

Milliman analysis: Funded status improves by \$40 billion in April



The Milliman 100 PFI funded status deficit decreases to \$311 billion

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The funded status of the 100 largest corporate defined benefit pension plans increased by \$40 billion during April as measured by the Milliman 100 Pension Funding Index (PFI). The funded status deficit fell to \$311 billion at the end of April primarily due to an increase in the benchmark corporate bond interest rates used to value pension liabilities. Weak asset returns partially offset the full extent of the liability decreases in April. As of April 30, the funded ratio rose to 82.6%, up from 80.9% at the end of March.

The projected benefit obligation (PBO), or pension liabilities, decreased by \$42 billion during April, lowering the Milliman 100 PFI value to \$1.791 trillion. The change resulted from an increase of 17 basis points in the monthly discount rate to 3.82% for April from 3.65% for March. That makes it six consecutive months with historically low sub-4.00% discount rates.

April's sub-par investment activity led to a decrease in Milliman 100 PFI asset value to \$1.480 trillion from \$1.482 trillion at the end of March based on a meager investment gain of 0.22% for the month.

HIGHLIGHTS

	\$ BILLION		FUNDED STATUS	FUNDED PERCENTAGE
	MV	PBO		
MAR 2015	1,482	1,832	(350)	80.9%
APR 2015	1,480	1,791	(311)	82.6%
MONTHLY CHANGE	(2)	(42)	+40	+1.7%
YTD CHANGE	+25	+6	+19	+1.1%

Note: Numbers may not add up precisely due to rounding

By comparison, the 2015 Milliman Pension Funding Study reported that the monthly median expected investment return during 2014 was 0.59% (7.3% annualized).

Over the last 12 months (May 2014 to April 2015), the cumulative asset return for these pensions has been 9.64% and the Milliman 100 PFI funded status deficit has worsened by \$41 billion.

