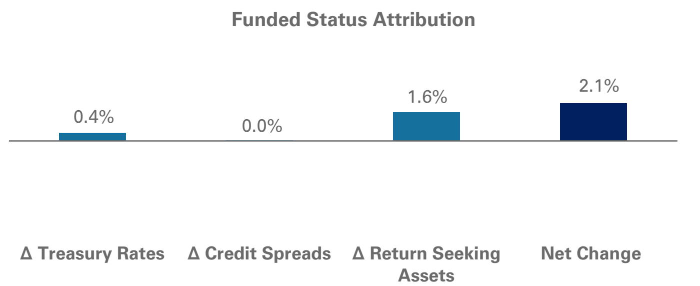
NEPC PENSION MONITOR

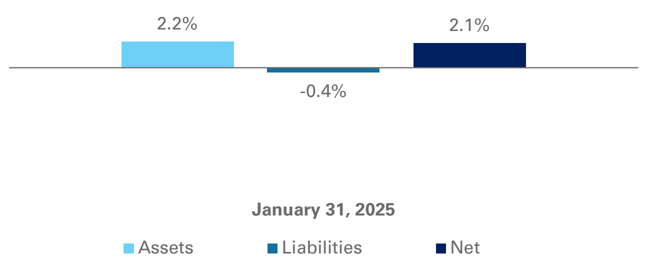
JANUARY 2025

In January, defined benefit pension plan sponsors likely experienced an increase in funded status fueled by gains in global equities. The Treasury yield curve and credit spreads remained mostly unchanged from the end of December. NEPC's hypothetical total-return pension plan saw an increase of 2.1% in funded status compared to an increase of 1.4% for our LDI-focused plan.

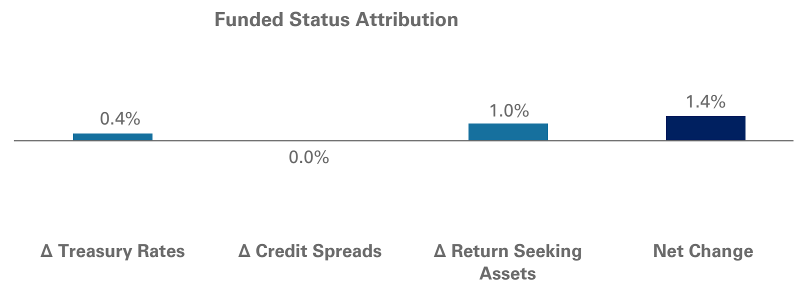
HYPOTHETICAL OPEN/TOTAL-RETURN PLAN



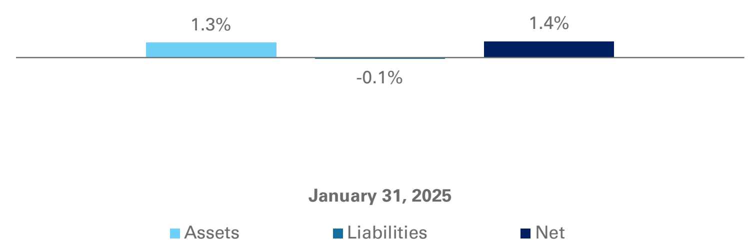
The funded status of the total-return plan increased due to gains from return-seeking assets in January.



HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN



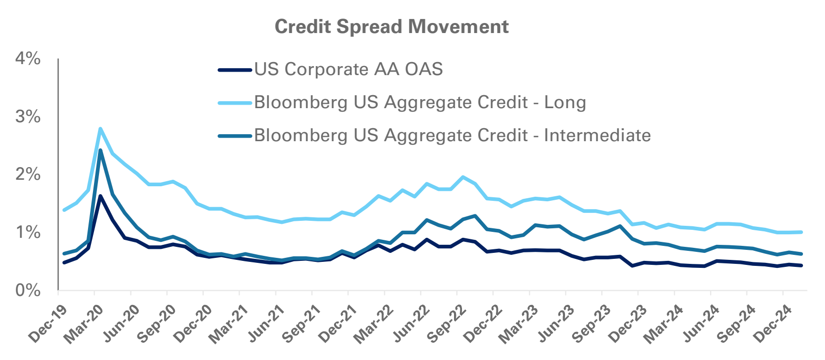
The funded status of the LDI-focused plan increased due to gains in return-seeking assets. The plan is 91% hedged as of January 31.



