

After Two Steps Forward, Pensions Take One Step Back in May



Funded status of largest corporate pension plans decreases by \$10 billion during May

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Funded status dropped during May 2009 following increases in the two prior months. The assets of the 100 largest corporate pension plans, as measured by the Milliman 100 Pension Funding Index, posted moderate investment gains (\$20 billion). The asset gains were offset by liability increases of roughly \$30 billion due to decreases in discount rates. The net result is that the funded status for the pensions sponsored by these companies decreased by \$10 billion during May. As of May 31, the funded ratio had also decreased to 79.3%. The funded ratio is still above the 78.2% reported for the end of 2008.

May's \$20 billion increase in market value raises the total pension asset value in the Milliman 100 Index from \$947 billion to \$967 billion. The monthly asset return was approximately 2.61%. By comparison, the companies' expected monthly asset return rate is 0.65% (8.1% annualized).

At the same time, the projected benefit obligation (PBO), or pension liabilities, increased by \$30 billion during May, moving from \$1.189 trillion to \$1.219 trillion, due to a drop in the monthly discount rate from 6.85% for April to 6.53% for May.

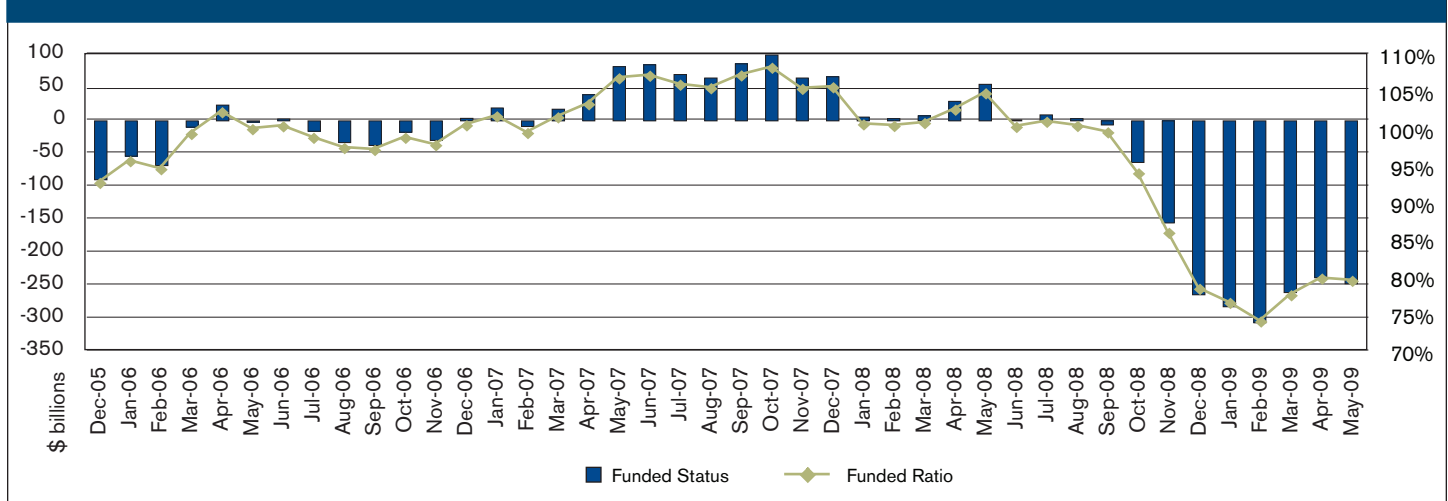
Over the last 12 months (June 2008–May 2009), the cumulative asset return has been -18.45% and the funded status has fallen by \$308 billion. For these 12 months, the funded ratio of the Milliman 100 companies has fallen from 104.6% to 79.3%.

WHAT TO EXPECT FOR THE REST OF 2009

With an expected return of 8.1% and a discount rate of 6.53% for the balance of 2009, the funded status of the Milliman 100 pension plans is projected to slightly increase, with an expected pension deficit of \$248 billion and a funded ratio of 79.9% on Dec. 31. Asset returns of 32.2% for the rest of 2009 would result in a funded ratio of 90% and projected deficit of \$124 billion at the end of the year.

