

Milliman Analysis: February 2010 Brings Funding Improvement

Funded status increased by \$11 billion during February



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The funded status of the 100 largest corporate defined benefit pension plans improved by \$11 billion during February 2010. The funded status increase was primarily due to the assets of these plans, as measured by the Milliman 100 Pension Funding Index (PFI), increasing by \$10 billion during February due to investment gains. Plan liabilities had a comparatively small decrease of \$1 billion as the discount rate movement had a minor increase. As of Feb. 28, 2010, the funded ratio increased to 76.8%, up from 76.1% at the end of January 2010.

February's \$10 billion increase in market value raises the Milliman 100 PFI asset value to \$1.039 trillion, up from \$1.029 trillion at the end of January 2010. The monthly asset return was approximately 1.26%. By comparison, the Milliman 2009 Pension Funding Study found that companies' expected monthly asset return rate was 0.65% (8.10% annualized).

At the same time, the projected benefit obligation (PBO), or pension liabilities, decreased by \$1 billion during February, moving the Milliman 100 PFI value to \$1.352 trillion from \$1.353 trillion at the end of January 2010 due to an increase in the monthly discount rate to 5.32% for February (from 5.30% for January 2010).

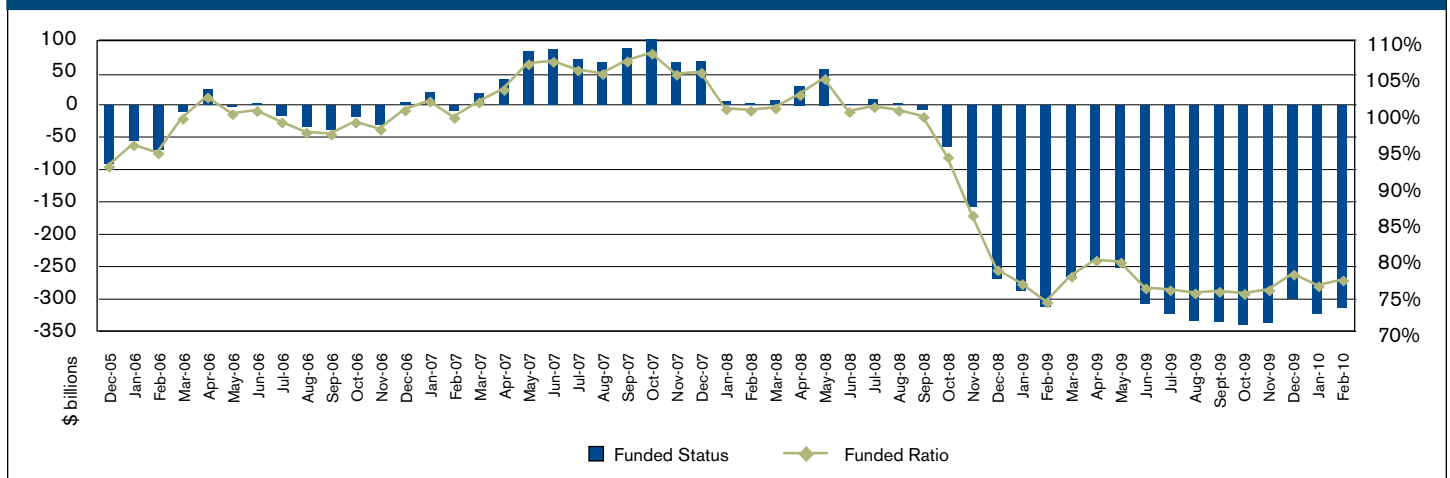
Over the last 12 months (Mar. 2009-Feb. 2010), the cumulative asset return has been 23.6% and the Milliman 100 PFI funded status has fallen by \$1 billion. For these 12 months, the funded ratio of the Milliman 100 companies changed from 73.8% to 76.8%.