RATE MOVEMENT COMMENTARY

Despite intra-month volatility, the Treasury yield curve held firm in January. The 10-year yield stayed at 4.58%, while the 30-year yield increased five basis points to 4.83%. Corporate bond spreads also remained steady for the month and were tight relative to historical levels.

The minimal movement in Treasury rates and credit spreads resulted in fairly static discount rates used to value pension liabilities. The discount rates for NEPC's hypothetical pension plans increased about three basis points to 5.69% for the open total-return plan, while the discount rate for the frozen LDI-focused plan increased one basis point to 5.57%.



RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately 106.6% of PBO, as of January 31, 2025

RECENT INSIGHTS FROM NEPC

NEPC's 2025 Annual Investment Letter
Diversification in the Face of FOMO: Staying Home While the Party Goes On

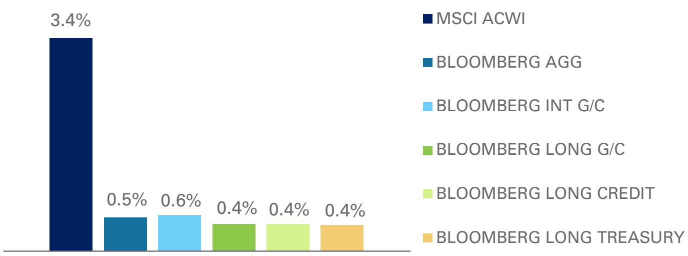
NEPC PENSION MONITOR

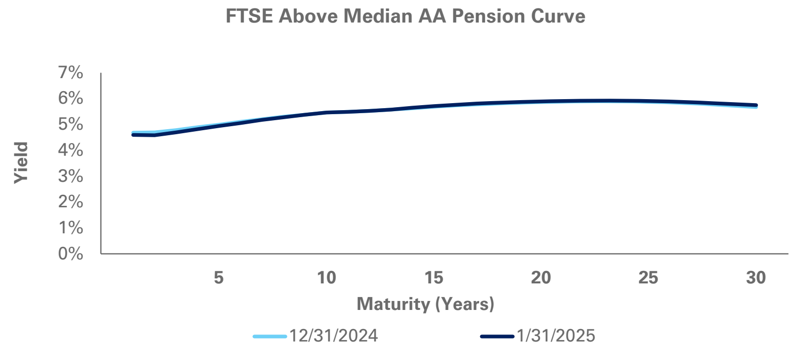
JANUARY 2025

PLAN SPONSOR CONSIDERATIONS

In January, global public equities experienced gains primarily driven by strong returns from both U.S. and international developed market equities. Long-dated fixed-income posted modest gains as Treasury rates and credit spreads held steady for the month. 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 and allocating across the yield curve as interest rates change.

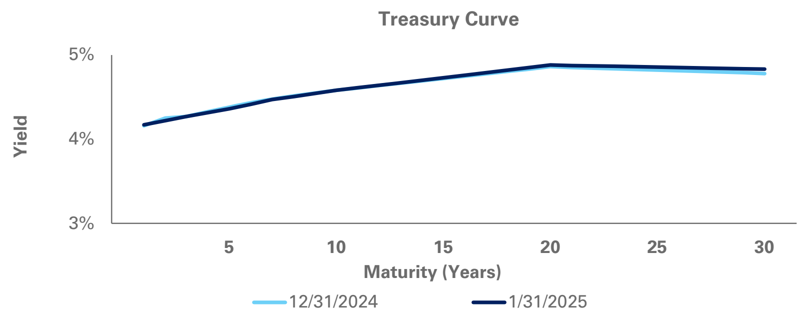
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





U.S. equities increased 2.8% in January, according to the S&P 500 Index. During the same period, non-U.S. stocks also experienced gains with international developed markets up 5.3%, according to the MSCI EAFE Index. Emerging market equities returned 1.8% last month, according to the MSCI EM Index. Broadly, global equities increased 3.4% during the month, according to the MSCI ACWI Index.

At the end of January, the Treasury curve remained relatively flat. This generally resulted in positive performance for investment-grade fixed-income markets, with long-credit fixed income and long Treasuries both experiencing modest gains. During the month, the Bloomberg Long Treasury Index rose 0.4% and the Bloomberg Long Credit Index was up 0.4%.



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 13.5-year duration, while the LDI-focused plan represents a frozen plan with a 9-year duration as of December 31, 2024. 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, 2024.

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.