

100 largest pensions lose \$95 billion in funded status in November

Monthly update for November 2008



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The assets of the largest 100 corporate pension plans, as measured by the Milliman 100 Pension Funding Index, again suffered investment losses (more than \$30 billion) during November. Unlike the case in October, when liability decreases helped to offset the investment losses, a significant drop in interest rates (more than 80 basis points) contributed to liability increases in November. The net result is that the funded status for the pensions sponsored by these companies dropped by \$95 billion. As of Nov. 30, the funded ratio had decreased to 84.7%, well below the 104.9% funded ratio seen at the end of 2007.

In November, these pensions experienced their largest one-month drop in funded status so far this year. For comparison, although October had a larger asset drop (\$120 billion), the funded status only declined by \$58 billion.

November's \$30 billion decrease in market value advances the drop in total pension asset value among companies in the Milliman 100 Index to \$986 billion thus far for 2008. The monthly asset return was approximately -2.6%. Net asset return for 2008 to date is -23%, a sharp decline compared with the annual expected return of 8.3%.

At the same time, the projected benefit obligation (PBO), or pension liabilities, increased by \$65 billion during November, moving from \$1.064

trillion to \$1.129 trillion. The increase in PBO was primarily attributable to the significant decrease in the monthly discount rate from 8.45% for October to 7.64% for November.

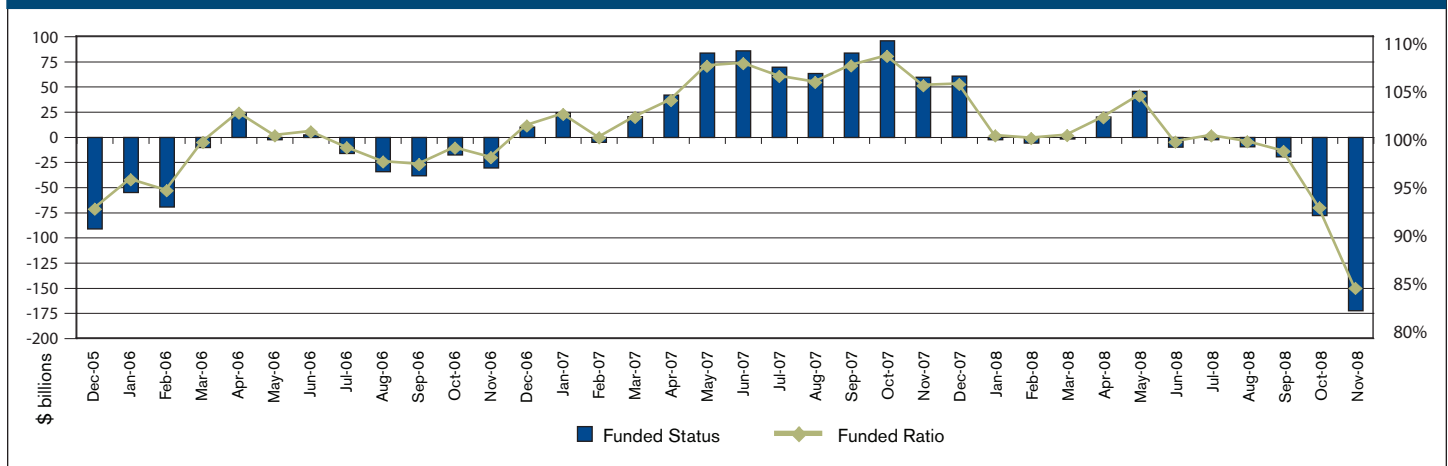
The change in the November funded status accelerates the larger downward trend of the past year. Over the past 12 months (December-November), the funded status has fallen by \$232 billion.

WHAT TO EXPECT FOR THE REST OF 2008

If for the balance of 2008 the pension plans included in the Milliman 100 Pension Funding Index earn a 0% return and discount rates remain at 7.64%, the funded status of the Milliman 100 pension plans is currently projected to decrease by another \$7 billion, with a funded ratio of 84.1% on Dec. 31. This would indicate a projected pension deficit of \$180 billion at year end and would mark a surplus loss of \$241 billion for the year. This loss in funded status will result in a charge to corporate balance sheets at the end of the 2008 fiscal year and an estimated increase of \$60 billion in pension expense for 2009.

