

Milliman analysis: Corporate pension funded status drops by \$6 billion in August



After three consecutive months of funded ratio improvements, the funded ratio dips to 89.4%

The \$162 billion pension deficit for the Milliman 100 PFI is still a marked improvement over the \$513 billion pension deficit from 12 months ago

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The funded status of the 100 largest corporate defined benefit pension plans declined by \$6 billion during August as measured by the Milliman 100 Pension Funding Index (PFI). The deficit rose to \$162 billion, primarily due to adverse performance in the financial markets during August. The PFI funded ratio dropped to 89.4% from 89.9% at the end of July.

HIGHLIGHTS

	\$ BILLION			FUNDED PERCENTAGE
	MV	PBO	FUNDED STATUS	
JULY 2013	1,385	1,540	(155)	89.9%
AUGUST 2013	1,371	1,532	(162)	89.4%
MONTHLY CHANGE	(14)	(8)	(6)	-0.5%
YTD CHANGE	+49	(180)	+229	+12.2%

NOTE: NUMBERS MAY NOT ADD UP PRECISELY DUE TO ROUNDING

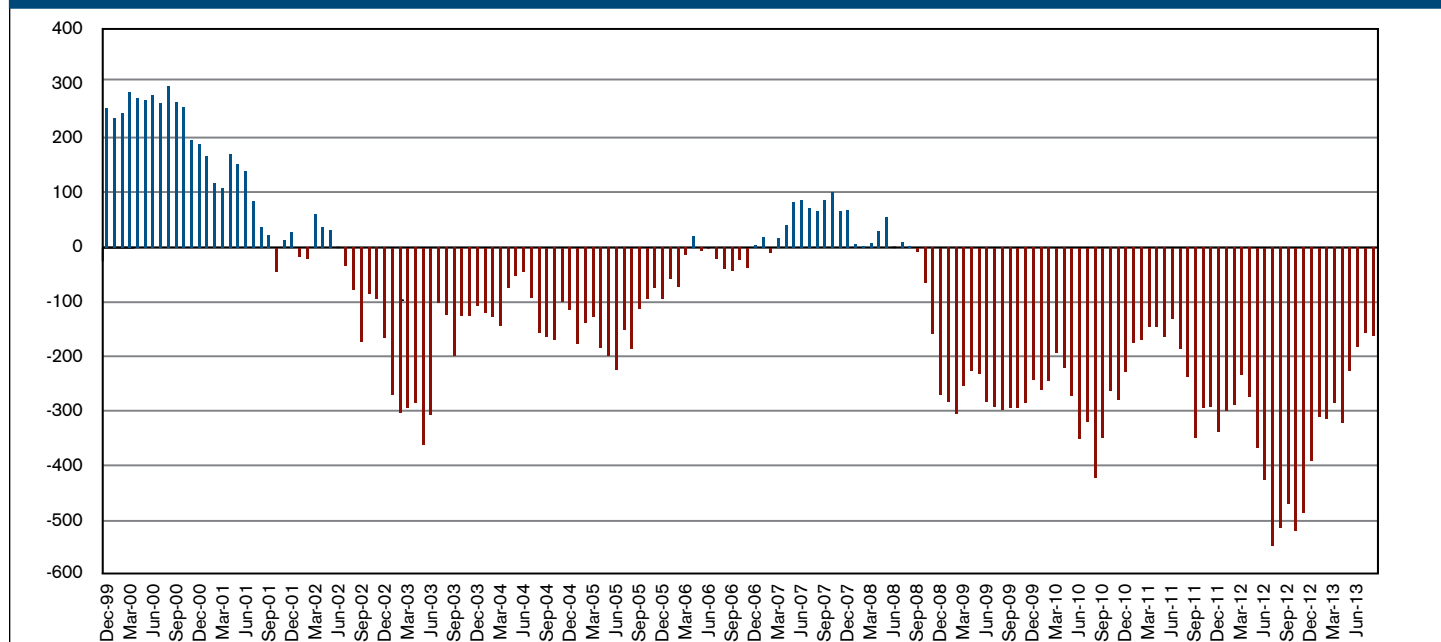
The projected benefit obligation (PBO), or pension liabilities, decreased by \$8 billion to \$1.532 trillion from \$1.540 trillion at the end of July. This change was based on a four-basis-point increase in the monthly discount rate to 4.77% for August, from 4.73% for July.

end of July. By comparison, the 2013 Milliman Pension Funding Study reported that the median expected monthly investment return during 2012 was 0.60% (7.5% annualized).

