

RISING PBGC PREMIUMS AND THE COST OF BEING UNDERFUNDED

ERISA established the Pension Benefit Guaranty Corporation (PBGC) to protect participants' retirement benefits in private-sector plans, but rising premiums continue to create pain for plan sponsors that have underfunded pension plans. The exhibits below demonstrate some potential options plan sponsors can pursue with the intent of minimizing PBGC premiums.

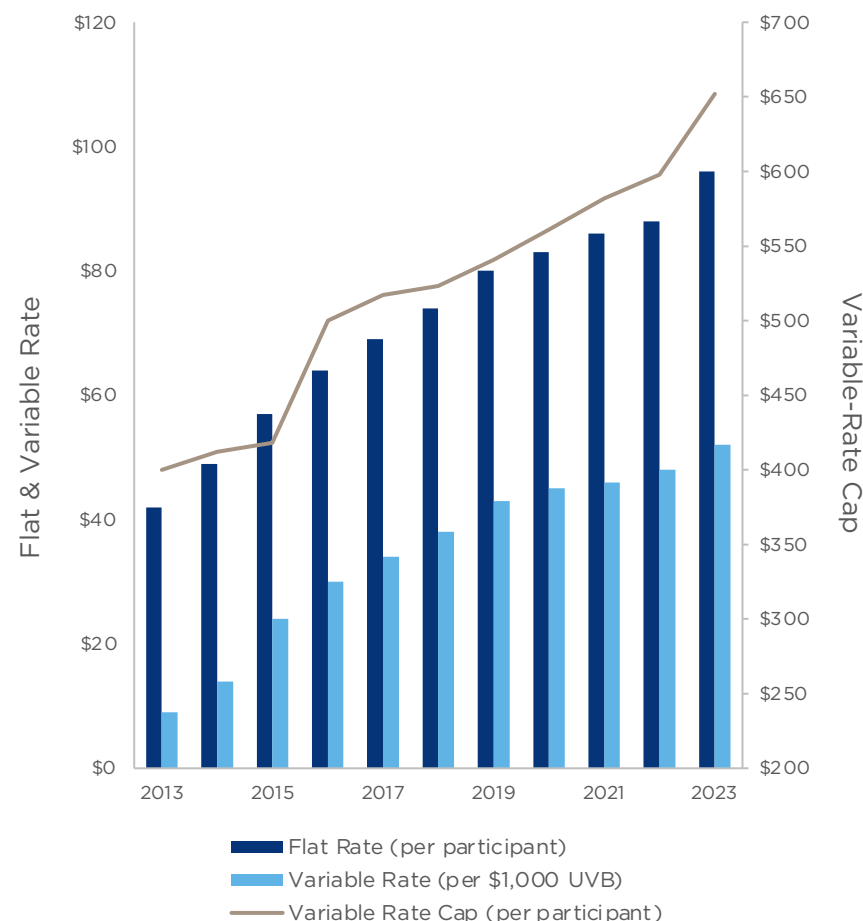
PBGC OPTIMIZATION STRATEGIES

- **Lump Sums.** Offer terminated-vested or retiree participants a one-time payment for the present value of their future annuity benefits.
- **Buyout Annuity.** Purchase a group annuity contract for retirees to transfer their pension obligations to an insurance company.
- **Variable-Rate Premium Rate Method.** As interest rates rise, discount rate and funded status improves, thereby reducing variable-rate premiums. Meanwhile, using the alternative premium funding target could lower the VRP owed in a declining rate environment. Regardless, once selected, the method must be applied for five years.
- **Contributions:** Contributions to the plan reduce variable-rate premiums. This strategy should be considered as a way to free up capital for more efficient operational needs of the organization.

PREMIUM TYPES

- **Flat-Rate Premium:** \$96 per participant; more than doubled (129%) since 2013.
- **Variable-Rate Premium:** \$52 per \$1,000 unfunded vested benefits (UVB); increased 478% since 2013.
- **Variable-Rate Cap:** \$652 per participant; increased 63% since 2013.

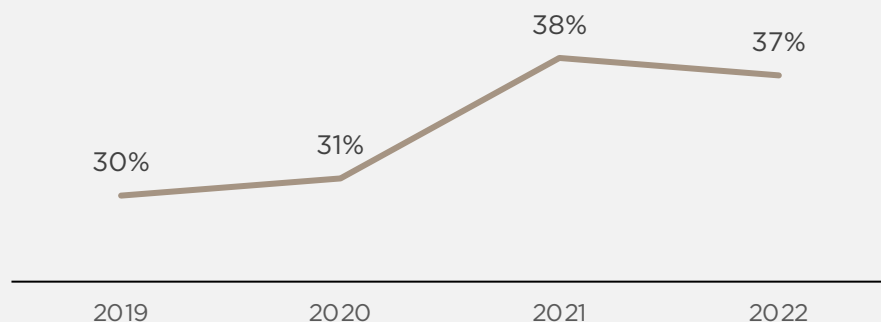
Steady Rise of PBGC Premiums



IT'S NOT EASY BEING GREEN: ESG TAKEAWAYS FROM OUR 2022 SURVEY

While environmental, social, and governance (ESG) investments have experienced increasing popularity and adoption in recent years, there are new indications that enthusiasm may be plateauing or modestly waning. In CAPTRUST's 2022 Annual Survey on Endowments and Foundations, participants reported a first-ever decline in the use of ESG in their organizations' portfolios.

