

# 2025 NEPC CORPORATE DB PEER STUDY & SURVEY

MARCH 2025

NEPC Corporate DB Team



# PEER STUDY & SURVEY OVERVIEW

- **Consistent with prior years, NEPC recently explored trends in corporate DB plans by reviewing data from public 10-K filings**
- **This year, we also directly surveyed corporate plan sponsors to get their views on several important topics**



**The combination of our survey data and publicly available 10-K reports provides a comprehensive snapshot of the HEALTH, TRENDS, AND KEY THEMES WITHIN THE UNIVERSE OF CORPORATE DEFINED BENEFIT PLANS.**

# PROFILE OF CONSTITUENTS

## 10-K PEER STUDY DATA

10-K reports from **232** Plan Sponsors

### PLAN CHARACTERISTICS

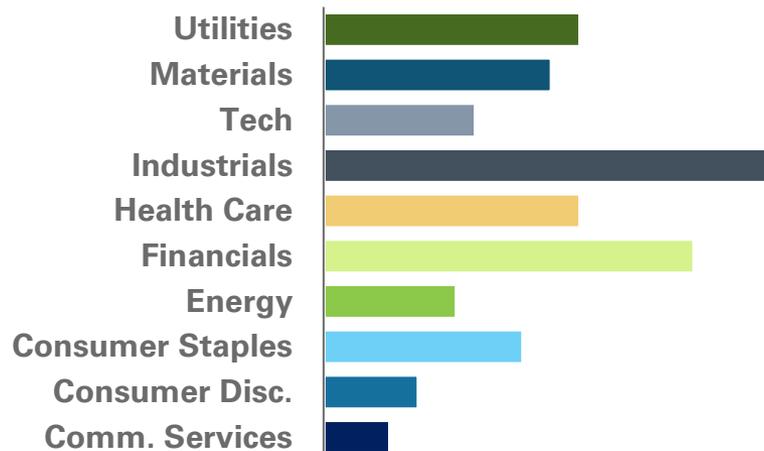
Avg. Funded Ratio: **101%**

Median Plan Assets: **\$1.9B**

Largest Plan: **\$46.4B**

Smallest Plan: **\$4.1M**

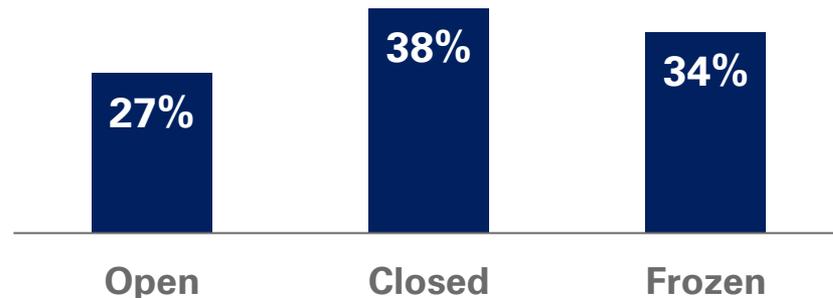
### SECTOR REPRESENTATIONS



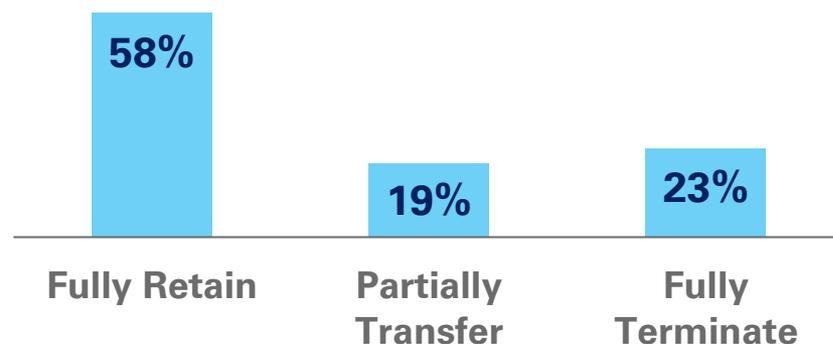
## DB PLAN SPONSOR SURVEY

Responses from **77** Plan Sponsors

### PLAN STATUS



### LONG-TERM PLAN OBJECTIVES



# KEY TAKEAWAYS

## PLAN SPONSORS AT A CROSSROADS

**Funded Status Levels Remain Healthy:** The rush to de-risk and terminate may be slowing as sponsors maintain healthy funded status levels.

**Fixed Income Allocations Remain Steady:** After many years of steadily increasing, the average fixed income allocation in our peer group was unchanged year-over-year.

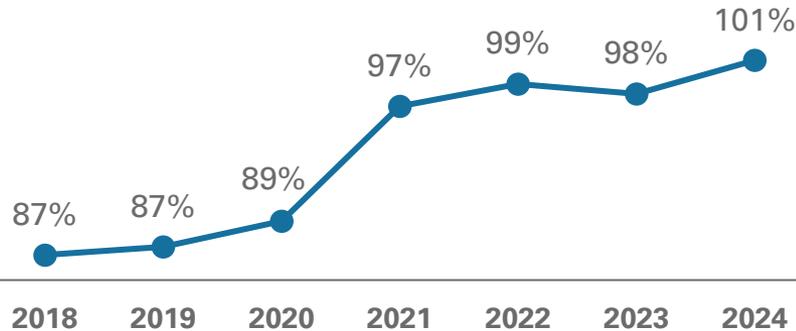
**Approaches to Reducing Risk Vary:** Plan Sponsors are taking advantage of the different ways in which they might want to reduce volatility.

**Majority of Plan Sponsors Opting to Retain Their Plan:** Plan Sponsors are cautiously approaching Pension Risk Transfer (PRT). While most sponsors plan to retain their plan, those pursuing PRT are carefully vetting insurers.

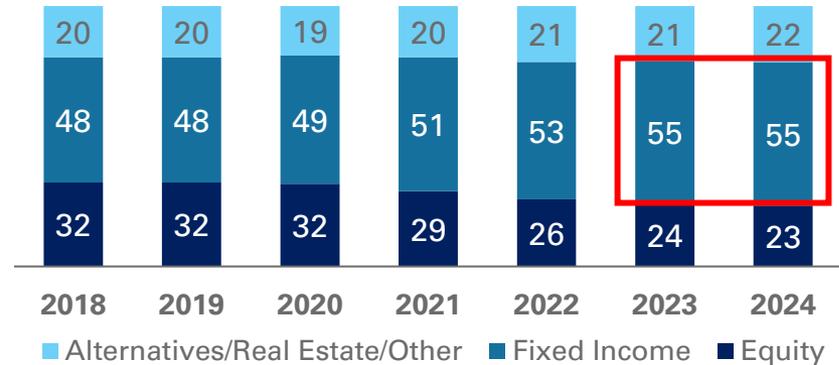
# KEY TAKEAWAYS

## PLAN SPONSORS AT A CROSSROADS

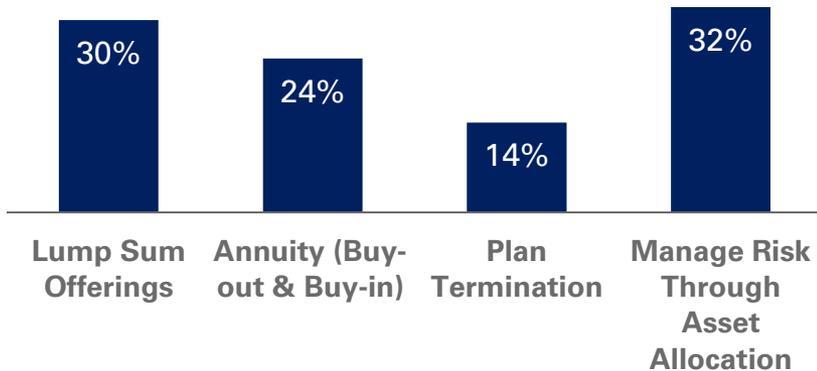
**Funded Status Levels Remain Healthy**



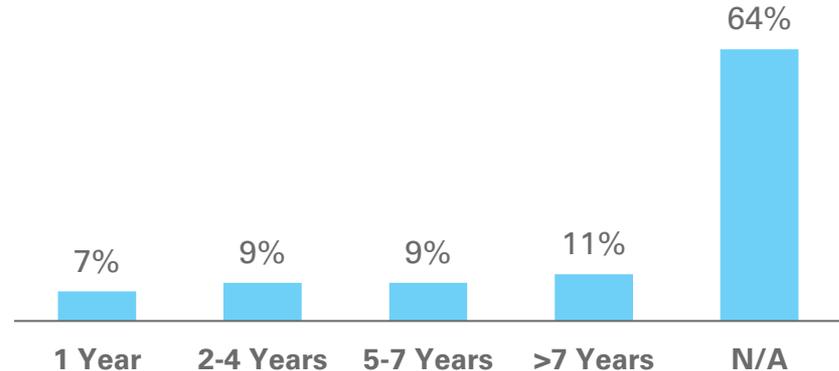
**De-Risking Has Plateaued**



**Risk Reduction Strategies Vary**



**Rush to Terminate is Waning**



Source: 2024 10-K reports filed with the Securities and Exchange Commission. NEPC 2025 Plan Sponsor survey.

Top Left & Right: Aggregate funded ratio and average asset allocation from NEPC's 10-K Peer Group Study. Bottom Left: Percentage of Survey respondents and risk reduction strategies employed by their plan. Bottom Right: Percentage of Survey respondents and time they expect to terminate their plan.

