

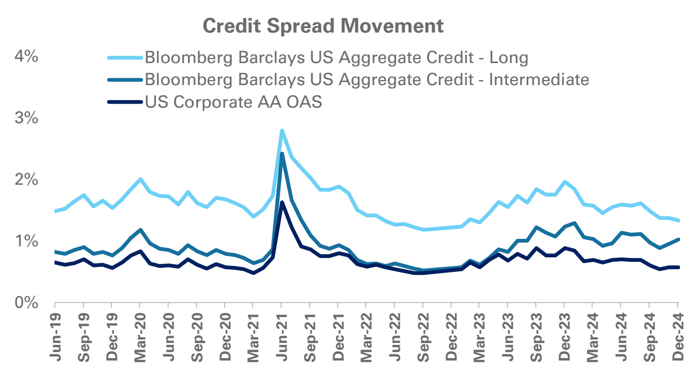


The funded status of the LDI-focused plan increased due to gains from higher Treasury yields. The plan is 98% hedged as of December 31.



RATE MOVEMENT

Short- and long-term interest rates increased for the three months ended December 31. During the same period, the 30-year Treasury yield rose 64 basis points to 4.78%. In addition to the rise in yields, there was a drop of eight basis points in long-credit spreads. In the fourth quarter, the uptick in Treasury yields resulted in higher pension discount rates, with the discount rate for the open total-return plan increasing 61 basis points to 5.66% and the discount rate for the frozen LDI-focused plan rising 64 basis points to 5.56% as of December 31.



RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **105.1**% of PBO as of December 31, 2024

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NEPC PENSION MONITOR

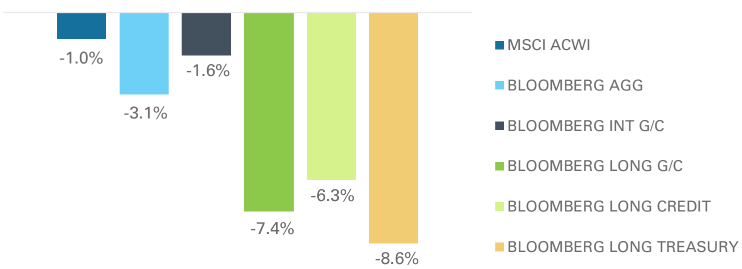
FOURTH QUARTER 2024

CONSIDERATIONS FOR PLAN SPONSORS

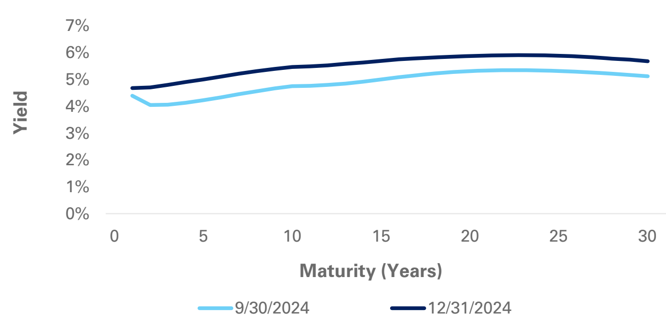
Global equities fell in the fourth quarter as the Federal Reserve cut rates by 25 basis points in December. Investment-grade fixed-income markets posted losses across intermediate- and longer-dated maturities as yields moved higher. Performance of credit-oriented fixed-income assets was also negative as Treasury yields increased and credit spreads tightened.

In June, the Department of Labor (DOL) released a report to Congress based on 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 department's 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 to explore 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



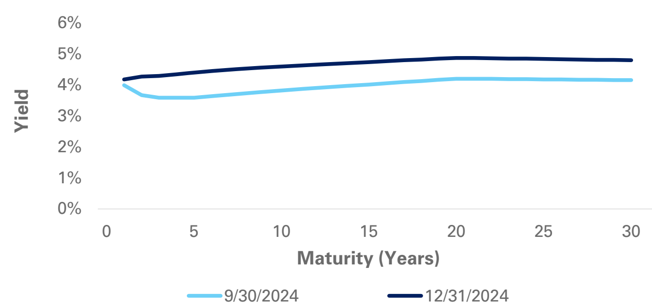
FTSE Above Median AA Pension Curve



U.S. equities gained 2.4% in the fourth quarter. The MSCI EAFE decreased 8.1% in the three months ended December 31; the MSCI Emerging Market Index declined 8% during the same period.

Treasury yields increased and the yield curve remains inverted across only a few maturities. The 30-year Treasury yield increased 64-basis points in the fourth quarter, resulting in losses of 8.6% for the Bloomberg Long Treasury Index; during the same period, the Bloomberg Long Credit Index decreased 6.3%.

Treasury Curve



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.