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Press Release

Milliman Study: Five Years of Corporate Pension Gains Wiped Out in 2008

Plan Assets Invested in Equities Declined from 55% to 44%

Seattle – March 24, 2009 - Results from the **9th Annual Milliman Pension Funding Study** show the ongoing financial crisis took an increasing toll on the pension funds of the **Milliman 100 Index** companies last year. The funded status of the nation's largest corporate defined benefit retirement plans registered record losses — over \$300 billion — in 2008, wiping out the entire gains from the preceding five years. According to study co-author John Ehrhardt, "Asset losses drove a decrease in funded status from about 106% at the end of 2007 to less than 80% at the end of 2008. Losses continued into 2009 with more than a \$30 billion decrease in funded status in the first two months. At the end of February," Ehrhardt observed, "the funded status of the **Milliman 100** pension plans stood at 74%, the lowest level since May 2003."

The loss in funded status in 2008 is projected to produce an increase in pension expense for 2009 and a charge to corporate earnings in excess of \$70 billion. Employer contributions to the **Milliman 100** pension plans increased only slightly in 2008 (\$29.7 billion vs. \$27.2 billion in 2007). The losses in funded status during 2008, coupled with the new funding requirements under the Pension Protection Act, are projected to increase required contributions to over \$50 billion for 2009.

The percentage of pension plan assets invested in equities declined from 55% to 44% during 2008. "The decrease in equity allocations is primarily due to market declines and, to a much lesser extent, a change in investment policies," said study co-author Paul Morgan of Evaluation Associates (EAI). "A return to a 55% equity allocation by the end of 2009, either through new investments or portfolio rebalancing, would require a \$100 billion investment in the equity markets," Morgan added.

The complete **9th Annual Milliman Pension Funding Study** is available for download at www.milliman.com.

For those who wish to discuss the study with the co-authors, John W. Ehrhardt, FSA, EA, of Milliman, and Paul C. Morgan, CIMA, of Evaluation Associates, will host an hour-long interactive Web session on Wednesday, March 25th at 3:00 P.M. EDT. For dial-in information and instructions, please contact Diane.Loehr@milliman.com.

Milliman's Pension Funding Study is based on pension plan accounting information disclosed in the annual report footnotes of the 100 largest corporate pension plan sponsors, by assets for the 2008 fiscal year and previous years. These numbers represent the GAAP accounting information public companies are required to report under Statements of Financial Accounting Standards 87, 88, 106, and 132. **They do not reflect the funded status of the companies' U.S. qualified pension plans under ERISA.**



About Evaluation Associates

Evaluation Associates, a Milliman company, is a leading, full-service investment consulting firm. Founded over 32 years ago, Evaluation Associates is located in Norwalk, Conn and serves over 125 institutional investors with more than \$300 billion in assets. Our clients include corporate and public retirement funds, foundations, endowments, faith-based organizations, hospitals, and financial service organizations. For further information, visit www.evaluationassociates.com.

About Milliman

Milliman is among the world's largest independent actuarial and consulting firms. Founded in Seattle in 1947 as Milliman & Robertson, the company currently has 49 offices in key locations worldwide. Milliman employs more than 2,000 people, with a professional staff of more than 1,000 qualified consultants and actuaries, including specialists ranging from clinicians to economists. The firm has consulting practices in healthcare, employee benefits, property & casualty insurance, life insurance, and financial services. Milliman serves the full spectrum of business, financial, government, union, education and nonprofit organizations. For further information, visit www.milliman.com.

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