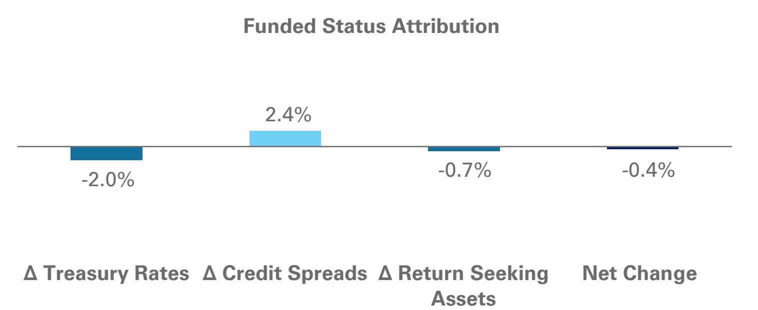
NEPC PENSION MONITOR

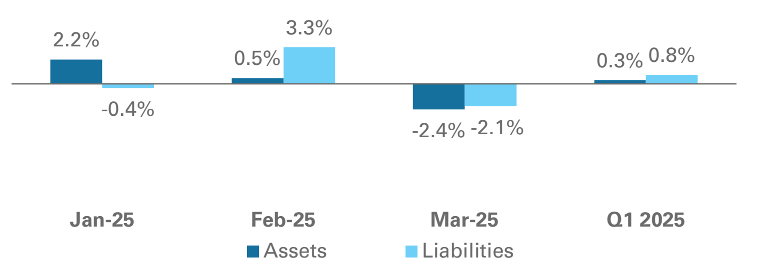
FIRST QUARTER 2025

Movements in Treasury rates, credit spreads, and asset returns yielded modest changes in funded ratios for many U.S. corporate pension plans in the first quarter of 2025. While domestic equities posted losses in the three months ended March 31, non-U.S. stocks were in the black during the same period. Total-return plans saw a modest decease in funded status as declines from return-seeking assets and Treasury rates offset gains from widening credit spreads. The LDI-focused plans experienced a modest rise due to their hedged position. Estimated discount rates for pension liabilities, based on long-duration fixed-income yields, decreased around six basis points for total-return plans and 12 basis points for LDI-focused plans in the third quarter. We estimate the funded status of our total-return plan fell about 0.4%, while funded status for our LDI-focused plan rose 0.8% during the same period.

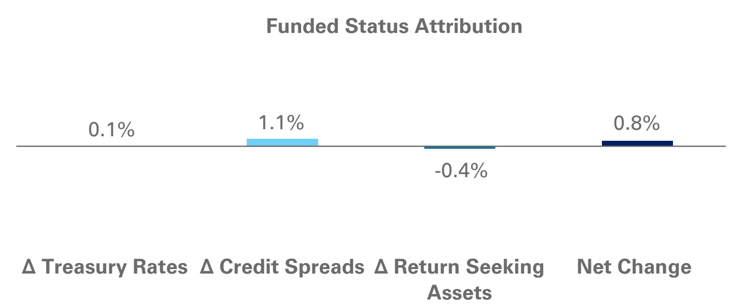
HYPOTHETICAL OPEN/TOTAL-RETURN PLAN



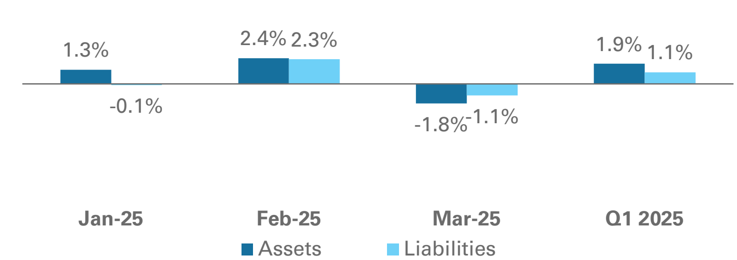
The funded status of the total-return plan decreased modestly as losses from falling Treasury yields and return-seeking assets offset gains from widened credit spreads.



HYPOTHETICAL FROZEN/LDI-FOCUSED PLAN

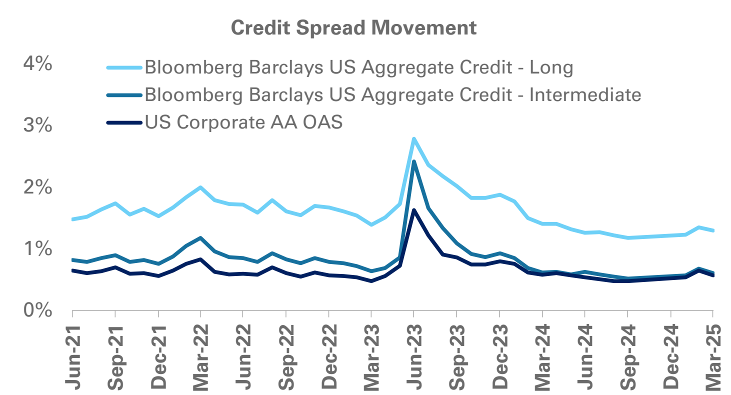


The funded status of the LDI-focused plan increased due to gains from widened credit spreads. The plan is 91% hedged as of December 31.