The market value of assets decreased by \$14 billion as a result of August's investment loss of -0.91%. The Milliman 100 PFI asset value decreased to \$1.371 trillion, down from \$1.385 trillion at the

Over the last 12 months (September 2012 to August 2013), the cumulative asset return for these pensions has been 6.36% and the Milliman 100 PFI funded status deficit has improved by \$351 billion,

FIGURE 1: MILLIMAN 100 PENSION FUNDING INDEX PENSION SURPLUS/DEFICIT



primarily due to rising interest rates. The discount rate as of a year ago on August 31, 2012, was 3.99% and ranked among the lowest ever recorded in the 13-year history of the Milliman 100 PFI. The funded ratio of the Milliman 100 companies has improved over the past 12 months to 89.4% from 72.0%.

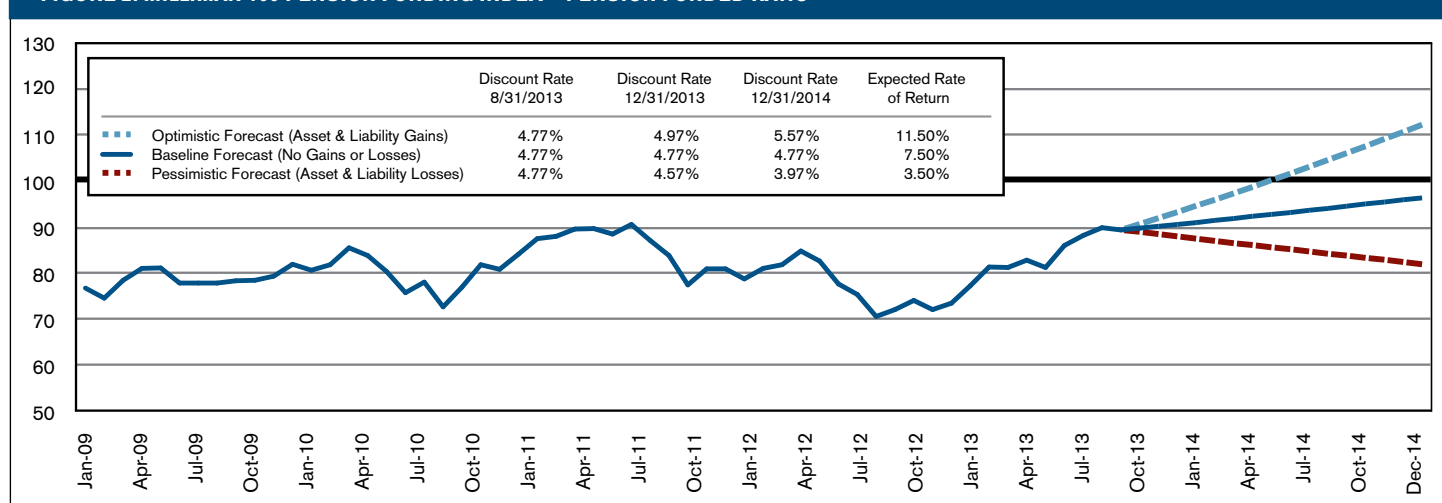
2013-2014 PROJECTIONS

If the Milliman 100 PFI companies were to achieve the expected 7.5% (as per the 2013 pension funding study) median asset return for their pension plan portfolios and the current discount rate of 4.77% were maintained during years 2013 and 2014, we forecast the funded status of the surveyed plans would increase. This would result in a projected pension deficit of \$138 billion (funded ratio of 91.0%) by the end of 2013 and a projected pension deficit of \$55 billion (funded ratio of 96.4%) by the end of 2014. For purposes of this forecast, we have assumed 2013 aggregate contributions of \$74 billion and 2014 aggregate contributions of \$81 billion.

Under an optimistic forecast with rising interest rates (reaching 4.97% by the end of 2013 and 5.57% by the end of 2014) and asset gains (11.5% annual returns), the funded ratio would climb to 95% by the end of 2013 and 112% by the end of 2014. Under a pessimistic forecast with similar interest rate and asset movements (4.57% discount rate at the end of 2013 and 3.97% by the end of 2014 and 3.5% annual returns), the funded ratio would decline to 88% by the end of 2013 and 82% by the end of 2014.