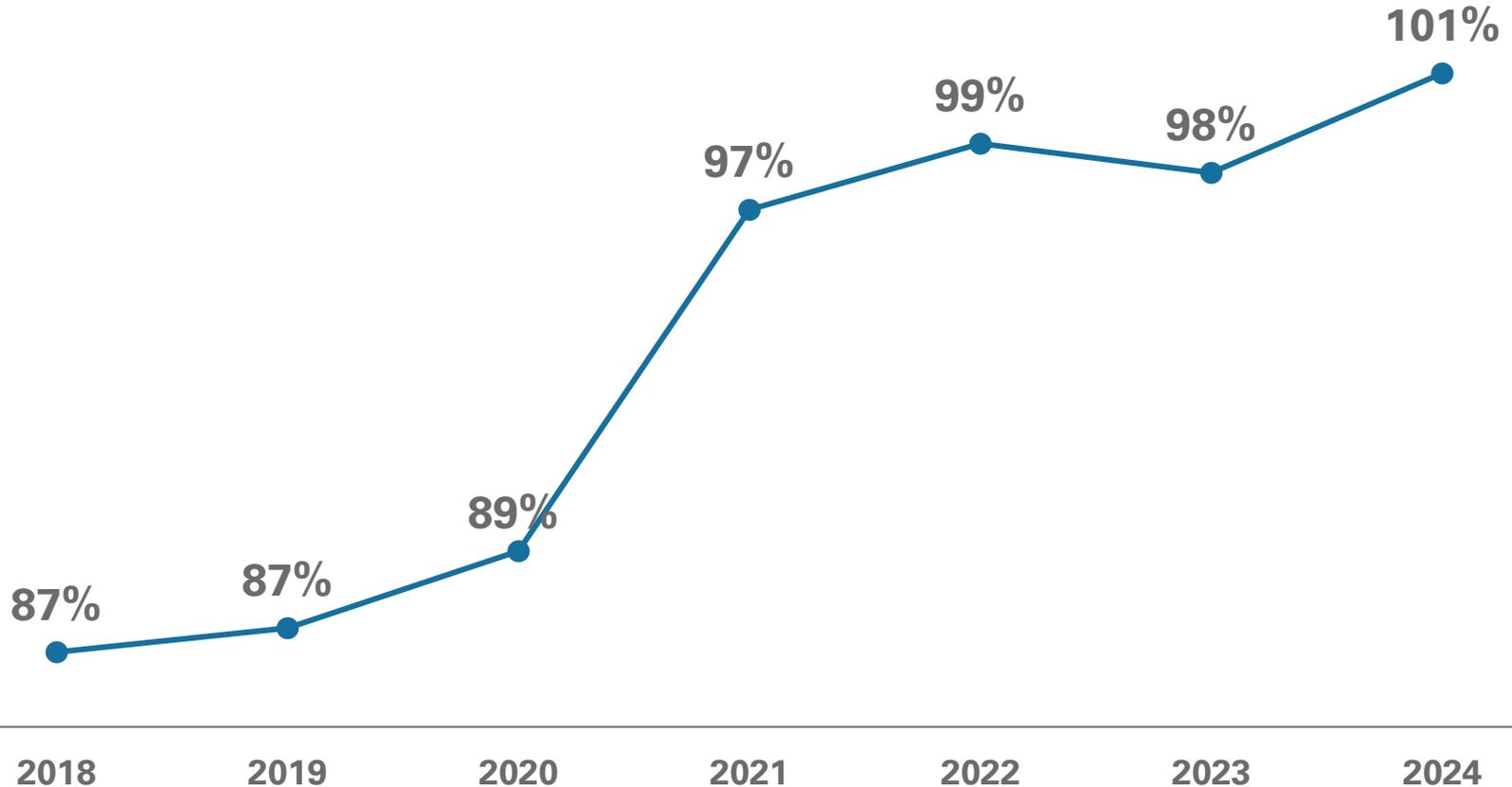


# APPENDIX: 10-K PEER STUDY



# OUR PEER UNIVERSE IS NOW FULLY FUNDED

## HISTORICAL CORPORATE DB AGGREGATE FUNDED RATIO



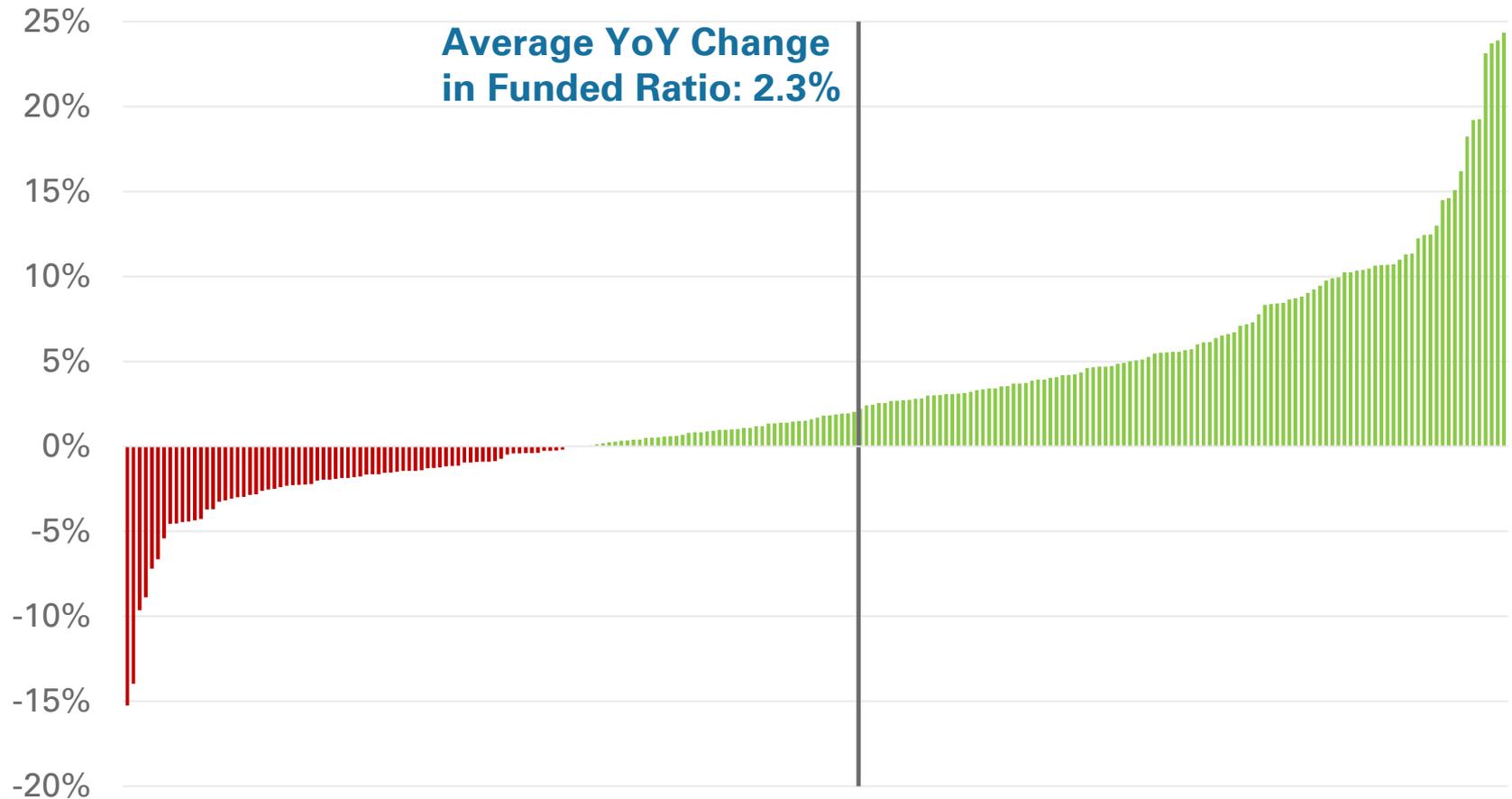
Data is from company 10-K filings, sourced from FactSet. Based on 2018-2024 fiscal year end filings.

Where possible, data is for US, qualified plan assets and liabilities. Due to differences in reporting presentation, it may not always be possible to make this distinction.



# RESULTS CONTINUED TO VARY ACROSS PLANS

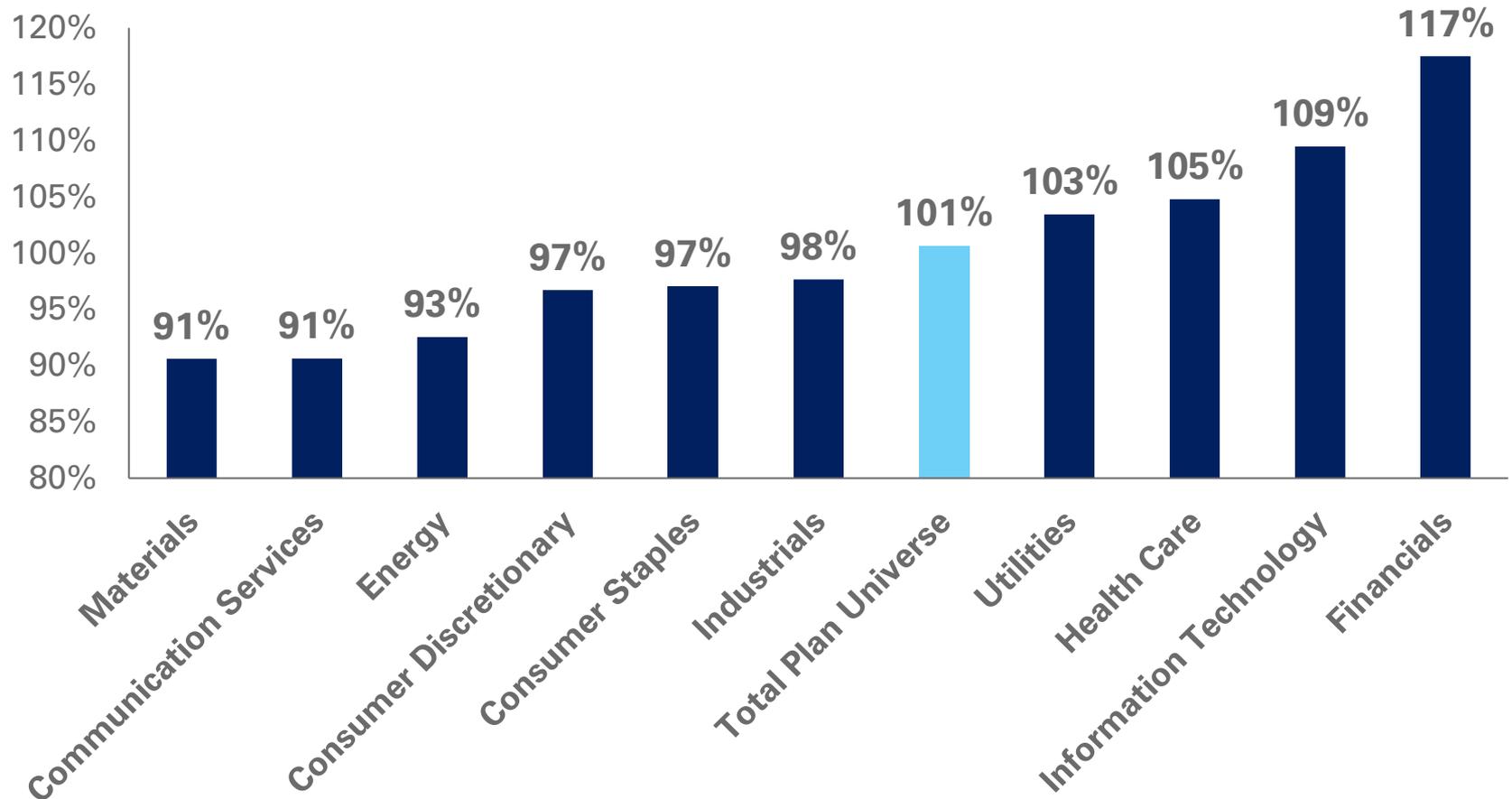
## INDIVIDUAL PLAN CHANGE IN FUNDED RATIO (2024 VS. 2023)



Funded ratio change is inclusive of plan performance, benefit payments, contributions, risk transfer activity, etc. Data is from company 10-K filings, sourced from FactSet. Based on 2023 and 2024 fiscal year end filings. One outlier was removed from the chart. Where possible, data is for US, qualified plan assets and liabilities. Due to differences in reporting presentation, it may not always be possible to make this distinction.

