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FOR IMMEDIATE RELEASE

Press Release

Milliman year-end analysis: Corporate pensions experience stellar investment returns alongside sinking discount rates in 2017

Milliman 100 PFI ends the year with a funded ratio of 84.1% and lowest discount rates of 2017

SEATTLE – JANUARY 10, 2018 – Milliman, Inc., a premier global consulting and actuarial firm, today released the year-end results of its latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans. During 2017, despite superb investment gains, these pensions experienced an overall \$2 billion decrease in funded status due to a decline in the corporate bond rates used to measure pension liabilities. In December, the Milliman 100 PFI discount rate fell 46 basis points to 3.53%, marking the lowest year-end discount rate and fifth-lowest monthly discount rate in the PFI's 17-year history.

In contrast to declining discount rates, assets outperformed expectations in 2017 with a cumulative investment gain of 11.47% (by comparison, the 2017 Pension Funding Study reported a 7.0% annualized expected rate of return). The 2017 funding ratio for the Milliman PFI plans ticked up from 83.3% at the end of 2016 to 84.1% as of December 31, 2017 – despite the overall \$2 billion decrease in funded status.

“There are a few items on the radar for corporate pensions in 2018,” said Zorast Wadia, co-author of the Milliman 100 PFI. “We expect pension expenses to decrease by around \$2.6 billion, thanks to last year’s stellar investment experience. And with the passage of tax reform, plan sponsors may decide to take a closer look at accelerating contributions with an eye toward further de-risking efforts.”

Looking forward, under an optimistic forecast with rising interest rates (reaching 4.13% by the end of 2018 and 4.73% by the end of 2019) and asset gains (11.0% annual returns), the funded ratio would climb to 97% by the end of 2018 and 112% by the end of 2019. Under a pessimistic forecast (2.93% discount rate at the end of 2018 and 2.33% by the end of 2019 and 3.0% annual returns), the funded ratio would decline to 77% by the end of 2018 and 71% by the end of 2019.

To view the complete Pension Funding Index, go to <http://us.milliman.com/PFI>. To see the 2017 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 17 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 2017 Pension Funding Study are based on the pension plan accounting information disclosed in the footnotes to the companies' annual reports for the 2016 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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