

Milliman analysis: Funded status improves by \$11 billion in February due to robust investment performance



The pension funding ratio increased to 91.8% at the end of February

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The funded status of the 100 largest corporate defined benefit pension plans improved by \$11 billion during February, as measured by the Milliman 100 Pension Funding Index. The deficit fell to \$131 billion from \$142 billion at the end of January, due to strong investment performance offsetting an increase in the pension benefit obligation (PBO). As of February 28, the funded ratio increased to 91.8%, up from 91.0% at the end of January. The funded ratio has declined in the first two months of 2014 when compared with the 95.2% funded ratio as of December 31, 2013.

The PBO, or pension liabilities, increased by \$21 billion to \$1.604 trillion from \$1.583 trillion at the end of January. The change resulted from a decrease of nine basis points in the monthly discount rate to 4.46% for February, from 4.55% for January.

HIGHLIGHTS

	\$ BILLION			FUNDED PERCENTAGE
	MV	PBO	FUNDED STATUS	
JANUARY 2014	1,441	1,583	(142)	91.0%
FEBRUARY 2014	1,473	1,604	(131)	91.8%
MONTHLY CHANGE	+32	+21	+11	+0.8%
YTD CHANGE	+22	+81	(58)	-3.4%

NOTE: NUMBERS MAY NOT ADD UP PRECISELY DUE TO ROUNDING

The market value of assets increased by \$32 billion as a result of February's investment return of 2.28%. The Milliman 100 PFI asset value increased to \$1.473 trillion, up from \$1.441 trillion at the end

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

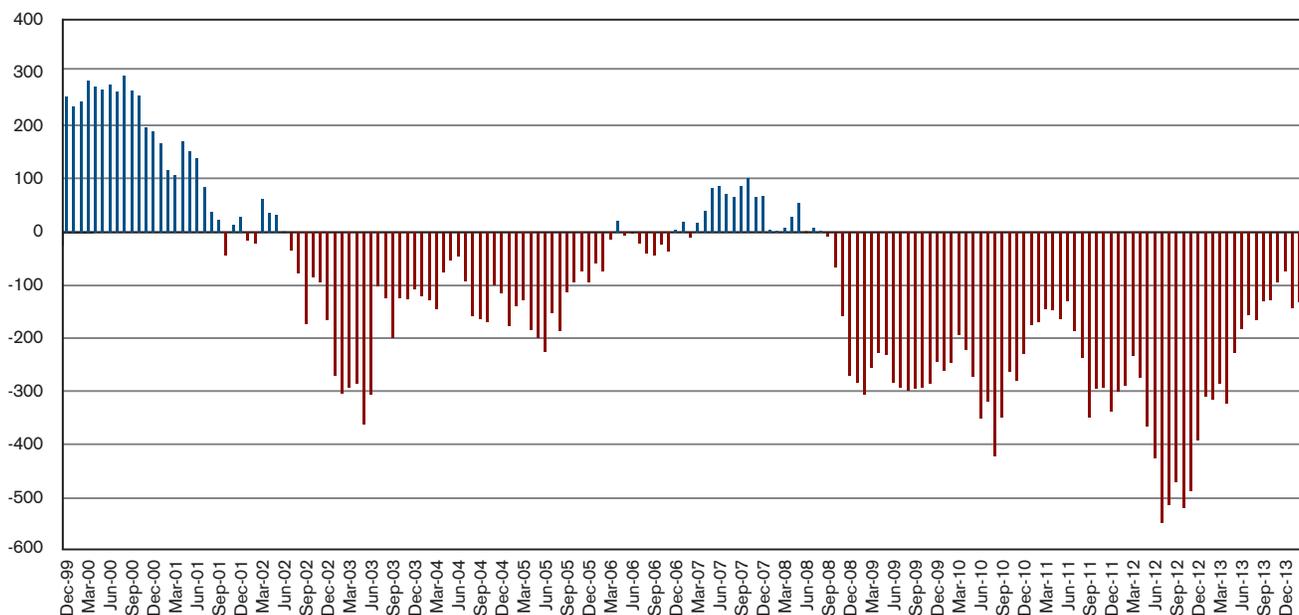
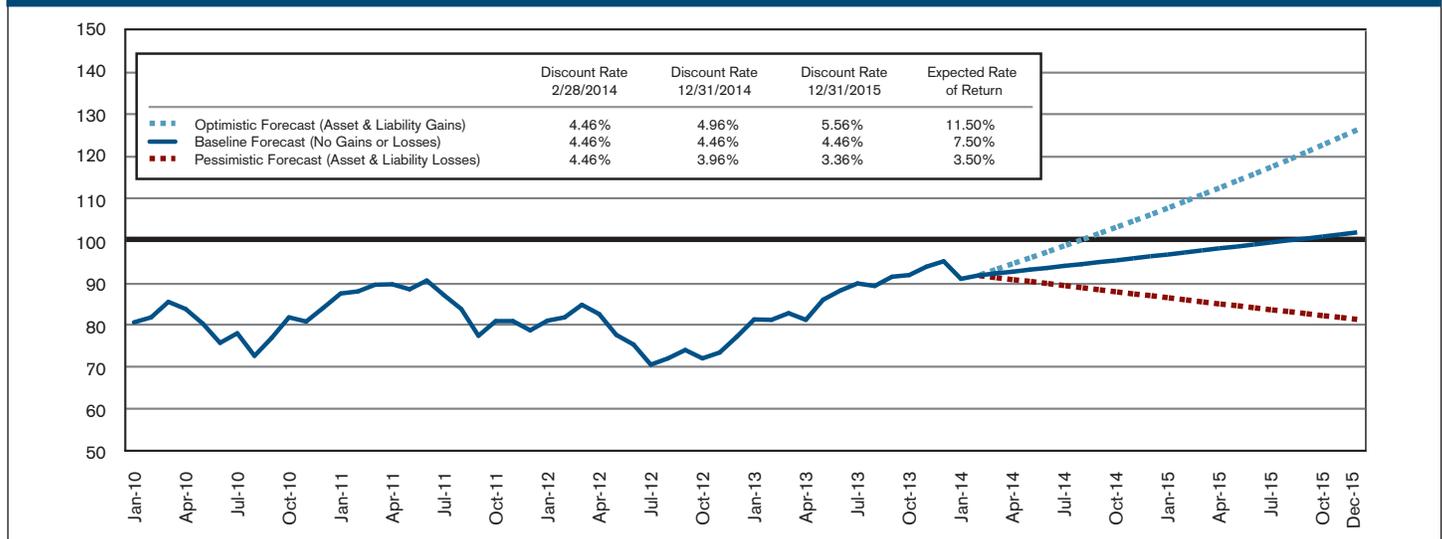