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FIGURE 1: MILLIMAN 100 PENSION FUNDING INDEX PENSION SURPLUS/DEFICIT AND PENSION FUNDED RATIO



ABOUT THE MILLIMAN 100 MONTHLY PENSION FUNDING INDEX

For the past eight 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 2008 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 2007 fiscal year and for previous fiscal years. 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 from those for U.S. qualified pension plans. They do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

MILLIMAN 100 PENSION FUNDING INDEX – NOVEMBER 2008 (ALL DOLLAR AMOUNTS IN MILLIONS)

END OF MONTH	YEAR	MARKET VALUE OF ASSETS	FUNDED STATUS		CHANGE IN FUNDED STATUS	FUNDED RATIO
			PROJECTED BENEFIT OBLIGATION (PBO)	FUNDED STATUS		
NOVEMBER	2007	1,312,952	1,253,167	59,786	(36,299)	104.8%
DECEMBER	2007	1,304,434	1,243,474	60,960	1,174	104.9%
JANUARY	2008	1,252,363	1,254,596	(2,233)	(63,193)	99.8%
FEBRUARY	2008	1,238,388	1,243,970	(5,582)	(3,349)	99.6%
MARCH	2008	1,225,591	1,227,320	(1,729)	3,853	99.9%
APRIL	2008	1,257,212	1,237,186	20,026	21,755	101.6%
MAY	2008	1,261,220	1,215,402	45,818	25,792	103.8%
JUNE	2008	1,197,830	1,207,692	(9,862)	(55,680)	99.2%
JULY	2008	1,183,193	1,185,576	(2,383)	7,479	99.8%
AUGUST	2008	1,185,540	1,194,824	(9,284)	(6,901)	99.2%
SEPTEMBER	2008	1,106,577	1,125,860	(19,283)	(9,999)	98.3%
OCTOBER	2008	986,785	1,064,353	(77,568)	(58,285)	92.7%
NOVEMBER	2008	956,320	1,128,765	(172,445)	(94,877)	84.7%

PENSION ASSETS (ALL DOLLAR AMOUNTS IN MILLIONS)

END OF MONTH	YEAR	CHANGE IN MARKET VALUE OF ASSETS		ASSET RETURNS	
		MONTHLY	YEAR TO DATE	MONTHLY	YEAR TO DATE
NOVEMBER	2007	(33,676)	28,417	-2.00%	7.85%
DECEMBER	2007	(8,518)	19,899	-0.20%	7.63%
JANUARY	2008	(52,071)	(52,071)	-3.59%	-3.59%
FEBRUARY	2008	(13,975)	(66,046)	-0.70%	-4.27%
MARCH	2008	(12,797)	(78,843)	-0.61%	-4.85%
APRIL	2008	31,621	(47,222)	3.02%	-1.98%
MAY	2008	4,008	(43,214)	0.74%	-1.25%
JUNE	2008	(63,390)	(106,604)	-4.62%	-5.81%
JULY	2008	(14,637)	(121,241)	-0.78%	-6.55%
AUGUST	2008	2,347	(118,894)	0.65%	-5.95%
SEPTEMBER	2008	(78,963)	(197,857)	-6.23%	-11.81%
OCTOBER	2008	(119,792)	(317,649)	-10.37%	-20.95%
NOVEMBER	2008	(30,465)	(348,114)	-2.56%	-22.98%

PENSION LIABILITIES (PBO) (ALL DOLLAR AMOUNTS IN MILLIONS)

END OF MONTH	YEAR	DISCOUNT RATE	LIABILITY RETURNS		CHANGE IN PBO	
			MONTHLY	YEAR TO DATE	MONTHLY	YEAR TO DATE
NOVEMBER	2007	5.96%	0.60%	3.09%	2,623	(21,242)
DECEMBER	2007	6.15%	-0.30%	2.78%	(9,693)	(30,935)
JANUARY	2008	6.06%	1.27%	1.27%	11,122	11,122
FEBRUARY	2008	6.18%	-0.47%	0.79%	(10,626)	496
MARCH	2008	6.36%	-0.96%	-0.17%	(16,650)	(16,154)
APRIL	2008	6.28%	1.18%	1.01%	9,866	(6,288)
MAY	2008	6.52%	-1.38%	-0.38%	(21,784)	(28,072)
JUNE	2008	6.63%	-0.25%	-0.63%	(7,710)	(35,782)
JULY	2008	6.89%	-1.44%	-2.07%	(22,116)	(57,898)
AUGUST	2008	6.80%	1.17%	-0.92%	9,248	(48,650)
SEPTEMBER	2008	7.63%	-5.36%	-6.24%	(68,964)	(117,614)
OCTOBER	2008	8.45%	-5.03%	-10.96%	(61,507)	(179,121)
NOVEMBER	2008	7.64%	6.46%	-5.21%	64,412	(114,709)

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