# DISPERSION REMAINED AT THE SECTOR LEVEL

## YEAR END 2024 AGGREGATE FUNDED RATIO BY SECTOR



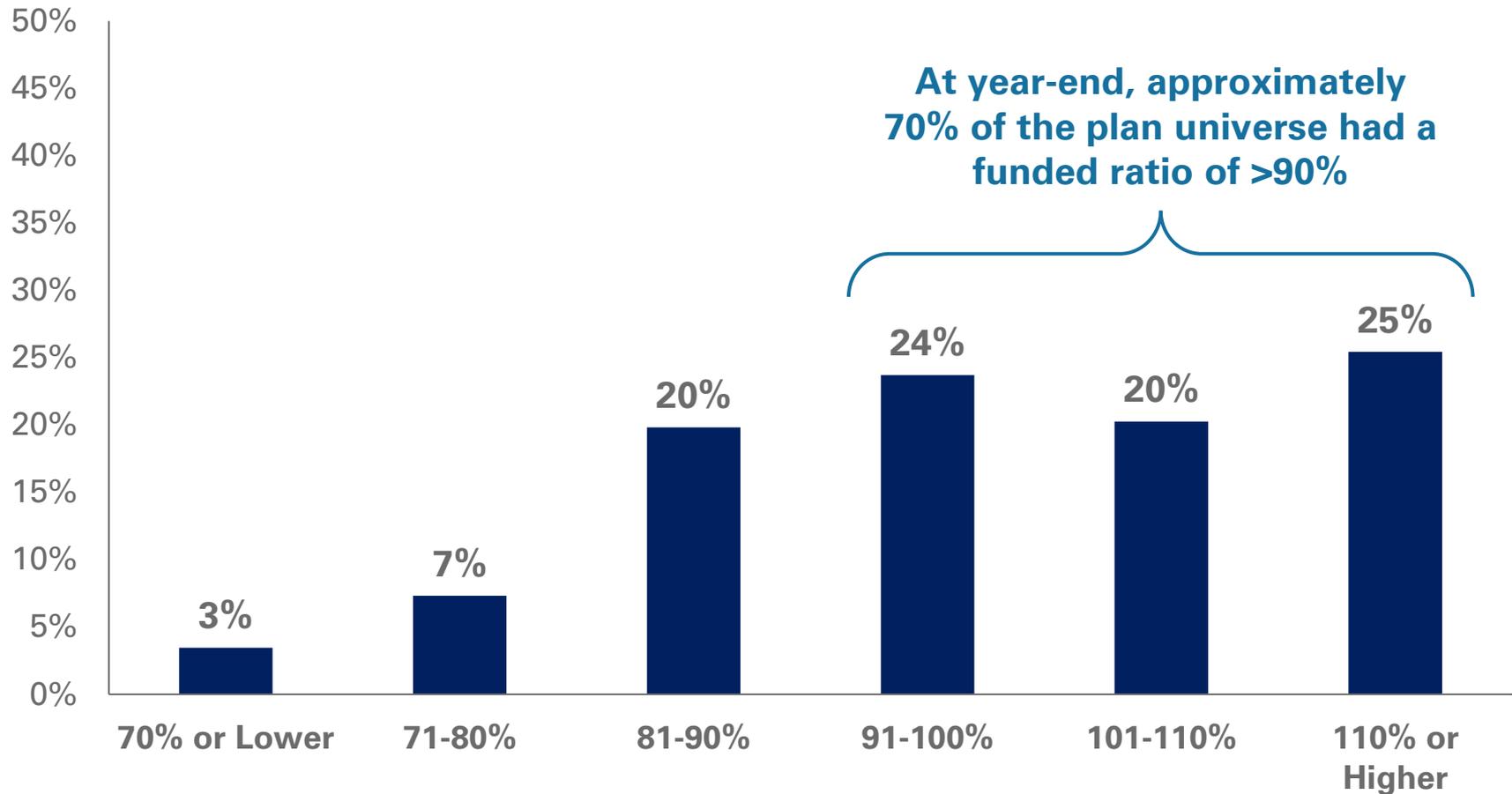
Data is from company 10-K filings, sourced from FactSet. Based on 2024 fiscal year end filings.

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# MANY PLANS HAD A HEALTHY FUNDED POSITION

## YE 2024 DISTRIBUTION OF FUNDED RATIO ACROSS PLAN UNIVERSE

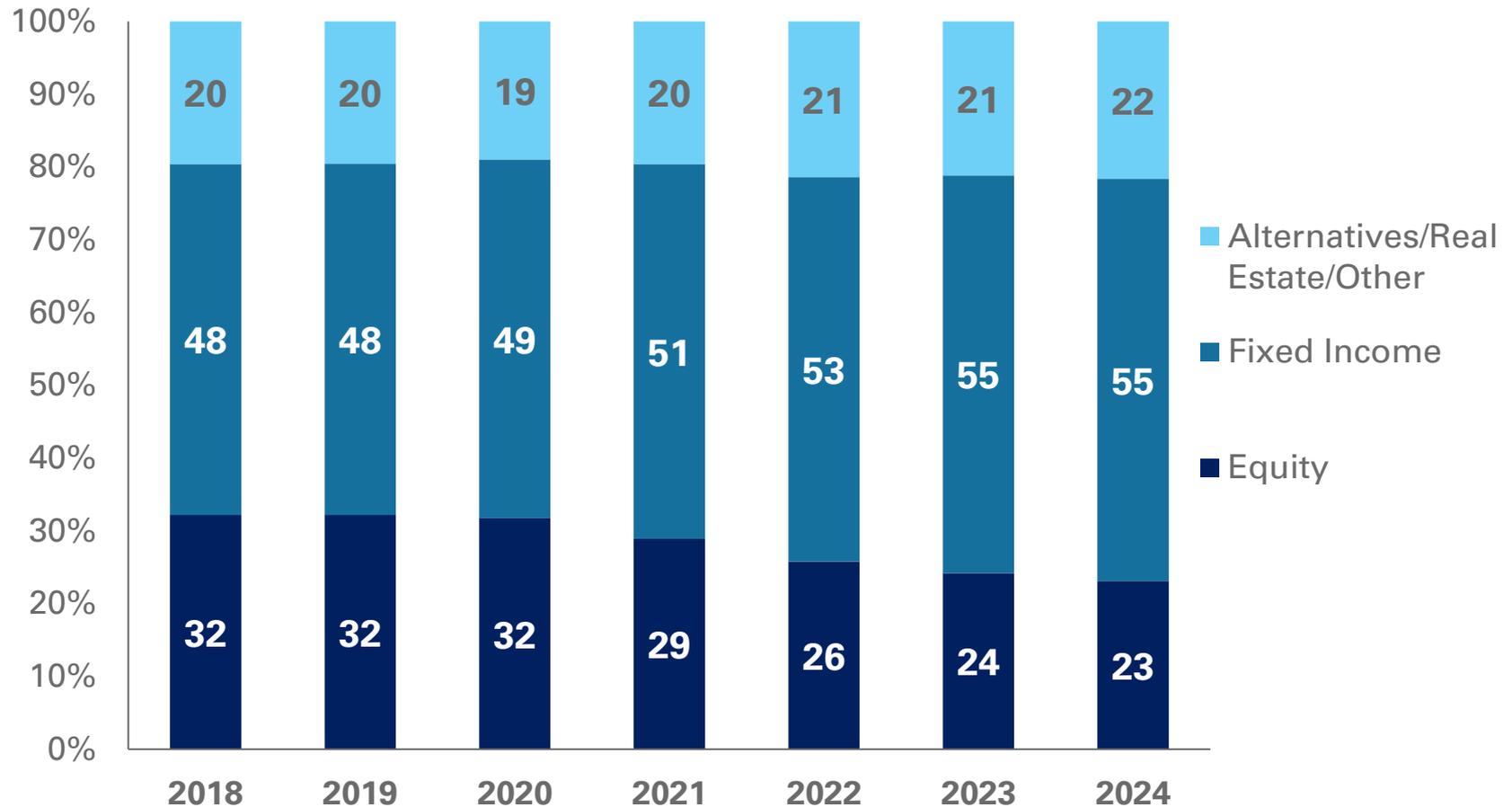


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# THE SHIFT TO FIXED INCOME SLOWED

## HISTORICAL AVERAGE PLAN ALLOCATIONS



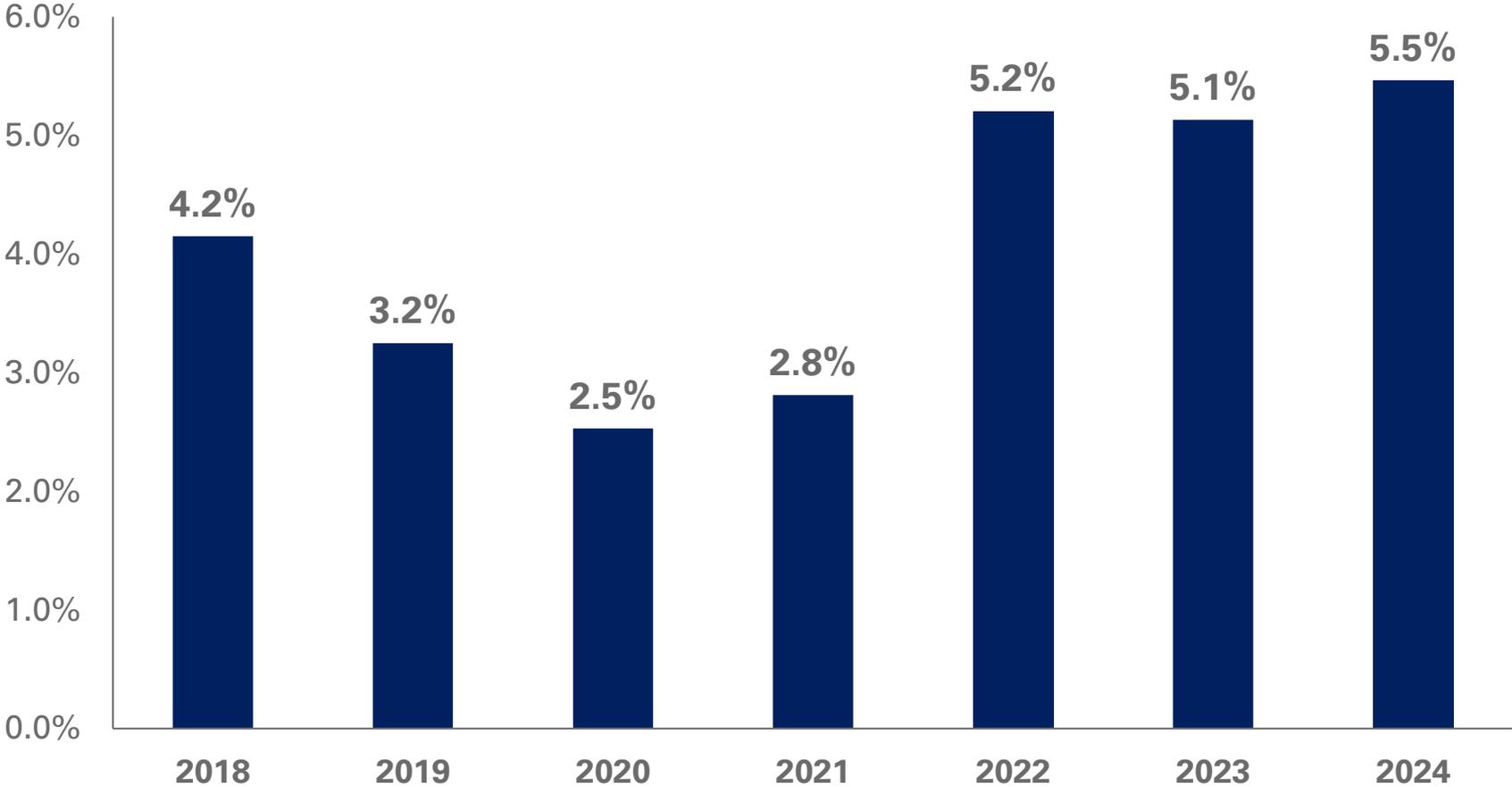
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# DISCOUNT RATES REMAIN STEADY