FIGURE 2: MILLIMAN 100 PENSION FUNDING INDEX – PENSION FUNDED RATIO



of January. By comparison, the 2013 Milliman Pension Funding Study reported that the monthly median expected investment return during 2012 was 0.60% (7.5% annualized). The expected rate of return for 2013 will be updated in the 2014 Milliman Pension Funding Study, due out by the beginning of April 2014.

Over the last 12 months (March 2013 to February 2014), the cumulative asset return for these pensions has been 10.37% and the Milliman 100 PFI funded status deficit has improved by \$182 billion. The higher trending interest rates and above-expected asset returns during most of 2013 drove the improvement in funded status. The funded ratio of the Milliman 100 companies has increased over the past 12 months to 91.8% from 81.2%.

2014-2015 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 for the remainder of the projection period and the current discount rate of 4.46% was maintained during years 2014 and 2015, we forecast that the

funded status of the surveyed plans would increase. This would result in a projected pension deficit of \$58 billion (funded ratio of 96.4%) by the end of 2014 and a projected pension surplus of \$34 billion (funded ratio of 102.1%) by the end of 2015. For purposes of this forecast, we have assumed 2014 and 2015 aggregate contributions of \$81 billion.

Under an optimistic forecast with rising interest rates (reaching 4.96% by the end of 2014 and 5.56% by the end of 2015) and asset gains (11.5% annual returns), the funded ratio would climb to 106% by the end of 2014 and 127% by the end of 2015. Under a pessimistic forecast with similar interest rate and asset movements (3.96% discount rate at the end of 2014 and 3.36% by the end of 2015 and 3.5% annual returns), the funded ratio would decline to 87% by the end of 2014 and 81% by the end of 2015.

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MILLIMAN 100 PENSION FUNDING INDEX – FEBRUARY 2014 (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
FEBRUARY	2013	1,351,607	1,665,403	(313,796)	N/A	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	1,356,420	1,537,932	(181,512)	44,380	88.2%
JULY	2013	1,384,867	1,540,452	(155,585)	25,927	89.9%
AUGUST	2013	1,368,799	1,532,490	(163,691)	(8,106)	89.3%
SEPTEMBER	2013	1,397,997	1,527,475	(129,478)	34,213	91.5%
OCTOBER	2013	1,429,024	1,555,573	(126,549)	2,929	91.9%
NOVEMBER	2013	1,439,609	1,532,786	(93,177)	33,372	93.9%
DECEMBER	2013	1,450,117	1,522,964	(72,847)	20,330	95.2%
JANUARY	2014	1,440,772	1,582,602	(141,830)	(68,983)	91.0%
FEBRUARY	2014	1,472,521	1,603,832	(131,311)	10,519	91.8%

PENSION ASSET AND LIABILITY RETURNS

END OF MONTH	YEAR	ASSET RETURNS		DISCOUNT RATE	LIABILITY RETURNS	
		MONTHLY	YEAR-TO-DATE		MONTHLY	YEAR-TO-DATE
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	-1.87%	3.36%	4.74%	-4.12%	-8.46%
JULY	2013	2.22%	5.66%	4.73%	0.51%	-7.99%
AUGUST	2013	-1.04%	4.56%	4.77%	-0.17%	-8.14%
SEPTEMBER	2013	2.26%	6.92%	4.80%	0.03%	-8.12%
OCTOBER	2013	2.34%	9.42%	4.67%	2.19%	-6.11%
NOVEMBER	2013	0.86%	10.36%	4.78%	-1.12%	-7.16%
DECEMBER	2013	0.80%	11.24%	4.83%	-0.30%	-7.44%
JANUARY	2014	-0.57%	-0.57%	4.55%	4.26%	4.26%
FEBRUARY	2014	2.28%	1.69%	4.46%	1.67%	6.00%

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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