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FOR IMMEDIATE RELEASE

Press Release

Milliman analysis: Corporate pension funding increases by $23 billion in June as discount rates hit two-year high

Milliman 100 PFI funding ratio rises to 92.8%

SEATTLE – JULY 9, 2018 – 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 June, these pensions experienced a $23 billion increase in funded status, with the deficit of the Milliman 100 PFI plans falling from $141 billion at the end of May to $118 billion as of June 30. The improvement was due to an increase in the benchmark corporate bond interest rates used to value pension liabilities, which saw discount rates increase by 13 basis points from 3.99% to 4.12% over the same time period. The funded ratio for the Milliman 100 PFI jumped to 92.8% as of June 30, and would have been higher had it not been for June's poor investment returns of -0.09%.

"Six months into 2018 and corporate pensions are well ahead of where they started at the beginning of the year," said Zorast Wadia, co-author of the Milliman 100 PFI. "The rise in discount rates has helped these pensions stay on track, with June marking the highest rate since January 2016 and the Milliman 100 funding ratio climbing from 87.6% to 92.8% for the first half of the year. This is despite investment performance falling short of expectations so far in 2018."

June's -0.09% investment return left Milliman 100 PFI asset value to decline from $1.531 trillion at the end of May to $1.526 trillion as of June 30. By comparison, the 2018 Milliman Pension Funding Study reported that the monthly median expected investment return during 2017 was 0.55% (6.8% annualized). The projected benefit obligation (PBO) decreased by $28 billion during June, lowering the Milliman 100 PFI value to $1.644 trillion.

Looking forward, under an optimistic forecast with rising interest rates (reaching 4.42% by the end of 2018 and 5.02% by the end of 2019) and asset gains (10.8% annual returns), the funded ratio would climb to 100% by the end of 2018 and 116% by the end of 2019. Under a pessimistic forecast (3.82% discount rate at the end of 2018 and 3.22% by the end of 2019 and 2.8% annual returns), the funded ratio would decline to 89% by the end of 2018 and 83% by the end of 2019.

To view the complete Pension Funding Index, go to http://us.milliman.com/PFI. To see the 2018 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 18 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 2018 Pension Funding Study are based on the pension plan accounting information disclosed in the footnotes to the companies' annual reports for the 2017 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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