FIGURE 1: MILLIMAN 100 PENSION FUNDING INDEX PENSION SURPLUS/DEFICIT

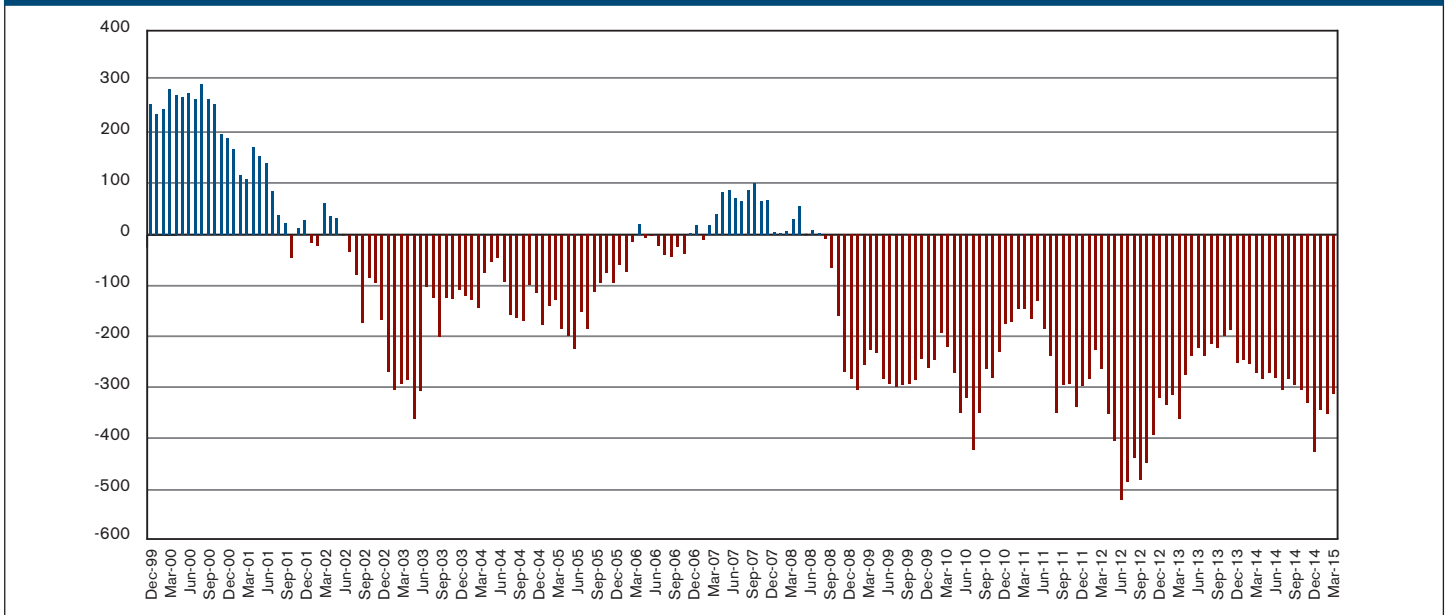
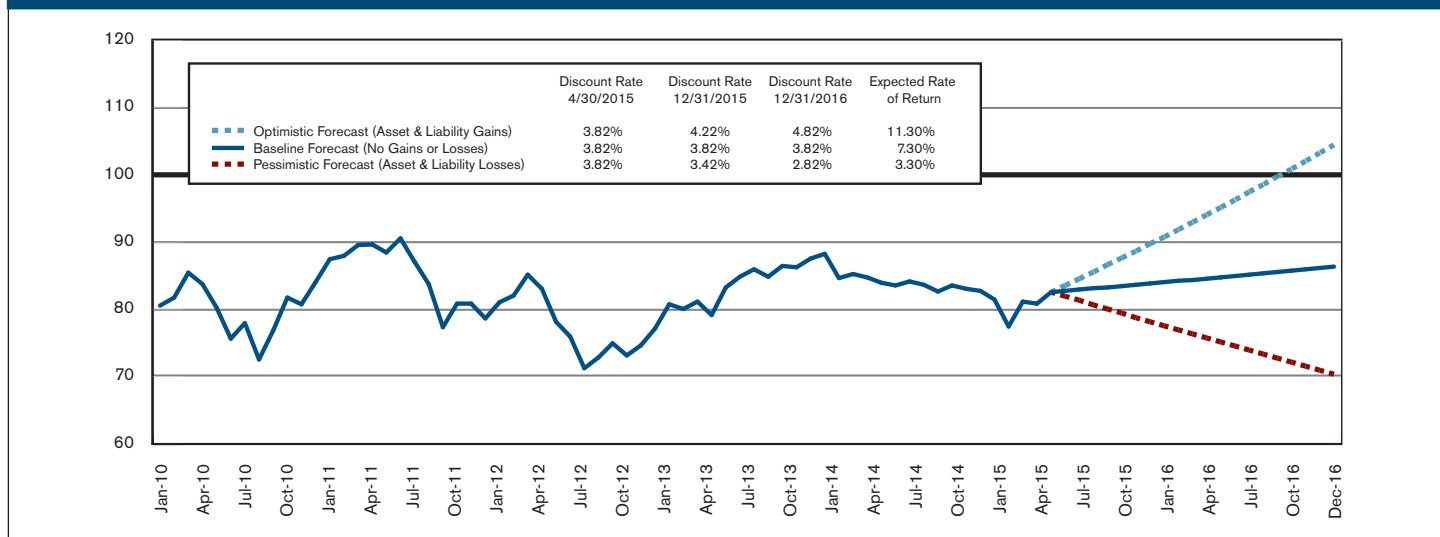


FIGURE 2: MILLIMAN 100 PENSION FUNDING INDEX – PENSION FUNDED RATIO



The primary reason for the decrease in the funded status deficit has been the drop in discount rates experienced over the last 12 months. The discount rate as of a year ago (on April 30, 2014) was 4.20%, 38 basis points higher than where it stands as of April 30, 2015. The funded ratio of the Milliman 100 companies has decreased over the past 12 months to 82.6% from 84.0%.

