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FOR IMMEDIATE RELEASE

Press Release

## **Milliman analysis: August's discount rate hits PFI record-low as corporate pension funding drops by \$87 billion**

**Milliman 100 PFI funded ratio decreases from 87.7% to 83.8% in August**

SEATTLE – SEPTEMBER 5, 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 August, the PFI monthly discount rate dropped by 42 basis points to 2.95%, the lowest ever recorded in the 19-year history of the index. Until August, the Milliman 100 PFI had never reported a discount rate below 3.00%.

As a result, the funded status deficit ballooned from \$219 billion at the end of July to \$306 billion as of August 31, an \$87 billion funding decrease for these plans. The projected benefit obligation (PBO) increased by a whopping \$104 billion, though it was partially offset by \$17 billion in investment gains for the month. During August, the funded ratio of the Milliman 100 PFI fell from 87.7% to 83.8%.

"Discount rates have fallen by 110 basis points over the past twelve months, slashing corporate pension funding and hitting an all-time low for the PFI," said Zorast Wadia, co-author of the Milliman 100 PFI. "In fact, at this time last year the funded ratio for these plans was roughly ten percentage points higher, at 93.1%, than we're seeing now."

Looking forward, under an optimistic forecast with rising interest rates (reaching 3.15% by the end of 2019 and 3.75% by the end of 2020) and asset gains (10.6% annual returns), the funded ratio would climb to 88% by the end of 2019 and 103% by the end of 2020. Under a pessimistic forecast (2.75% discount rate at the end of 2019 and 2.15% by the end of 2020 and 2.6% annual returns), the funded ratio would decline to 82% by the end of 2019 and 75% 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](mailto: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](http://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.

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