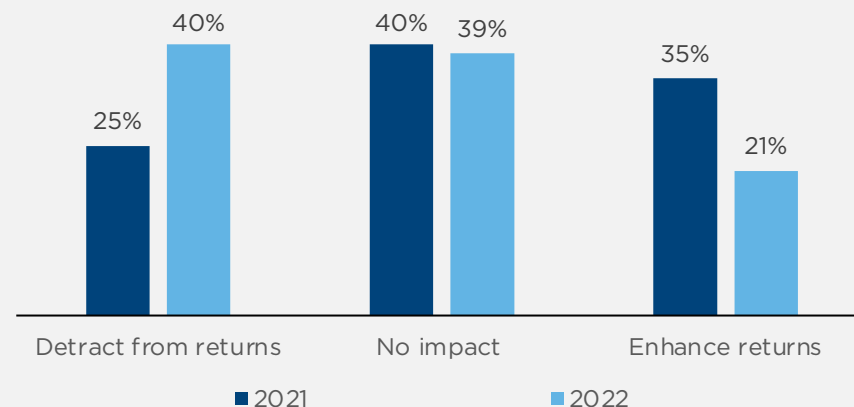
Percentage of Nonprofits Utilizing ESG, Impact, and Mission-Aligned Strategies



Survey Respondents: 105

Responses in CAPTRUST's Annual Survey on Endowments and Foundations indicate that the trend towards ESG adoption may be decelerating.

Expected Performance Impact of ESG Investments



Survey Respondents: 75

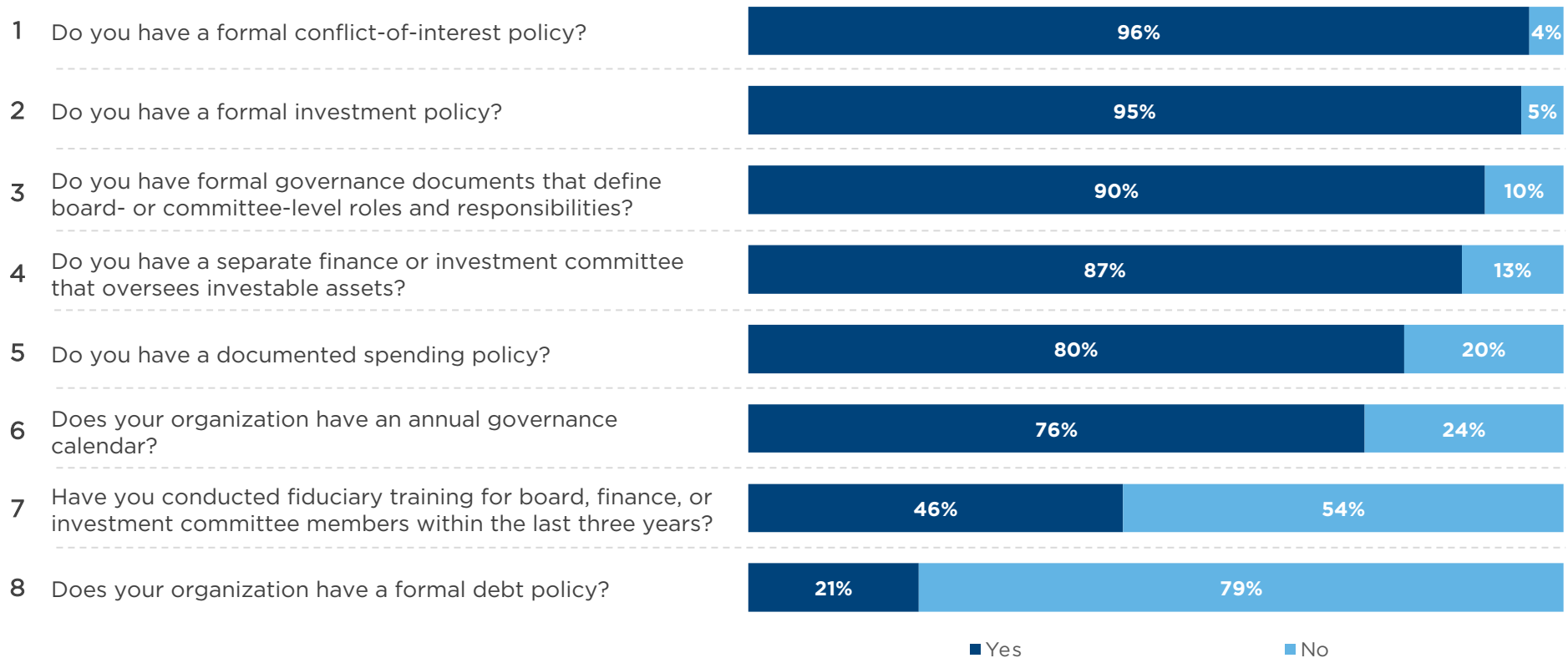
One contributing factor impacting the perception of ESG is expected performance. Note that energy was the only GICS sector with a positive return in the S&P 500 in 2022, which may be influencing this perception.

There are differing views on ESG and SRI investments, from their long-term potential to change the world to the impact they may have on donor engagement. What falls under the umbrella of these categories can vary materially depending on the organization considering them. Consider whether such an investing philosophy is consistent with your organization's mission and objectives.

Source: CAPTRUST 2022 Endowment & Foundation Survey, S&P Global

GOVERNANCE INSIGHTS: USE OF BEST PRACTICES FROM OUR 2022 SURVEY

There are several governance best practices to consider when operating a nonprofit. In CAPTRUST's annual Endowment and Foundation Survey, participants indicated whether their organizations had these policies in place.



Survey Respondents: 105

There are some common elements that may be worth memorializing as formal policy. Implementing best practices in the governance of nonprofit organizations can help increase transparency and accountability as well as facilitate decision-making processes.

Source: CAPTRUST 2022 Endowment & Foundation Survey