## AVERAGE DISCOUNT RATE



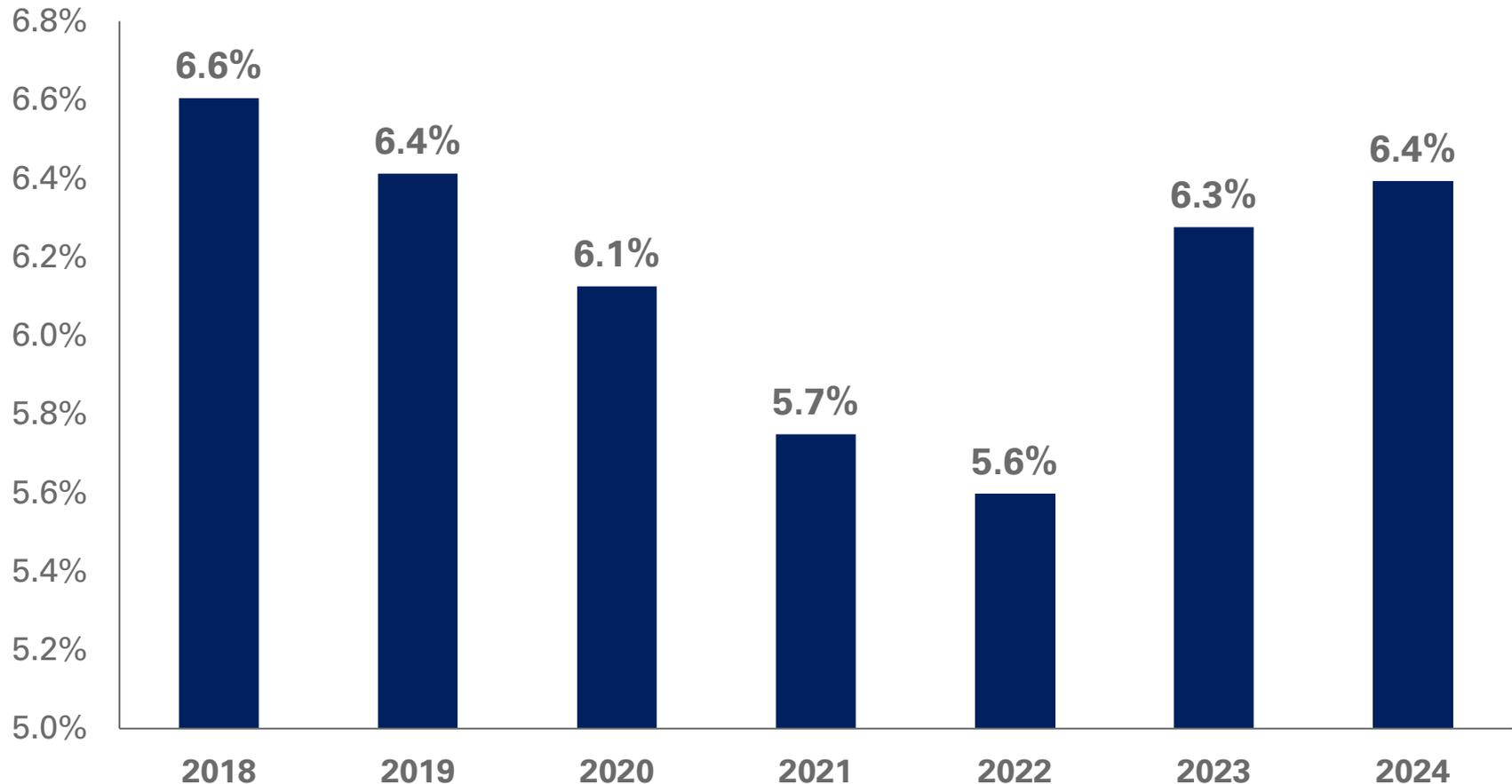
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# EROA ASSUMPTIONS INCREASED AGAIN

## AVERAGE EXPECTED RETURN ON ASSET (EROA) ASSUMPTION

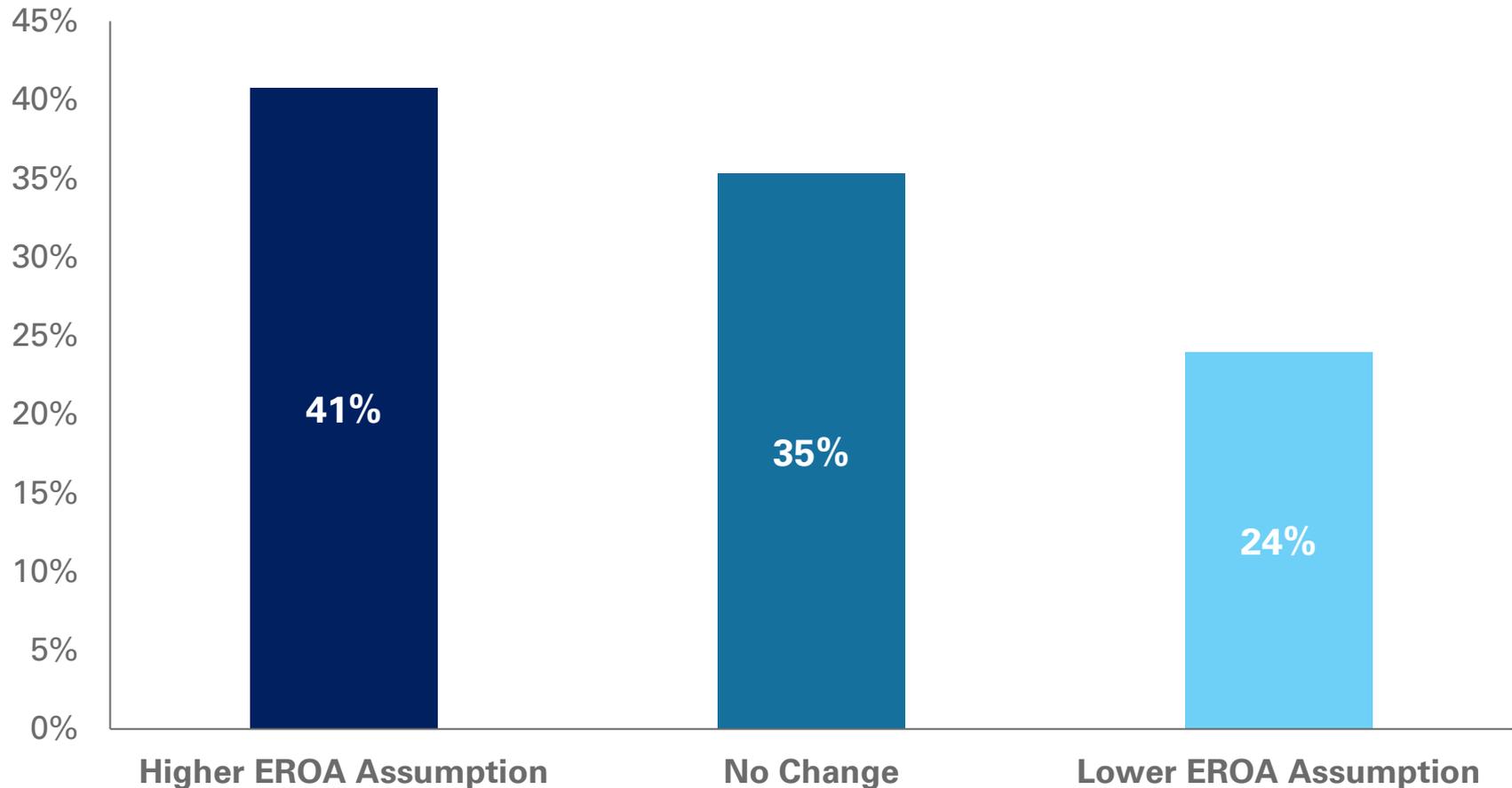


Data is from company 10-K filings, sourced from FactSet. Based on 2018-2024 fiscal year end filings.

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# EROA ASSUMPTIONS WERE GENERALLY HIGHER

## YEAR-OVER-YEAR CHANGE IN EROA ASSUMPTION

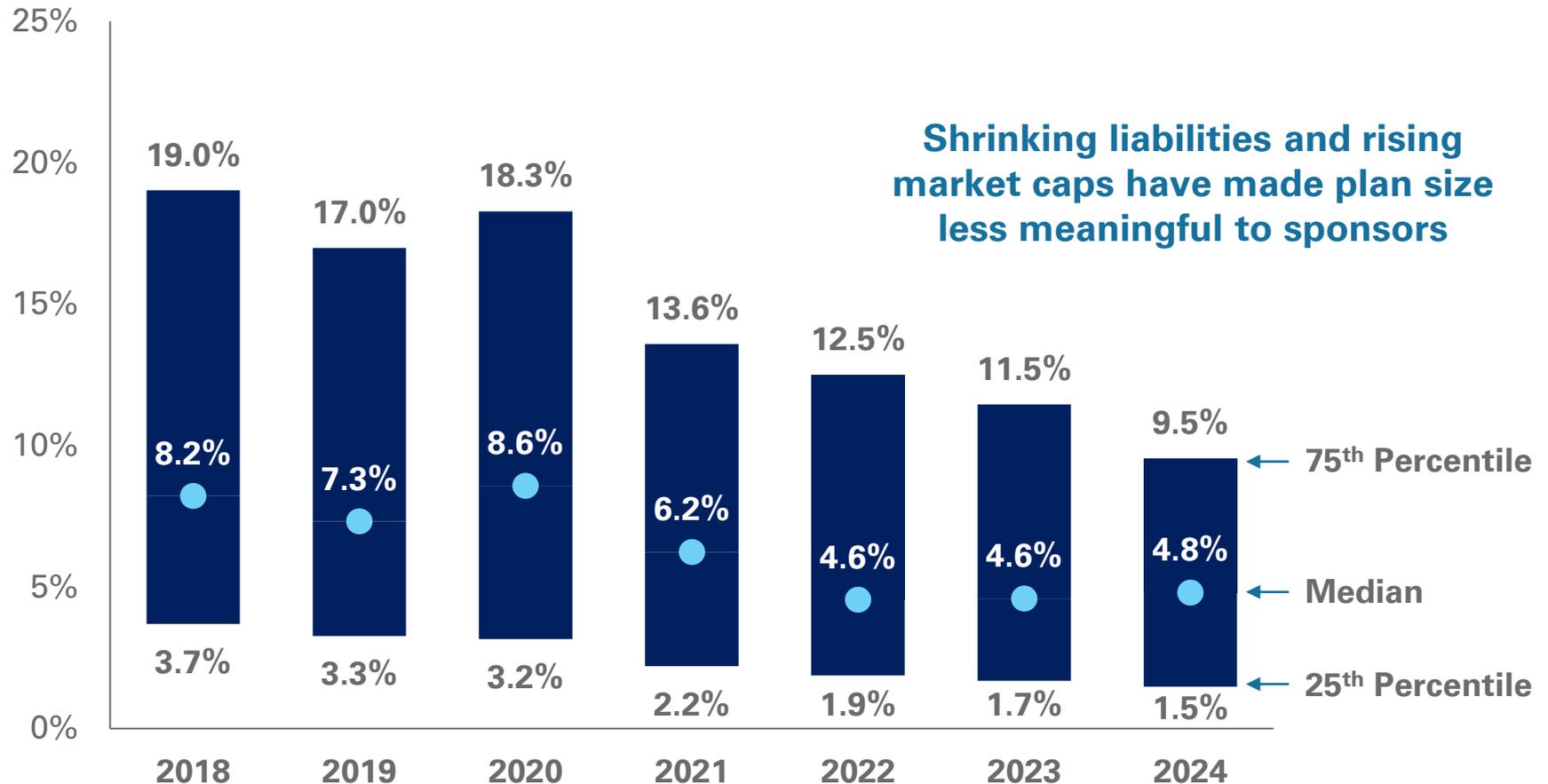


Data is from company 10-K filings, sourced from FactSet. Based on 2023-2024 fiscal year end filings.

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# PLAN LIABILITIES REMAINED AT MULTI-YEAR LOWS

PLAN LIABILITIES AS A PERCENTAGE OF SPONSOR MARKET CAP.