WHAT TO EXPECT FOR THE REST OF 2010

If the companies were to achieve an expected return of 8.1% and the current discount rate of 5.32% were maintained for the balance of 2010, Milliman forecasts the funded status of the 100 surveyed pension plans would increase, with a projected pension deficit of \$287 billion and a funded ratio of 79.0% on December 31. Asset returns of 26.2% for the rest of 2010 would be needed to reach a funded ratio of 90% and a projected deficit of \$136 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 – FEBRUARY 2010 (ALL DOLLAR AMOUNTS IN MILLIONS)

| END OF MONTH | YEAR | MARKET VALUE OF ASSETS | PROJECTED BENEFIT OBLIGATION (PBO) | FUNDED STATUS | CHANGE IN FUNDED STATUS | FUNDED RATIO |
|--------------|------|------------------------|------------------------------------|---------------|-------------------------|--------------|
| FEBRUARY | 2009 | 881,105 | 1,193,144 | (312,039) | (25,055) | 73.8% |
| MARCH | 2009 | 908,792 | 1,174,616 | (265,824) | 46,215 | 77.4% |
| APRIL | 2009 | 946,015 | 1,188,745 | (242,730) | 23,094 | 79.6% |
| MAY | 2009 | 966,975 | 1,218,997 | (252,022) | (9,292) | 79.3% |
| JUNE | 2009 | 961,576 | 1,269,716 | (308,140) | (56,118) | 75.7% |
| JULY | 2009 | 993,194 | 1,315,782 | (322,588) | (14,448) | 75.5% |
| AUGUST | 2009 | 1,007,049 | 1,341,359 | (334,310) | (11,722) | 75.1% |
| SEPTEMBER | 2009 | 1,022,645 | 1,358,183 | (335,538) | (1,228) | 75.3% |
| OCTOBER | 2009 | 1,015,838 | 1,354,912 | (339,074) | (3,536) | 75.0% |
| NOVEMBER | 2009 | 1,036,461 | 1,372,813 | (336,352) | 2,722 | 75.5% |
| DECEMBER | 2009 | 1,041,034 | 1,340,568 | (299,534) | 36,818 | 77.7% |
| JANUARY | 2010 | 1,028,996 | 1,352,924 | (323,928) | (24,394) | 76.1% |
| FEBRUARY | 2010 | 1,039,343 | 1,352,554 | (313,211) | 10,717 | 76.8% |

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 |
| FEBRUARY | 2009 | (45,437) | (85,910) | -4.47% | -8.08% |
| MARCH | 2009 | 27,687 | (58,223) | 3.61% | -4.76% |
| APRIL | 2009 | 37,223 | (21,000) | 4.55% | -0.42% |
| MAY | 2009 | 20,960 | (40) | 2.65% | 2.22% |
| JUNE | 2009 | (5,399) | (5,439) | -0.14% | 2.08% |
| JULY | 2009 | 31,618 | 26,179 | 3.72% | 5.87% |
| AUGUST | 2009 | 13,855 | 40,034 | 1.81% | 7.79% |
| SEPTEMBER | 2009 | 15,596 | 55,630 | 1.96% | 9.90% |
| OCTOBER | 2009 | (6,807) | 48,823 | -0.27% | 9.60% |
| NOVEMBER | 2009 | 20,623 | 69,446 | 2.44% | 12.27% |
| DECEMBER | 2009 | 4,573 | 74,019 | 0.84% | 13.21% |
| JANUARY | 2010 | (12,038) | (12,038) | -0.91% | -0.91% |
| FEBRUARY | 2010 | 10,347 | (1,691) | 1.26% | 0.34% |

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 |
| 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) |
| JUNE | 2009 | 6.01% | 4.56% | 5.35% | 50,719 | 33,918 |
| JULY | 2009 | 5.57% | 3.99% | 9.56% | 46,066 | 79,984 |
| AUGUST | 2009 | 5.34% | 2.29% | 12.06% | 25,577 | 105,561 |
| SEPTEMBER | 2009 | 5.20% | 1.59% | 13.84% | 16,824 | 122,385 |
| OCTOBER | 2009 | 5.24% | 0.09% | 13.94% | (3,271) | 119,114 |
| NOVEMBER | 2009 | 5.09% | 1.64% | 15.81% | 17,901 | 137,015 |
| DECEMBER | 2009 | 5.40% | -2.02% | 13.46% | (32,245) | 104,770 |
| JANUARY | 2010 | 5.30% | 1.25% | 1.25% | 12,356 | 12,356 |
| FEBRUARY | 2010 | 5.32% | 0.30% | 1.55% | (370) | 11,986 |

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