2015-2016 PROJECTIONS

If the Milliman 100 PFI companies were to achieve the expected 7.3% (as per the 2015 pension funding study) median asset return for their pension plan portfolios and the current discount rate of 3.82% were maintained in 2015 and 2016, we forecast that the funded status of the surveyed plans would increase. This would result in a projected pension deficit of \$286 billion (funded ratio of 84.1%) by the end of 2015 and a projected pension deficit of \$244 billion (funded ratio of 86.4%) by the end of 2016. For purposes of this forecast, we have assumed 2015 aggregate contributions of \$32 billion and 2016 aggregate contributions of \$36 billion.

Under an optimistic forecast with rising interest rates (reaching 4.22% by the end of 2015 and 4.82% by the end of 2016) and asset gains (11.3% annual returns), the funded ratio would climb to 91% by the end of 2015 and 105% by the end of 2016. Under a pessimistic forecast with similar interest rate and asset movements (3.42% discount rate at the end of 2015 and 2.82% by the end of 2016 and 3.3% annual returns), the funded ratio would decline to 78% by the end of 2015 and 70% by the end of 2016.

ABOUT THE MILLIMAN 100 MONTHLY PENSION FUNDING INDEX

For the past 15 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 2014 fiscal year and for previous fiscal years. This pension plan accounting disclosure information was summarized as part of the Milliman 2015 Pension Funding Study, which was published on April 2, 2015. 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 than those for U.S. qualified pension plans. They do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

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MILLIMAN 100 PENSION FUNDING INDEX – APRIL 2015 (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
APRIL	2014	1,418,481	1,688,526	(270,045)	N/A	84.0%
MAY	2014	1,436,812	1,718,360	(281,548)	(11,503)	83.6%
JUNE	2014	1,445,290	1,715,825	(270,535)	11,013	84.2%
JULY	2014	1,433,889	1,713,759	(279,870)	(9,335)	83.7%
AUGUST	2014	1,456,475	1,760,527	(304,052)	(24,182)	82.7%
SEPTEMBER	2014	1,433,650	1,715,644	(281,994)	22,058	83.6%
OCTOBER	2014	1,444,651	1,738,390	(293,739)	(11,745)	83.1%
NOVEMBER	2014	1,461,607	1,764,912	(303,305)	(9,566)	82.8%
DECEMBER	2014	1,455,159	1,784,747	(329,588)	(26,283)	81.5%
JANUARY	2015	1,466,871	1,892,551	(425,680)	(96,092)	77.5%
FEBRUARY	2015	1,484,710	1,827,742	(343,032)	82,648	81.2%
MARCH	2015	1,481,788	1,832,227	(350,439)	(7,407)	80.9%
APRIL	2015	1,479,846	1,790,601	(310,755)	39,684	82.6%

PENSION ASSET AND LIABILITY RETURNS

END OF MONTH	YEAR	ASSET RETURNS			LIABILITY RETURNS	
		MONTHLY	YEAR-TO-DATE	DISCOUNT RATE	MONTHLY	YEAR-TO-DATE
APRIL	2014	0.76%	2.96%	4.20%	1.58%	7.46%
MAY	2014	1.75%	4.77%	4.06%	2.04%	9.64%
JUNE	2014	1.04%	5.86%	4.08%	0.12%	9.77%
JULY	2014	-0.34%	5.49%	4.10%	0.15%	9.93%
AUGUST	2014	2.03%	7.63%	3.89%	2.99%	13.22%
SEPTEMBER	2014	-1.13%	6.42%	4.10%	-2.29%	10.63%
OCTOBER	2014	1.22%	7.72%	4.00%	1.59%	12.38%
NOVEMBER	2014	1.62%	9.46%	3.89%	1.78%	14.38%
DECEMBER	2014	0.00%	9.46%	3.84%	1.37%	15.95%
JANUARY	2015	1.16%	1.16%	3.41%	6.32%	6.32%
FEBRUARY	2015	1.57%	2.75%	3.67%	-3.15%	2.97%
MARCH	2015	0.15%	2.90%	3.65%	0.52%	3.51%
APRIL	2015	0.22%	3.13%	3.82%	-1.99%	1.45%

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