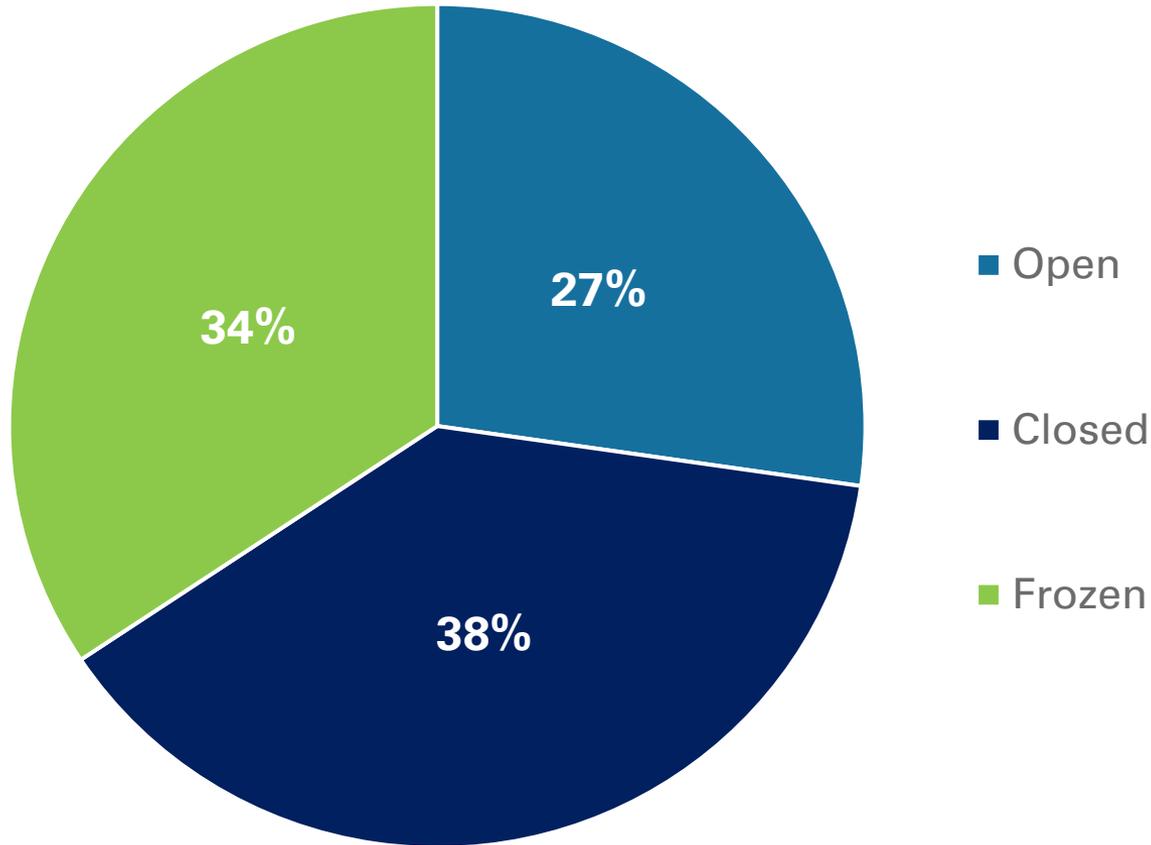


Data is from company 10-K filings, sourced from FactSet. Based on 2018-2024 fiscal year end filings and market cap at the end of each calendar year. Where possible, data is for US, qualified plan assets and liabilities. Due to differences in reporting presentation, it may not always be possible to make this distinction.

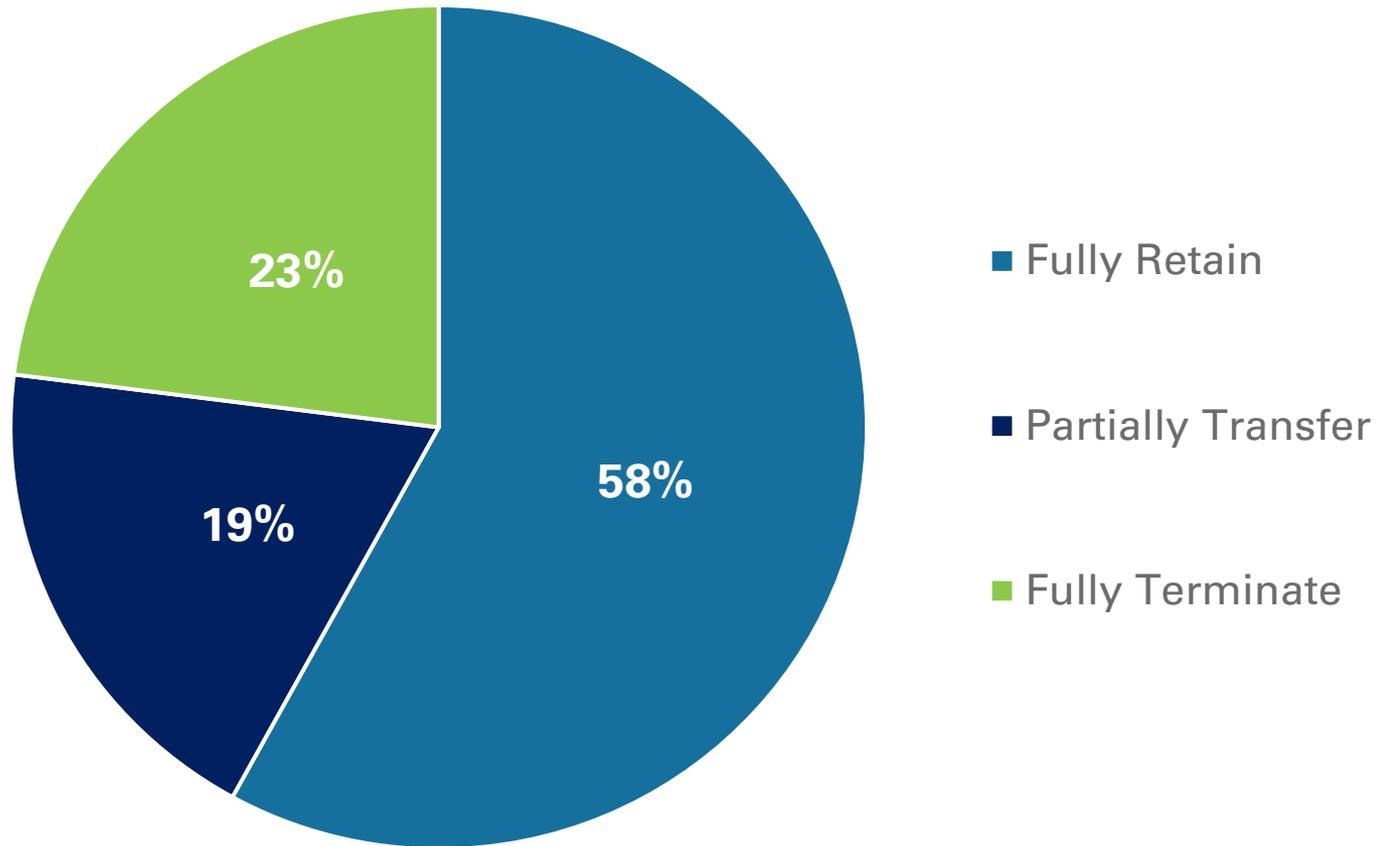
# APPENDIX: DB SURVEY RESULTS



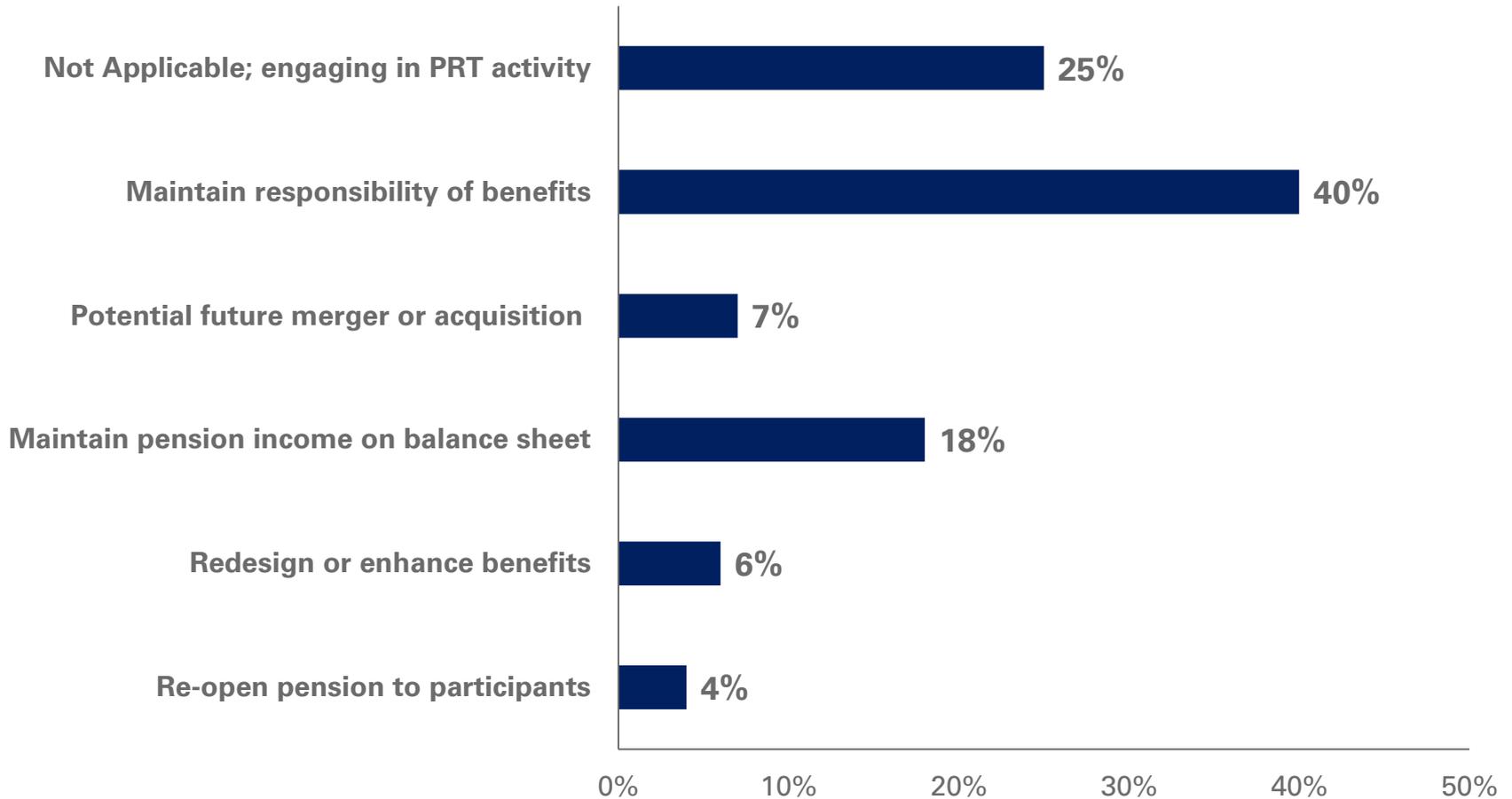
**1** Is your defined benefit plan currently open, closed to new participants, or frozen?



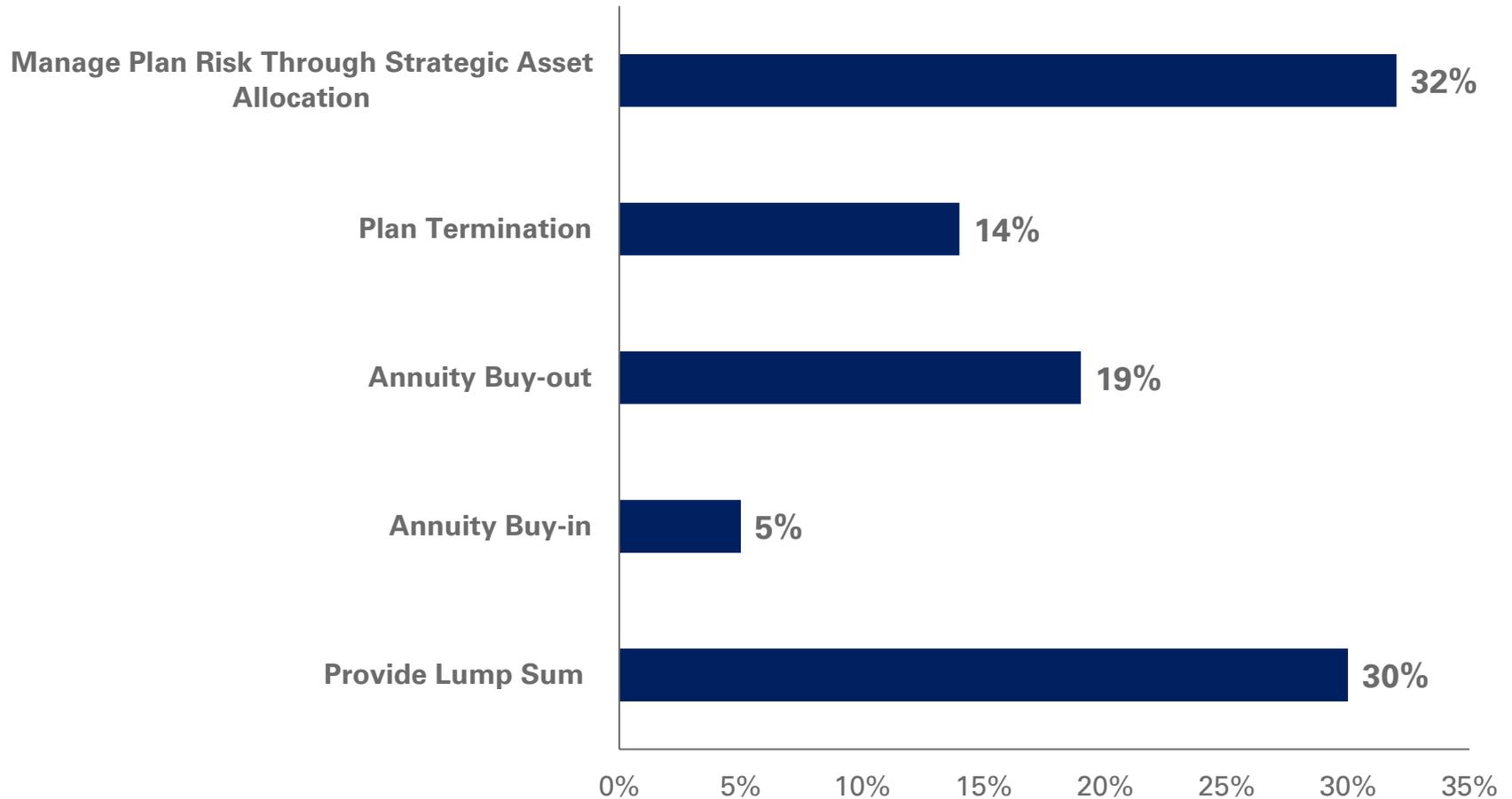
**2 Is your plan to retain the defined benefit plan at your company or are you looking to transfer the defined benefit liability?**



