



Contact: Zorast Wadia
Milliman, Inc.
Tel: +1 646 473 3315
zorast.wadia@milliman.com

FOR IMMEDIATE RELEASE

Press Release

Milliman analysis: July's corporate pension funding deficit largest seen in 2019 as discount rates drop

Milliman 100 PFI funded status decreases by \$11 billion in July, funded ratio at 87.9%

SEATTLE – AUGUST 8, 2019 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans. In July, the Milliman 100 PFI deficit hit a year-to-date high, swelling from \$205 billion to \$216 billion, the result of a decrease in the benchmark corporate bond interest rates used to value pension liabilities. The monthly discount rate during July dropped by eight basis points, to 3.37%, making it the third lowest discount rate in the 19-year history of the Milliman 100 Pension Funding Index, with discount rates lower only in July and August of 2016 .

“July delivered a one-two punch to corporate pensions, with the Fed’s quarter-point interest rate cut and drop in the monthly discount rate,” said Zorast Wadia, co-author of the Milliman 100 PFI. “Investment returns overall this year have helped buoy funding – but with the market volatility seen over the past few days, August may turn out to be more ‘bust’ than ‘boom’ for these pensions.”

As of July 31, the funded ratio of the Milliman 100 PFI fell from 88.4% to 87.9%, and the funded status of these pensions decreased by \$11 billion. Over the last 12 months (August 2018 – July 2019), the cumulative asset return for these pensions has been 6.42%, while discount rates experienced a 74 basis point drop, moving from 4.11% to 3.37% a year later.

Looking forward, under an optimistic forecast with rising interest rates (reaching 3.62% by the end of 2019 and 4.22% by the end of 2020) and asset gains (10.6% annual returns), the funded ratio would climb to 94% by the end of 2019 and 109% by the end of 2020. Under a pessimistic forecast (3.12% discount rate at the end of 2019 and 2.52% by the end of 2020 and 2.6% annual returns), the funded ratio would decline to 85% by the end of 2019 and 78% by the end of 2020.

To view the complete Pension Funding Index, go to <http://us.milliman.com/PFI>. To see the 2019 Milliman Pension Funding Study, go to <http://us.milliman.com/PFS/>. To receive regular updates of Milliman’s pension funding analysis, contact us at pensionfunding@milliman.com.

About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit milliman.com.



About the Milliman Pension Funding Study

For the past 19 years, Milliman has conducted an annual study of the 100 largest defined benefit pension plans sponsored by U.S. public companies. The results of the Milliman 2019 Pension Funding Study are based on the pension plan accounting information disclosed in the footnotes to the companies' annual reports for the 2018 fiscal year and for previous fiscal years. These figures represent the GAAP accounting information that public companies are required to report under Financial Accounting Standards Board Accounting Standards Codification Subtopics 715-20, 715-30, and 715-60. In addition to providing the financial information on the funded status of their 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 from those for U.S. qualified pension plans. The information, data, and footnotes do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

###