

# Milliman analysis: Public pension funded ratio regains ground lost in Q4, surges to 72.0%

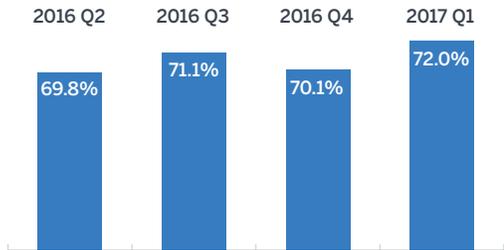
Strong public pension asset performance for the first quarter of 2017 generates \$78 billion improvement in funded status



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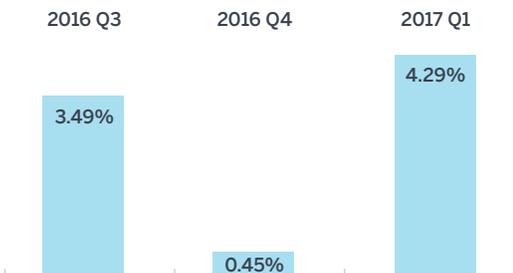
The strong equity returns in Q1 led public plan asset growth to outpace the rise in pension liability, increasing the estimated funded status of the 100 largest U.S. public pension plans by \$78 billion from the end of December 2016 through the end of March 2017, as measured by the Milliman 100 Public Pension Funding Index (PPFI).<sup>1</sup> During the first quarter, the deficit dropped from \$1,392 trillion to \$1,314 trillion. As of March 31, the funded ratio stood at 72.0%, up from 70.1% at the end of December.

### FUNDED RATIO



In aggregate, the PPFI plans experienced investment returns of 4.29% for the quarter. Estimated returns in the first quarter ranged from a low of 2.12% to a high of 5.06%. The plans with the 10 best returns averaged 4.92%, while the plans with the 10 worst returns averaged 2.94%. The plans generated investment income of approximately \$143 billion, but this income was offset by approximately \$27 billion of negative net cash flow, as benefits paid out of these plans exceeded the contributions flowing in. The Milliman 100 PPFI asset value increased from \$3,267 trillion at the end of Q4 to \$3,383 trillion at the end of Q1.

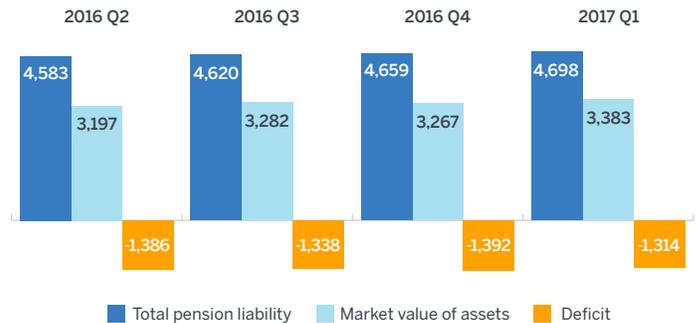
### QUARTERLY INVESTMENT RETURNS



<sup>1</sup> To view the full Milliman Public Pension Funding Study, go to [milliman.com/ppfs](http://milliman.com/ppfs).

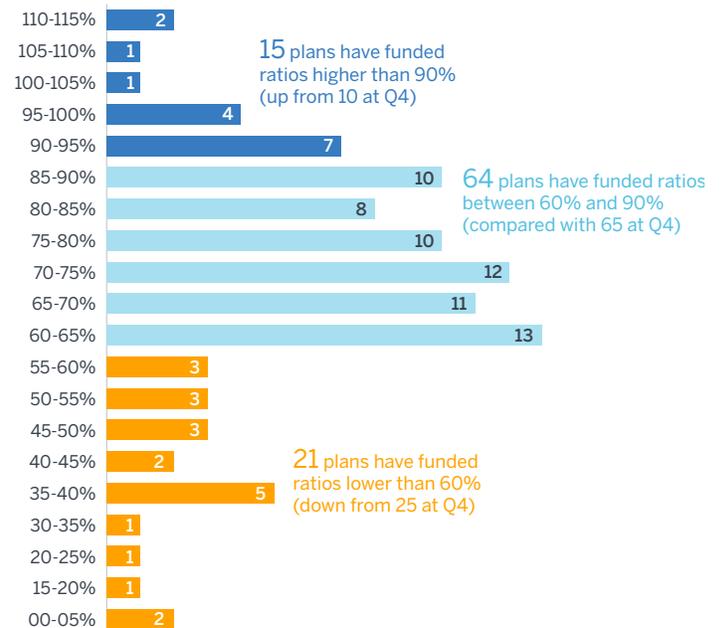
The total pension liability (TPL) increased from \$4,659 trillion at the end of Q4 to an estimated \$4,698 trillion at the end of Q1. The TPL is expected to grow modestly over time as interest on the TPL and the accrual of new benefits outpaces the benefits paid to retirees.

### QUARTERLY FUNDED STATUS



Funded ratios improved across the board, with five plans crossing the 90% funded mark. However, 21 plans still remain below 60% funded, with 10 plans under 40% funded.

### FUNDED RATIOS AT MARCH 31, 2017



## About the Milliman 100 Public Pension Funding Index

For the past five years, Milliman has conducted an annual study of the 100 largest defined benefit plans sponsored by U.S. governments. The Milliman 100 Public Pension Funding Index projects the funded status for pension plans included in our study, reflecting the impact of actual market returns, utilizing the actual reported asset values, liabilities, and asset allocations of the pension plans.

The results of the Milliman 100 Public Pension Funding Index are based on the pension plan financial reporting information disclosed in the plan sponsors' Comprehensive Annual Financial Reports, which reflect measurement dates ranging from June 30, 2014 to December 31, 2015. This information was summarized as part of the Milliman 2016 Public Pension Funding Study, which was published on September 5, 2016.



Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

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