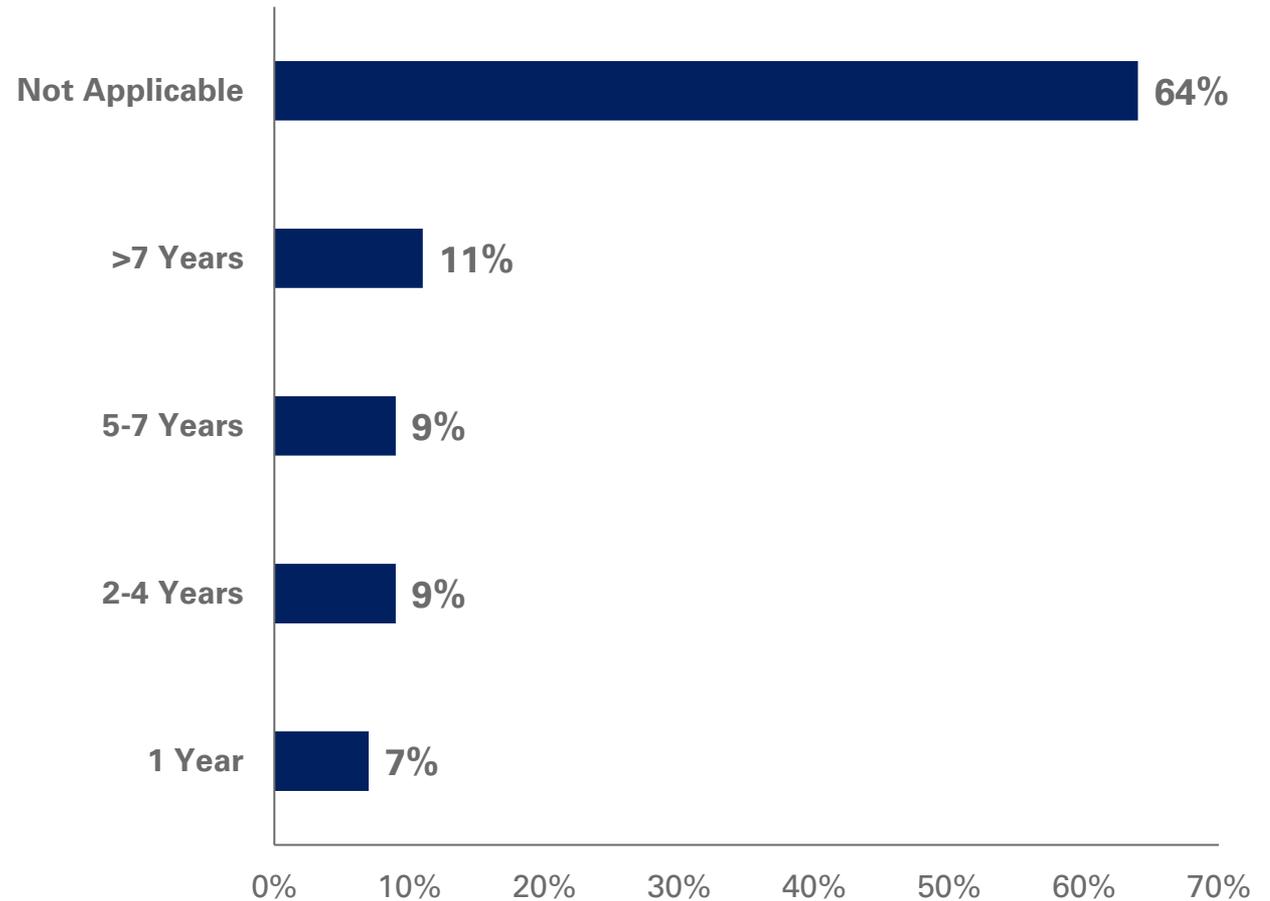
### 3 Reasons for “retaining” your defined benefit plan if you are planning to do so.



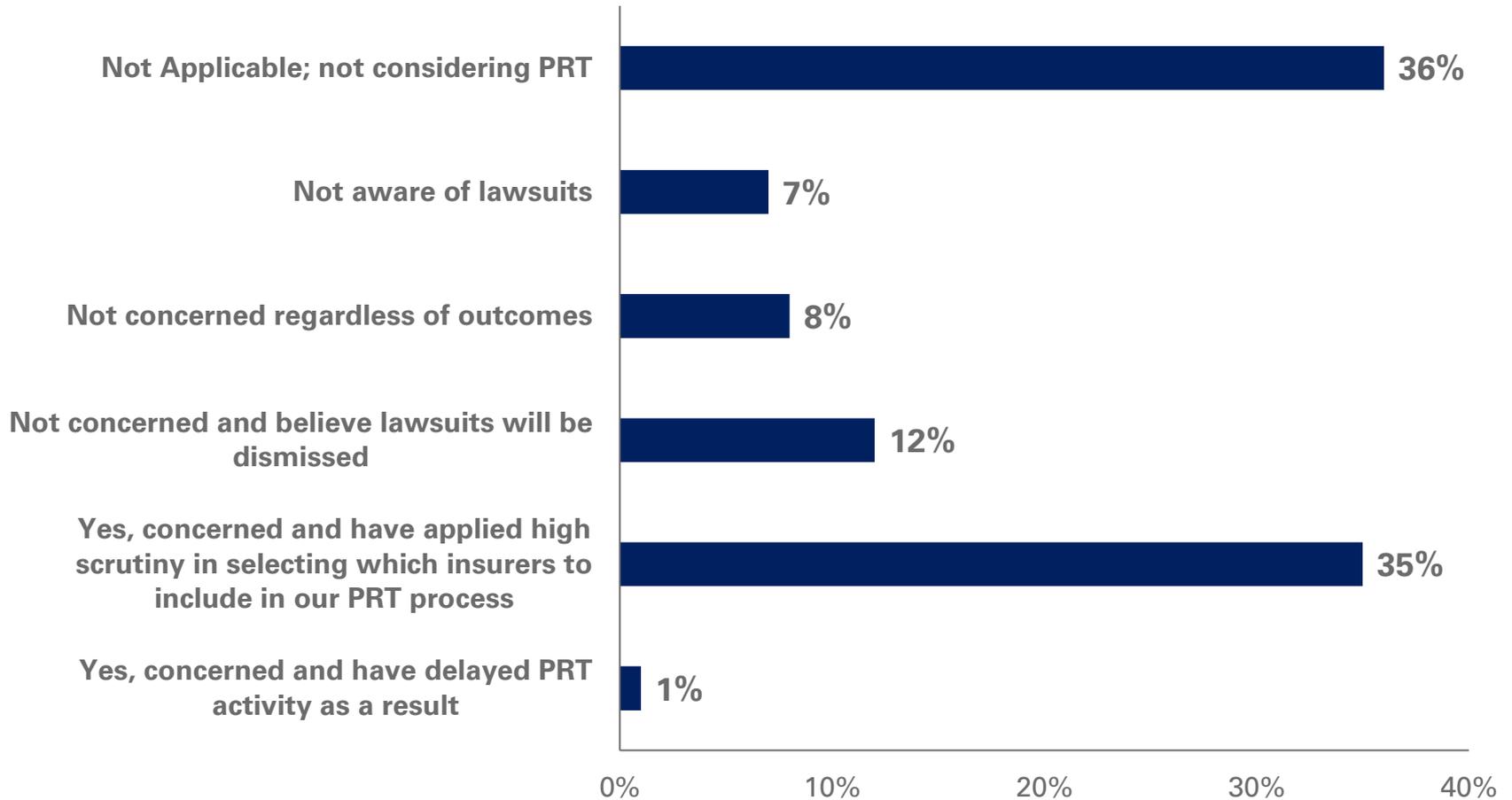
## 4 Which “risk reduction strategies” are you considering as they relate to your defined benefit plan?



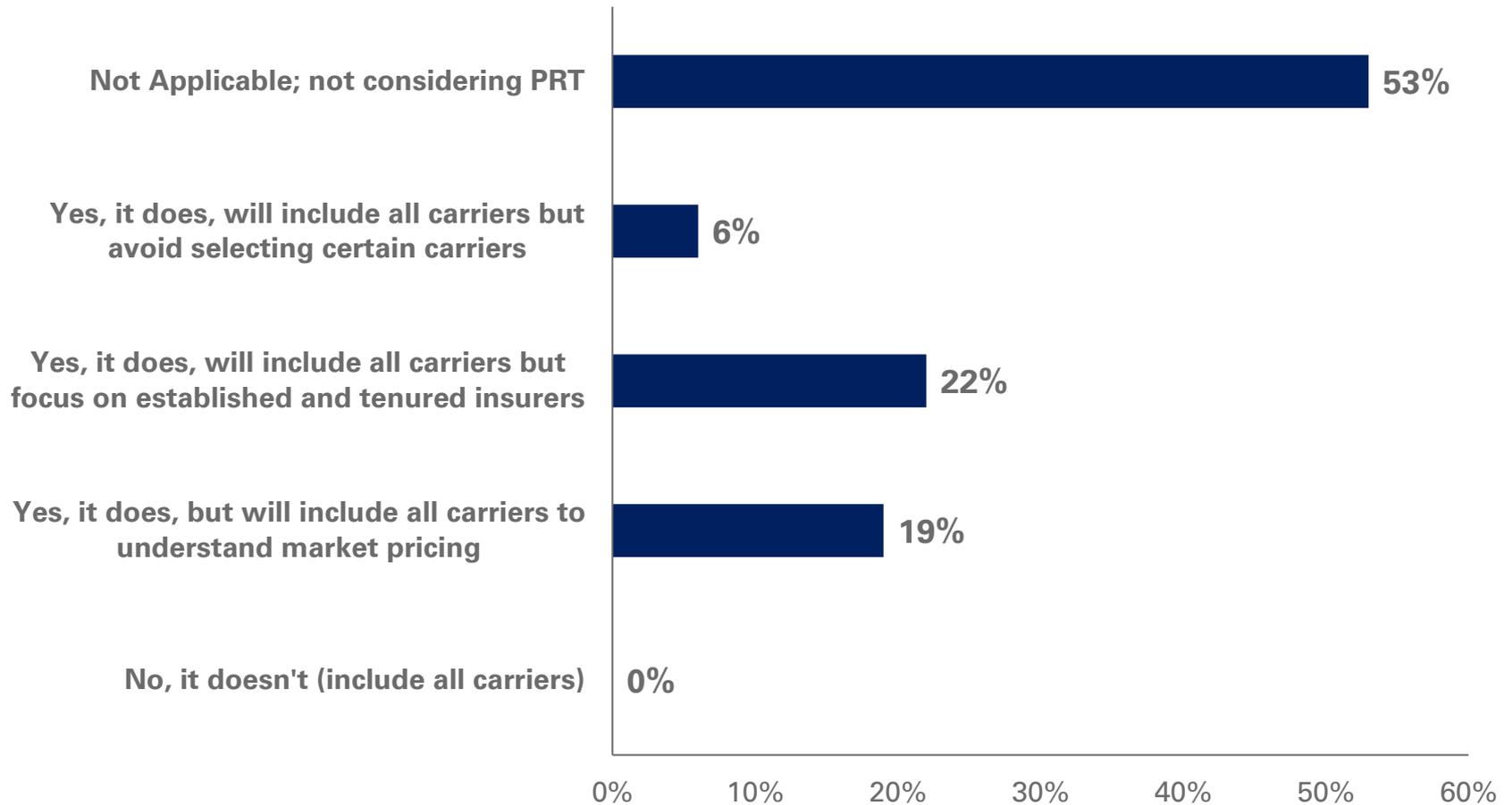
**5** If you are planning to “terminate” your defined benefit plan in the future, please indicate the expected timing of the plan termination.



