

The Monthly Pension Review: February 2025

All major U.S. equity indices declined in February

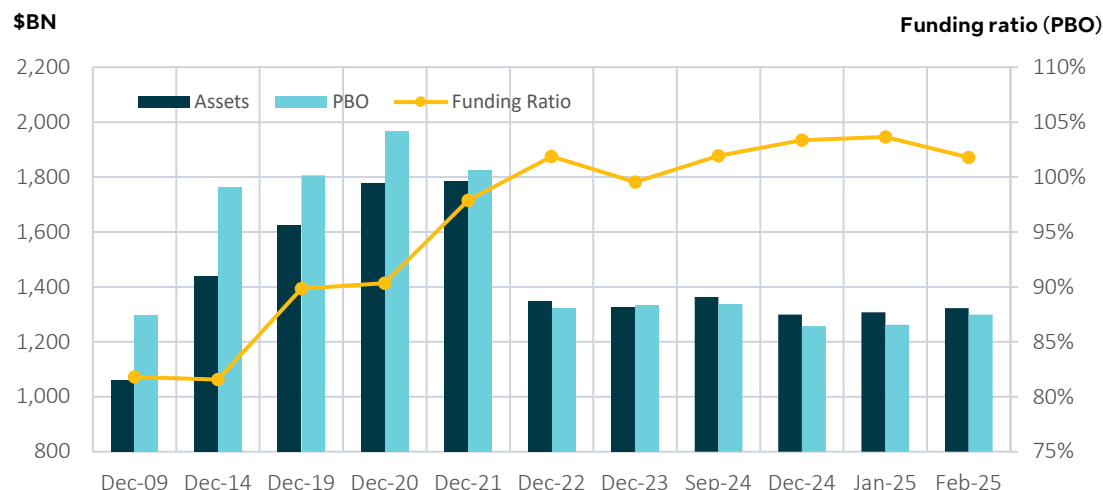


February Market Summary

- **Funded status fell by 1.9% in February** – Assets returned 1.1% while liabilities returned 3.0%.¹
- **The S&P 500 Index fell by 1.4%** – Heightened uncertainty over economic growth and tariffs led to a fall in the stock market.
- **The Long Credit Index yield fell by 0.24% in February** – Long Treasury yields also fell by 0.3%.

Market Watch	Dec-23	Dec-24	Jan-25	Feb-25
Funded Status ⁽¹⁾	99.5%	103.4%	103.6%	101.8%
FTSE Discount Rate	4.76%	5.44%	5.45%	5.22%
Long Credit Yield ⁽²⁾	5.22%	5.81%	5.82%	5.58%
US 30Y TSY Yield	4.03%	4.78%	4.79%	4.49%
S&P 500	4,770	5,882	6,041	5,955

Milliman Pension Funding Index (February 2025)¹



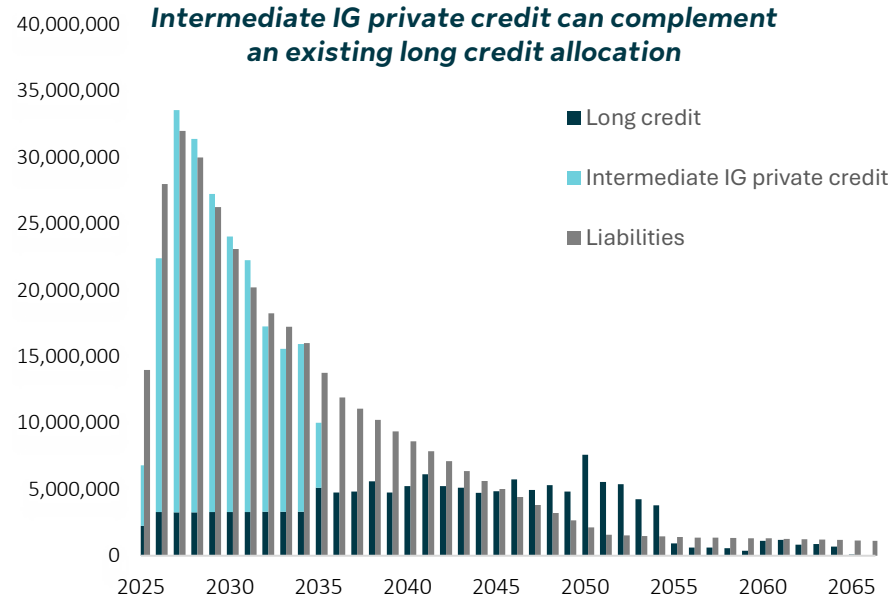
IG PRIVATE CREDIT FOR PENSION PLANS

Investment grade (IG) private credit is an asset class typically used as an alternative to IG public credit. The former refers to debt issuance that normally carries an IG rating by a major rating agency, but for which borrowers are willing to pay a premium for the level of customization and additional privacy provided. IG private credit can offer a number of benefits to pension plans, including diversification from publics, correlation to plan liabilities and a yield premium over equivalently rated public credit.

Investing in IG private credit offers plan sponsors access to a range of issuers and sectors outside of public markets. This can be critical for plan sponsors looking to reduce their concentration risk to names in public markets and to increase diversification. Additionally, IG private credit issues are typically priced relative to the interest rates and spreads underlying traditional IG public bonds, giving the former a direct connection to the discount curves used to value plan liabilities. Investors in IG private credit are compensated with additional yield for the complexity involved in sourcing, underwriting and monitoring these private deals. Critically, this yield premium does not imply additional credit risk, as the downside experience of this market compares favorably to public bond markets.

IG private credit is issued across many tenors, making it suitable for different roles in a plan sponsor's portfolio. Depending on liability structure, intermediate duration IG private credit can be particularly attractive for sponsors. Intermediate IG private credit may offer an even higher yield premium over publics, as IG private credit faces less demand from life insurers, which tend to dominate the market. Plan sponsors can also benefit from the additional cash flows generated through shorter dated maturities to help meet benefit payments.

Cash flow matching Intermediate IG private credit can complement an existing long credit allocation



Liability cash flows based off of a representative account. Asset cash flows based off Bloomberg's Long Credit and Intermediate Credit indices, with Intermediate Credit as a proxy for Intermediate Investment Grade Private Credit. Source: Bloomberg.

¹ Data from reference Bloomberg indices. Funded status is in reference to Pension Funding Index of the top 100 US corporate pension plans sourced from Milliman, except for most recent month which is estimated based the return for representative pension plan asset allocation and prior month's liabilities adjusted for duration and change in discount rate. FTSE Discount Rate source: FTSE. Long credit, US 30Y TSY yield, S&P 500 Index value source: Bloomberg.

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Market chart indices:

- AAA Non-Agency CMBS and A Corporate source: Index data from Bloomberg.

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