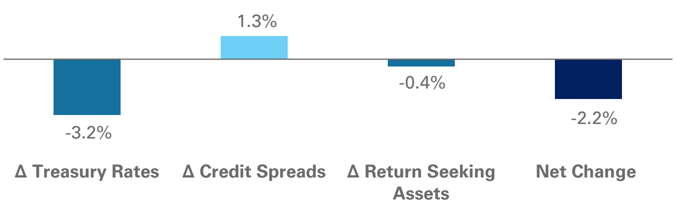
NEPC PENSION MONITOR

FEBRUARY 2025

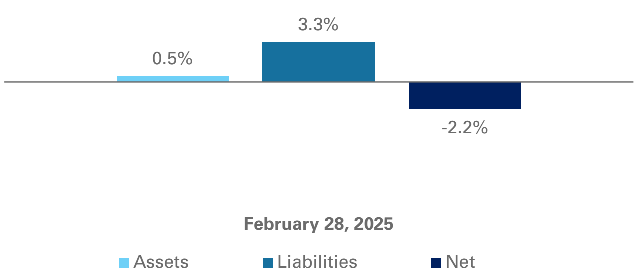
In February, defined benefit pension plan sponsors likely experienced a decrease in funded status for total-return plans due to falling Treasury rates and declines from return-seeking assets. During this period, global equities posted a modest loss. The Treasury yield curve decreased across most tenors 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 a decrease of 2.2% in funded status compared to a modest increase of 0.1% for our LDI-focused plan.

HYPOTHETICAL OPEN/TOTAL-RETURN PLAN

Funded Status Attribution

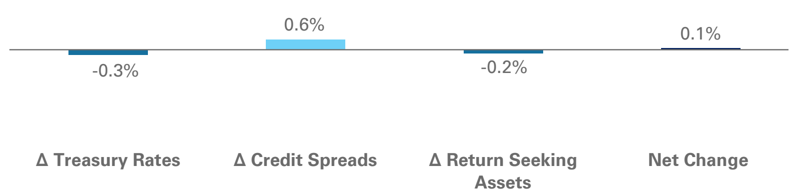


The funded status of the total-return plan decreased due to the drop in Treasury rates in February.

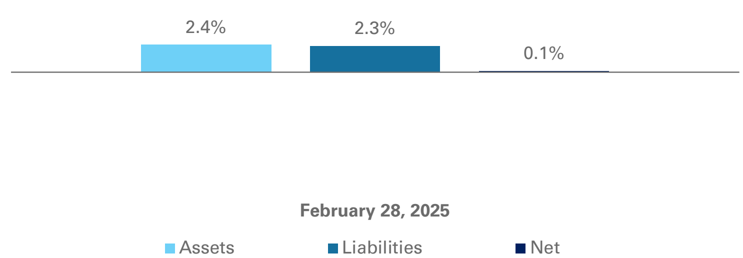


HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

Funded Status Attribution



The funded status of the LDI-focused plan remained relatively flat. The plan is 91% hedged as of February 28.

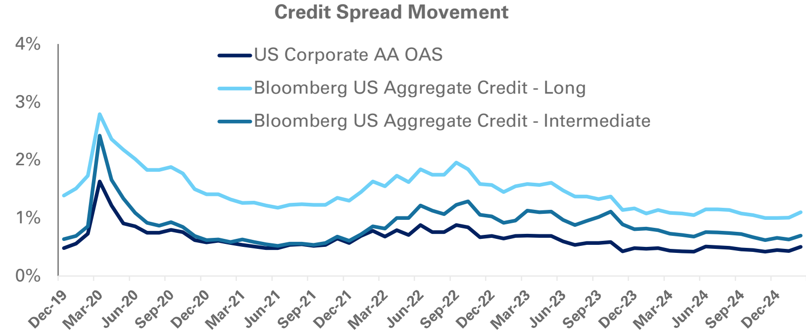


RATE MOVEMENT COMMENTARY

The Treasury yield curve shifted downwards in February. The 10-year yield declined to 4.24%, while the 30-year yield decreased 32 basis points to 4.51%. Corporate bond spreads widened modestly last month.