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FIGURE 2: MILLIMAN 100 PENSION FUNDING INDEX – PENSION FUNDED RATIO



MILLIMAN 100 PENSION FUNDING INDEX – AUGUST 2013 (ALL DOLLAR AMOUNTS IN MILLIONS)

END OF MONTH	YEAR	MARKET VALUE OF ASSETS	PROJECTED BENEFIT OBLIGATION (PBO)	FUNDED STATUS	CHANGE IN FUNDED STATUS	FUNDED RATIO
AUGUST	2012	1,319,055	1,832,240	(513,186)	N/A	72.0%
SEPTEMBER	2012	1,335,728	1,804,898	(469,170)	44,016	74.0%
OCTOBER	2012	1,334,050	1,851,841	(517,791)	(48,621)	72.0%
NOVEMBER	2012	1,341,551	1,827,021	(485,470)	32,321	73.4%
DECEMBER	2012	1,322,002	1,712,697	(390,695)	94,775	77.2%
JANUARY	2013	1,342,030	1,651,004	(308,974)	81,721	81.3%
FEBRUARY	2013	1,351,607	1,665,403	(313,796)	(4,822)	81.2%
MARCH	2013	1,366,947	1,651,385	(284,438)	29,358	82.8%
APRIL	2013	1,389,460	1,710,739	(321,279)	(36,841)	81.2%
MAY	2013	1,383,901	1,609,793	(225,892)	95,387	86.0%
JUNE	2013	1,356,504	1,537,932	(181,428)	44,464	88.2%
JULY	2013	1,385,007	1,540,452	(155,445)	25,983	89.9%
AUGUST	2013	1,370,785	1,532,490	(161,705)	(6,260)	89.4%

PENSION ASSET AND LIABILITY RETURNS

END OF MONTH	YEAR	ASSET RETURNS		DISCOUNT RATE	LIABILITY RETURNS	
		MONTHLY	YEAR-TO-DATE		MONTHLY	YEAR-TO-DATE
AUGUST	2012	1.02%	6.38%	3.99%	-1.01%	16.93%
SEPTEMBER	2012	1.32%	7.79%	4.08%	-1.39%	15.30%
OCTOBER	2012	-0.07%	7.72%	3.96%	2.69%	18.40%
NOVEMBER	2012	0.62%	8.39%	4.05%	-1.25%	16.92%
DECEMBER	2012	-0.30%	8.07%	3.96%	-4.20%	12.01%
JANUARY	2013	1.64%	1.64%	4.22%	-3.30%	-3.30%
FEBRUARY	2013	0.84%	2.49%	4.16%	1.18%	-2.15%
MARCH	2013	1.26%	3.78%	4.22%	-0.53%	-2.67%
APRIL	2013	1.77%	5.62%	3.98%	3.90%	1.12%
MAY	2013	-0.28%	5.33%	4.41%	-5.59%	-4.53%
JUNE	2013	-1.86%	3.37%	4.74%	-4.12%	-8.46%
JULY	2013	2.23%	5.67%	4.73%	0.51%	-7.99%
AUGUST	2013	-0.91%	4.71%	4.77%	-0.17%	-8.14%

ABOUT THE MILLIMAN 100 MONTHLY PENSION FUNDING INDEX

For the past 13 years, Milliman has conducted an annual study of the 100 largest defined benefit pension plans sponsored by U.S. public companies. The Milliman 100 Pension Funding Index projects the funded status for pension plans included in our study, reflecting the impact of market returns and interest rate changes on pension funded status, utilizing the actual reported asset values, liabilities, and asset allocations of the companies' pension plans.

The results of the Milliman 100 Pension Funding Index were based on the actual pension plan accounting information disclosed in the footnotes to the companies' annual reports for

the 2012 fiscal year and for previous fiscal years. This pension plan accounting disclosure information was summarized as part of the Milliman 2013 Pension Funding Study, which was published on March 25, 2013. In addition to providing the financial information on the funded status of U.S. qualified pension plans, the footnotes may also include figures for the companies' nonqualified and foreign plans, both of which are often unfunded or subject to different funding standards than those for U.S. qualified pension plans. They do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

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Milliman 100 Pension Funding Index

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