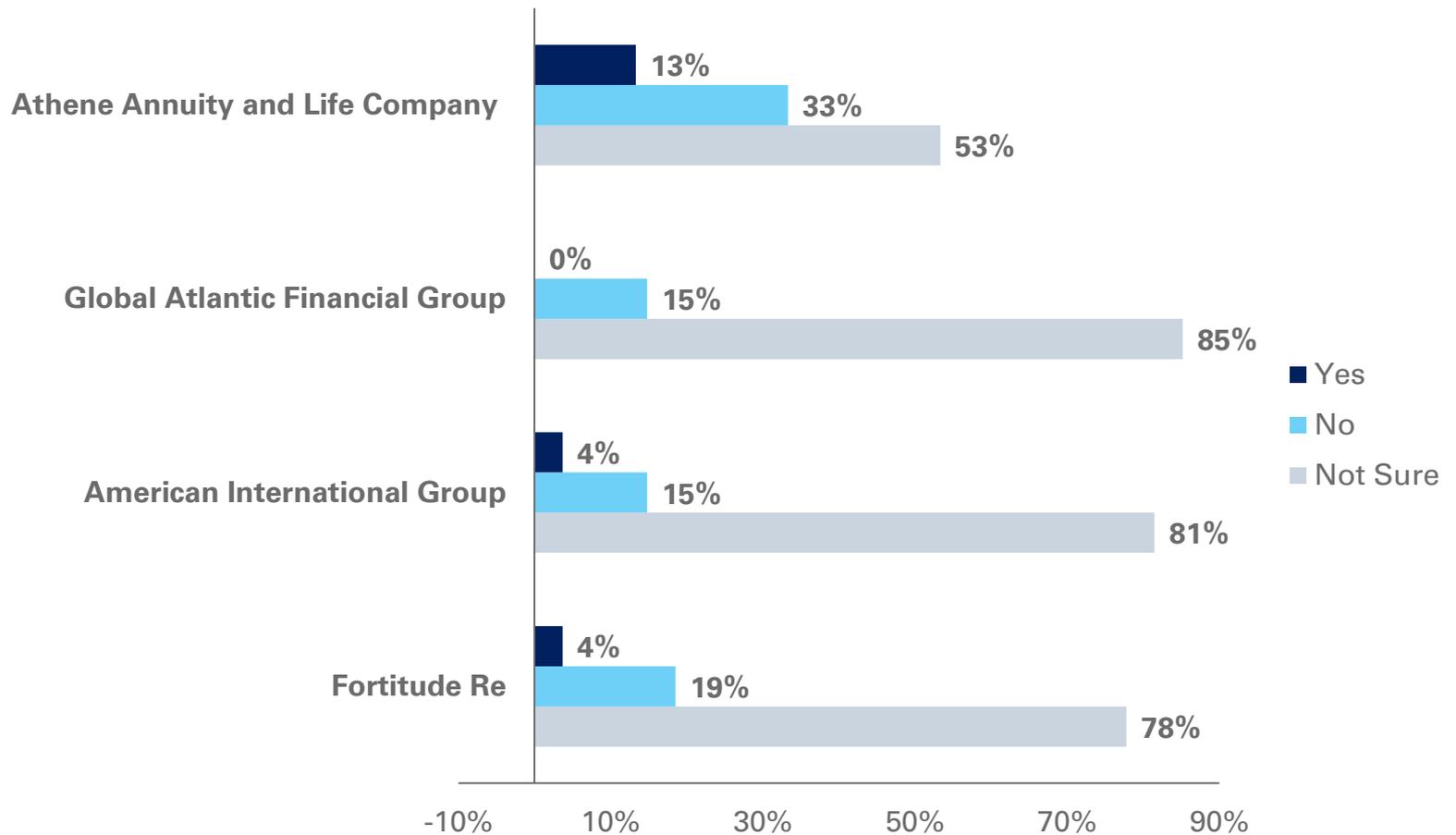
## 6 Are you concerned with the recent pension risk transfer (PRT) lawsuits?



**7** If you are considering pension risk transfer (PRT), does the carrier's tenure and experience managing pension assets and liabilities impact your decision process?



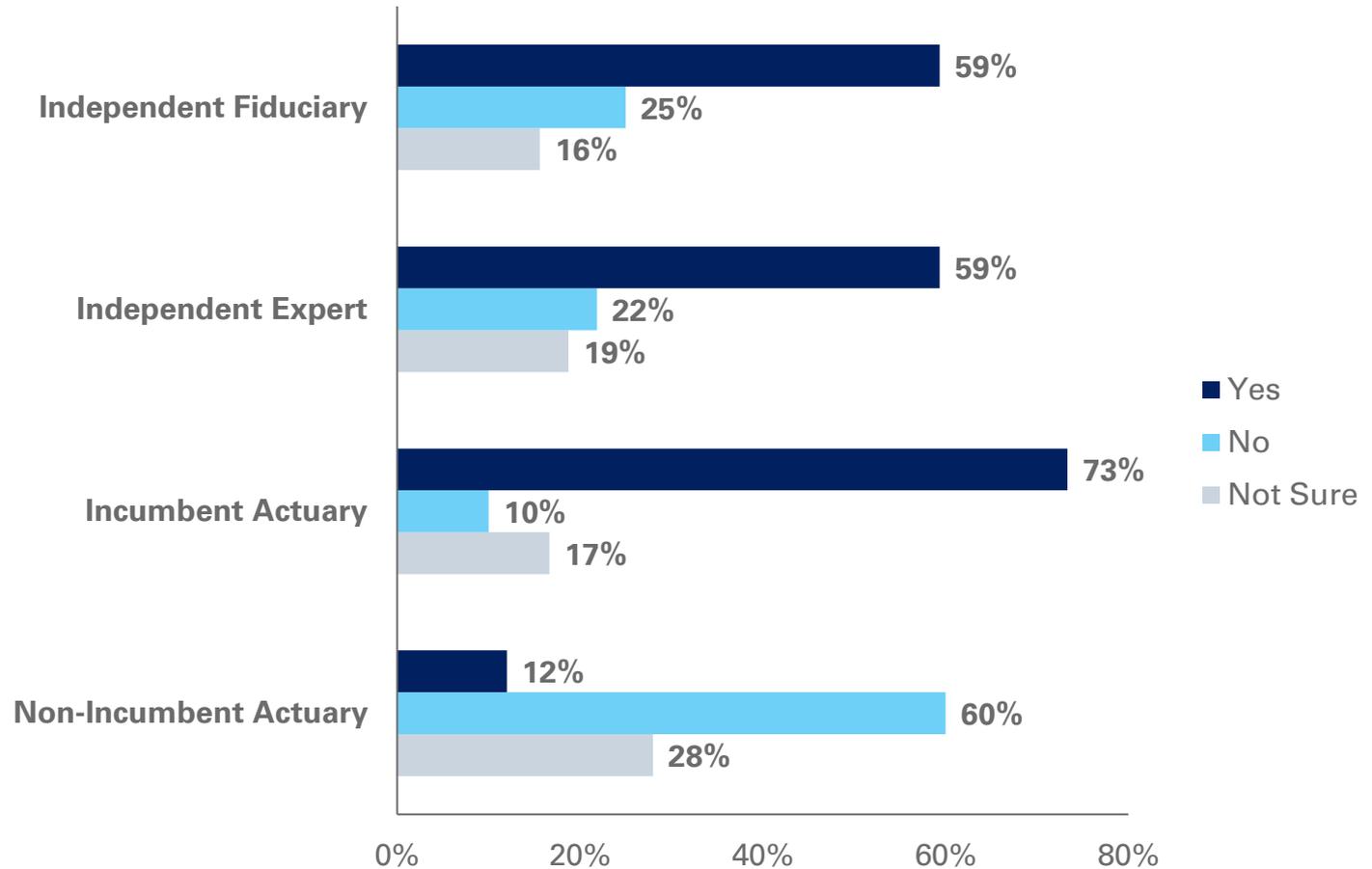
# 8 If you are considering pension risk transfer (PRT), are you including any of the following carriers with private equity affiliations in your evaluation process?



50 respondents selected "Not Applicable" which is not shown within the above results.