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 24 basis points to 5.45% for the open total-return plan, while the discount rate for the frozen LDI-focused plan fell 24 basis points to 5.33%.

Credit Spread Movement



RETIREE BUYOUT INDEX

The Buyout Index for retirees is estimated to be approximately **106.6%** of PBO, as of February 28, 2025

RECENT INSIGHTS FROM NEPC

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

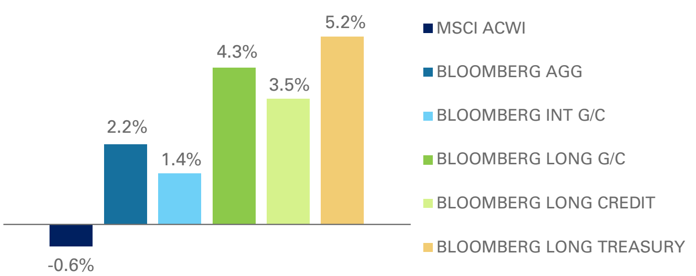
NEPC PENSION MONITOR

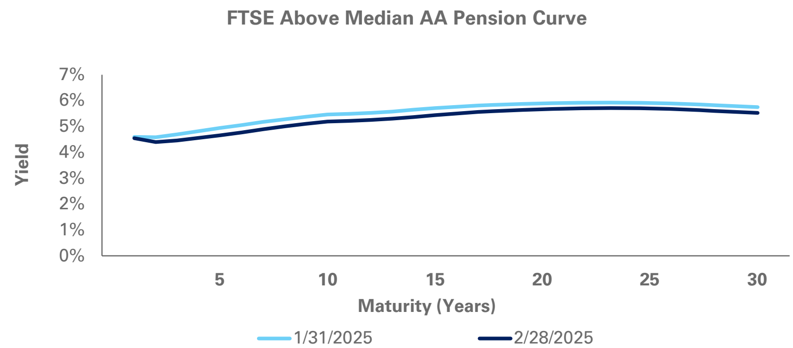
FEBRUARY 2025

PLAN SPONSOR CONSIDERATIONS

In February, global public equities declined modestly, while long-dated fixed-income securities posted large gains amid falling Treasury rates. Treasury yields shifted downward last month across the curve, while credit spreads widened slightly. 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.

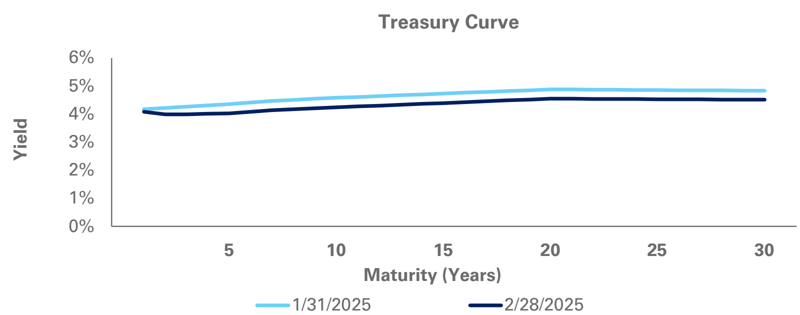
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





U.S. equities fell 1.3% in February, according to the S&P 500 Index. During the same period, non-U.S. equities experienced gains with international developed markets up 1.9%, according to the MSCI EAFE Index. Emerging market equities gained 0.5% last month, according to the MSCI EM Index. Broadly, global equities decreased 0.6% during this period, according to the MSCI ACWI Index.

In February, the Treasury curve decreased from the prior month and remains relatively flat. This generally resulted in gains for investment-grade fixed-income markets, including long-credit fixed income and long Treasuries. During this period, the Bloomberg Long Treasury Index increased 5.2% and the Bloomberg Long Credit Index was up 3.5%.



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.