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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 nine 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 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 2008 fiscal year and for previous fiscal years. The 2009 Milliman 100 Pension Funding Study was published on March 24, 2009. 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 – MAY 2009 (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		
MAY	2008	1,262,234	1,206,187	56,047	26,222	104.6%
JUNE	2008	1,197,955	1,196,712	1,242	(54,805)	100.1%
JULY	2008	1,182,227	1,173,011	9,216	7,974	100.8%
AUGUST	2008	1,183,413	1,180,363	3,051	(6,165)	100.3%
SEPTEMBER	2008	1,103,803	1,110,542	(6,739)	(9,790)	99.4%
OCTOBER	2008	983,754	1,048,275	(64,520)	(57,782)	93.8%
NOVEMBER	2008	952,389	1,110,023	(157,634)	(93,114)	85.8%
DECEMBER	2008	967,009	1,235,798	(268,789)	(111,155)	78.2%
JANUARY	2009	926,507	1,213,526	(287,019)	(18,230)	76.3%
FEBRUARY	2009	881,238	1,193,144	(311,906)	(24,887)	73.9%
MARCH	2009	909,088	1,174,616	(265,528)	46,378	77.4%
APRIL	2009	946,488	1,188,745	(242,257)	23,271	79.6%
MAY	2009	967,064	1,218,997	(251,933)	(9,676)	79.3%

PENSION ASSETS (ALL DOLLAR AMOUNTS IN MILLIONS)

END OF MONTH	YEAR	CHANGE IN MARKET MONTHLY	VALUE OF ASSETS YEAR-TO-DATE	ASSET RETURNS	
				MONTHLY	YEAR-TO-DATE
MAY	2008	2,733	(49,265)	0.73%	-1.23%
JUNE	2008	(64,279)	(113,544)	-4.59%	-5.77%
JULY	2008	(15,728)	(129,272)	-0.78%	-6.51%
AUGUST	2008	1,187	(128,086)	0.64%	-5.90%
SEPTEMBER	2008	(79,611)	(207,696)	-6.21%	-11.74%
OCTOBER	2008	(120,049)	(327,745)	-10.34%	-20.87%
NOVEMBER	2008	(31,366)	(359,110)	-2.57%	-22.90%
DECEMBER	2008	14,622	(344,488)	2.19%	-21.21%
JANUARY	2009	(40,502)	(40,502)	-3.78%	-3.78%
FEBRUARY	2009	(45,269)	(85,771)	-4.46%	-8.06%
MARCH	2009	27,850	(57,921)	3.63%	-4.73%
APRIL	2009	37,400	(20,521)	4.57%	-0.37%
MAY	2009	20,576	55	2.61%	2.23%

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

END OF MONTH	YEAR	DISCOUNT RATE	LIABILITY RETURNS		CHANGE IN PBO	
			MONTHLY	YTD	MONTHLY	YTD
MAY	2008	6.52%	-1.37%	-0.38%	(23,489)	(37,287)
JUNE	2008	6.63%	-0.24%	-0.61%	(9,475)	(46,762)
JULY	2008	6.89%	-1.43%	-2.03%	(23,702)	(70,463)
AUGUST	2008	6.80%	1.19%	-0.87%	7,352	(63,111)
SEPTEMBER	2008	7.63%	-5.34%	-6.16%	(69,821)	(132,932)
OCTOBER	2008	8.45%	-4.99%	-10.85%	(62,267)	(195,199)
NOVEMBER	2008	7.64%	6.53%	-5.03%	61,748	(133,451)
DECEMBER	2008	6.26%	11.91%	6.28%	125,775	(7,676)
JANUARY	2009	6.52%	-1.39%	-1.39%	(22,272)	(22,272)
FEBRUARY	2009	6.76%	-1.26%	-2.63%	(20,382)	(42,654)
MARCH	2009	7.00%	-1.12%	-3.72%	(18,528)	(61,182)
APRIL	2009	6.85%	1.64%	-2.14%	14,129	(47,053)
MAY	2009	6.53%	2.97%	0.76%	30,252	(16,801)

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