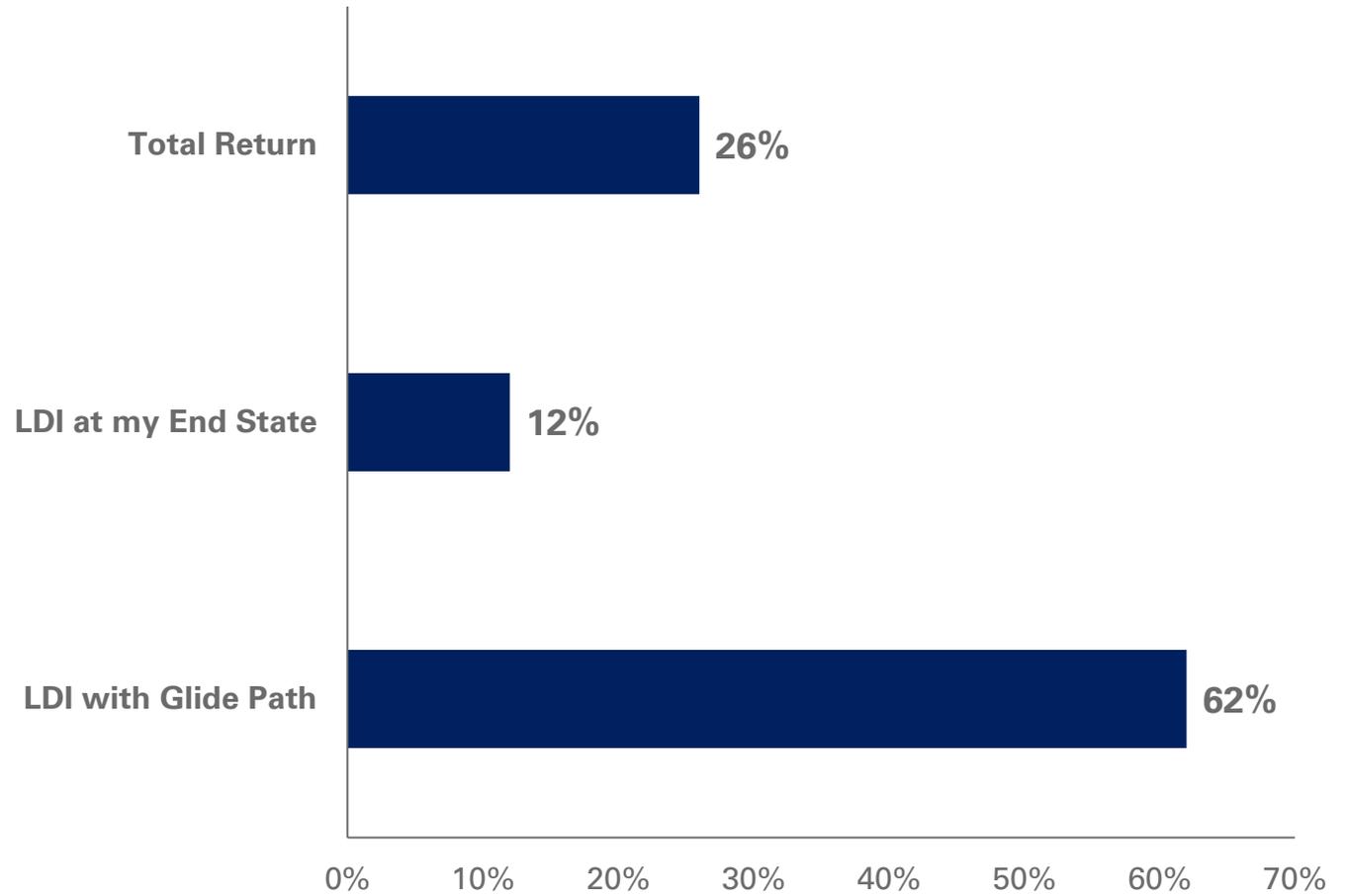


## 9 When engaging in pension risk transfer (PRT) activities, have you considered involving other third-party vendors?

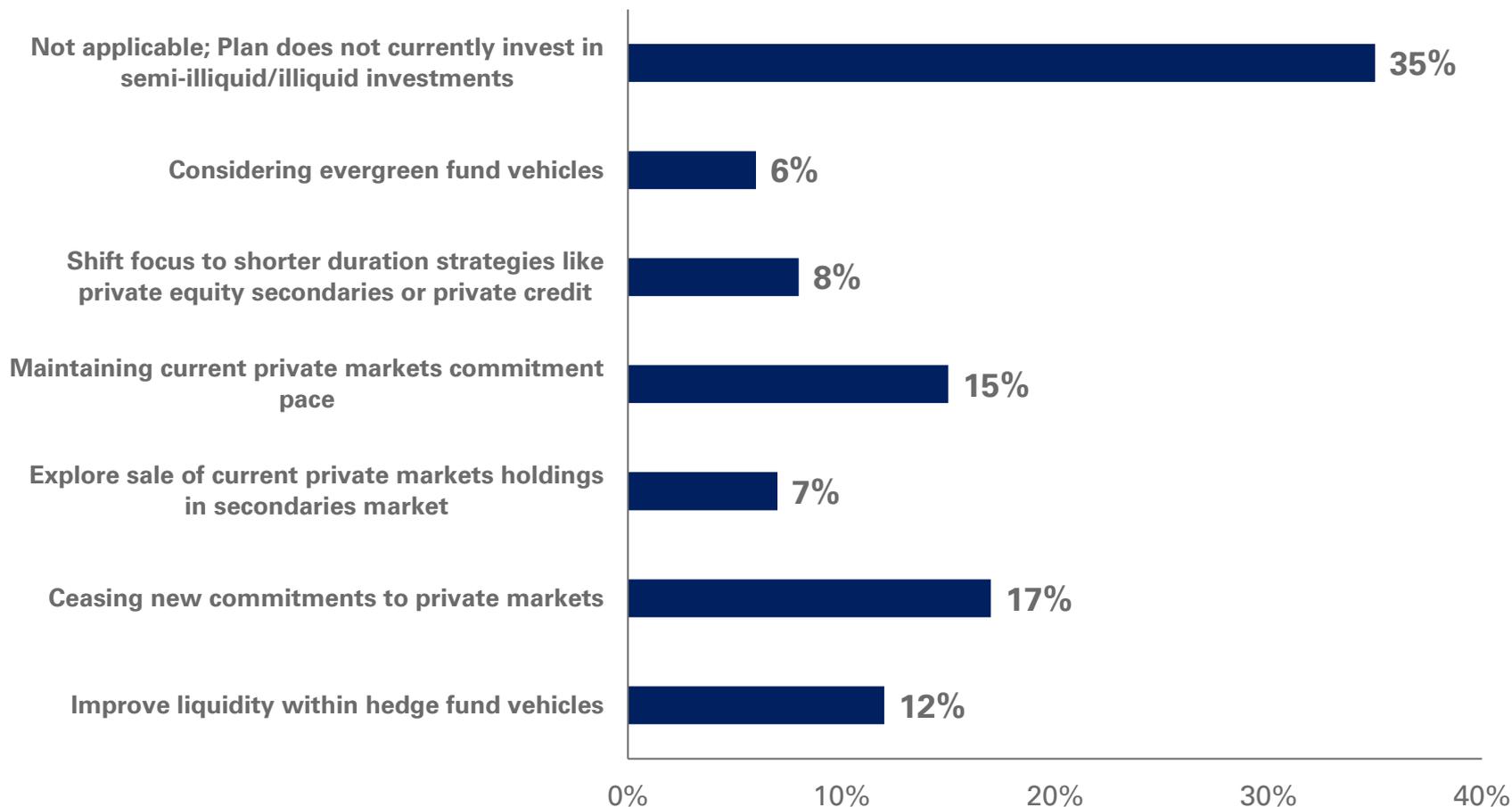


45 respondents selected "Not Applicable" which is not shown within the above results.

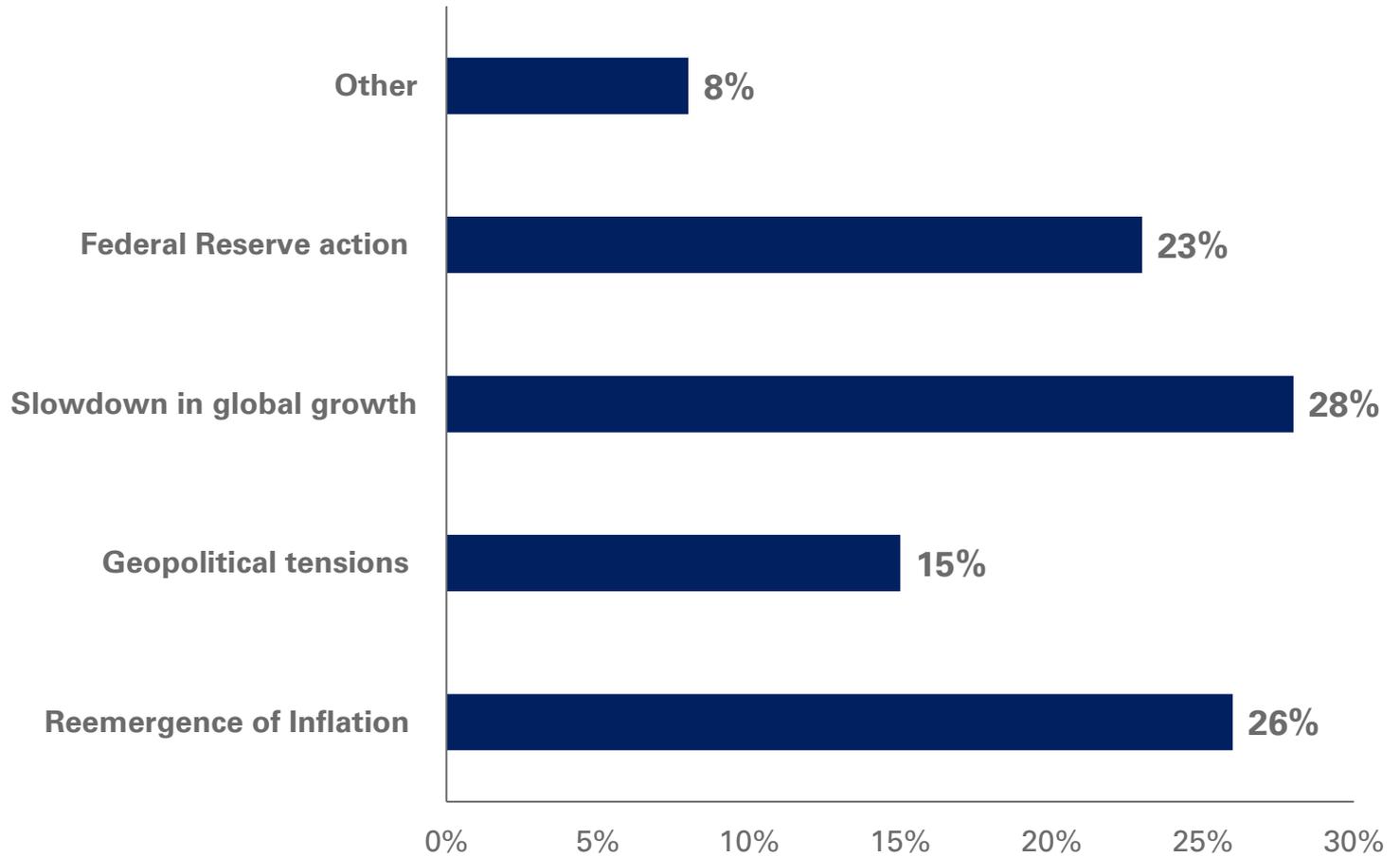
# 10 How are you managing Plan assets today?



# 11 If your Plan invests in semi-illiquid/illiquid investments such as hedge funds or private markets, how have you managed your program to plan for pension risk transfer (PRT)?



**12** Which of the following poses the greatest threat to your investment program over the near term?



# APPENDIX: DISCLOSURES



# NEPC'S CORPORATE DB PEER REPORT



*To get a copy of this report for your plan, please contact your NEPC consultant*



# PEER GROUP DATA COLLECTION PROCESS

- **Each year, publicly traded companies are required to disclose information on their defined benefit plans as part of their 10-K reports filed with the Securities and Exchange Commission.**
- **The key measures disclosed in these filings include plan assets, liabilities, funded status, expected return on asset assumptions, discount rates and plan allocations.**
- **NEPC uses the constituents of the S&P 500 as the starting peer universe.**
  - Of these companies, NEPC is able to obtain data for roughly half of the universe (232 plans)
- **NEPC utilizes FactSet to pull fiscal year data\***
  - Data is “cleaned” to remove outliers or incomplete data
  - In some cases, information is sourced directly from company 10-K reports to supplement FactSet data
  - As there is not one universal standard for reporting the data, there can be modest differences in the way that data is presented.
    - For example, some companies include information for both qualified and non-qualified plans. In other cases, U.S. and non-U.S. plan data may be combined.
  - NEPC attempts to correct for these issues, where possible. Across a large data set, these modest differences in reporting methodology are expected to have a limited impact.

\*Nearly all companies report data using a December fiscal year-end. There are a limited number of companies which have a fiscal year-end with a date other than December 31<sup>st</sup>. We do not attempt to adjust for these differences.

# PLAN SPONSOR SURVEY PROCESS

- **Each year, NEPC polls clients and other organizations to get their views on several important topics**
- **NEPC's 2025 Defined Benefit Plan Sponsor Survey included 77 participating Plan Sponsors**
  - Data is “cleaned” to remove incomplete responses upon NEPC analysis of the survey results
- **NEPC's 2025 Survey consisted of 12 questions**
  - The Survey was released in mid-January and closed February 7<sup>th</sup>, 2025
- **Please note, the survey questions may vary each year to capture trends within the Corporate Defined Benefit peer universe**

# NEPC DISCLOSURES

Past performance is no guarantee of future results.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

Some of the information presented herein has been obtained from external sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this content, we cannot guarantee the accuracy of all source information contained within.

The opinions presented herein represent the good faith views of NEPC as of the publication date and are subject to change at any time.

This presentation contains summary information regarding the investment management approaches described herein but is not a complete description of the investment objectives, portfolio management and research that supports these approaches. This analysis does not constitute a recommendation to implement any of the aforementioned approaches.