RATE MOVEMENT

Short- and long-term interest rates decreased for the three months ended March 31. During the same period, the 30-year Treasury yield fell 19 basis points to 4.59%. In addition to the fall in yields, there was an increase of 17 basis points in long-credit spreads. In the first quarter, the drop in Treasury yields resulted in lower pension discount rates, with the discount rate for the open total-return plan falling six basis points to 5.60% and the discount rate for the frozen LDI-focused plan declining 12 basis points to 5.44% as of March 31.



RETIREE BUYOUT INDEX

The Buyout Index for Retirees is estimated to be approximately **107.3**% of PBO as of March 31, 2025

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Choosing the Right Diversifying Strategies for Your Portfolio
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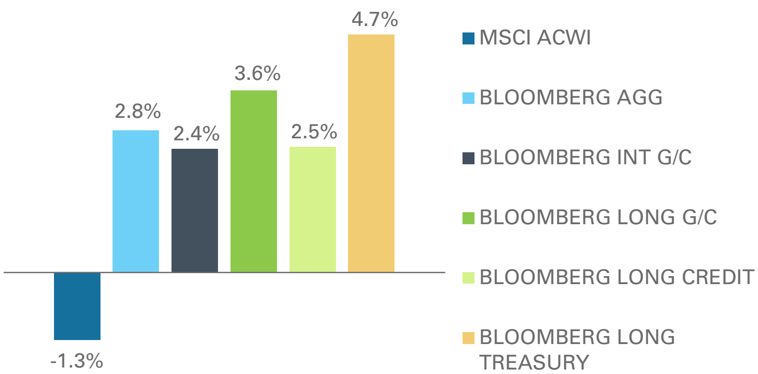
NEPC PENSION MONITOR

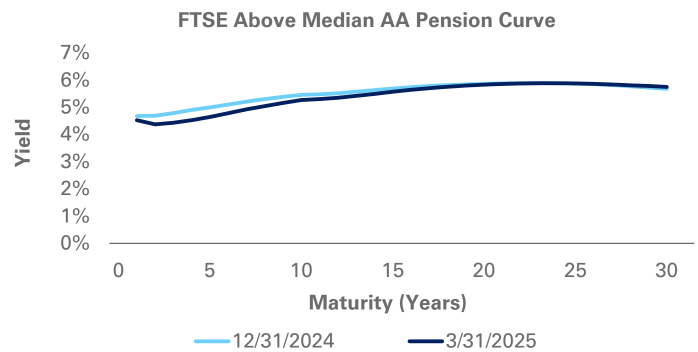
FIRST QUARTER 2025

CONSIDERATIONS FOR PLAN SPONSORS

Non-U.S. stocks were generally positive in the first quarter, while domestic equities experienced losses due to market volatility and increased uncertainty surrounding tariffs imposed by the Trump administration. 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 decreased and credit spreads widened. Total-return plans may want to consider the impact of rate volatility on plan liabilities and the role of LDI in light of the current rate environment. For certain plan sponsors, lower rates may increase liabilities and reduce funded status, which could lead to higher required contributions and PBGC variable-rate premiums. NEPC consultants are available to discuss the impact and cost of various pension finance and derisking strategies related to rate movements and volatility in the market.

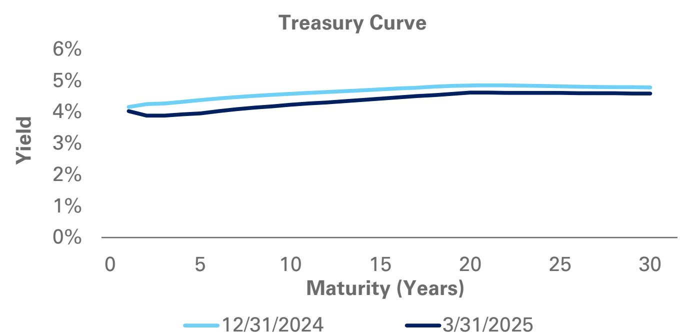
MARKET ENVIRONMENT AND YIELD CURVE MOVEMENT





U.S. equities fell 4.3% in the first quarter. The MSCI EAFE increased 6.9% in the three months ended March 31; the MSCI Emerging Market Index rose 6.9% during the same period.

Treasury yields decreased and the yield curve remains inverted across only a few maturities. The 30-year Treasury yield fell 20-basis points in the first quarter, resulting in gains of 4.7% for the Bloomberg Long Treasury Index; during the same period, the Bloomberg Long Credit Index rose 2.5%.



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.