

# Milliman analysis: Funded status creeps up by \$1 billion in September

Asset losses and increased liabilities leave the Milliman 100 PFI funded ratio flat compared to August

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The funded status of the 100 largest corporate defined benefit pension plans remained nearly flat, increasing by \$1 billion during September as measured by the Milliman 100 Pension Funding Index (PFI). The deficit declined to \$51 billion, the result of a decrease in liabilities that just barely outpaced investment losses. Pension liabilities declined due to an increase in the benchmark corporate bond interest rates used to value those liabilities while investments posted their largest monthly loss of the year. As of September 30, the funded ratio held steady at 97.3%, unwavering from the value at the end of August.

An investment loss in September of 1.68% lowered the Milliman 100 PFI asset value by \$38 billion, to \$1.809 trillion. By comparison, the 2021 Milliman Pension Funding Study reported that the monthly median expected investment return during 2020 was 0.50% (6.2% annualized). The full results of the annual 2021 study can be found at [milliman.com/pfs](https://milliman.com/pfs). September’s asset decline reverses the upward trend of above-average returns seen over the past five consecutive months.

### HIGHLIGHTS

	\$ BILLION			
	MV	PBO	FUNDED STATUS	FUNDED PERCENTAGE
AUGUST	1,846	1,899	(52)	97.3%
SEPTEMBER	1,809	1,860	(51)	97.3%
MONTHLY CHANGE	(38)	(39)	+1	0.0%
YTD CHANGE	+30	(109)	+139	7.0%

Note: Numbers may not add up precisely due to rounding

The projected benefit obligation fell by \$39 billion during September, decreasing the Milliman 100 PFI value to \$1.860 trillion from \$1.899 trillion at the end of August. The monthly discount rate increased 13 basis points to 2.78% for September, from 2.65% in August. Discount rates have shown upward progress over the last two months but have only been above 3.00% once over the past 12 months.

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

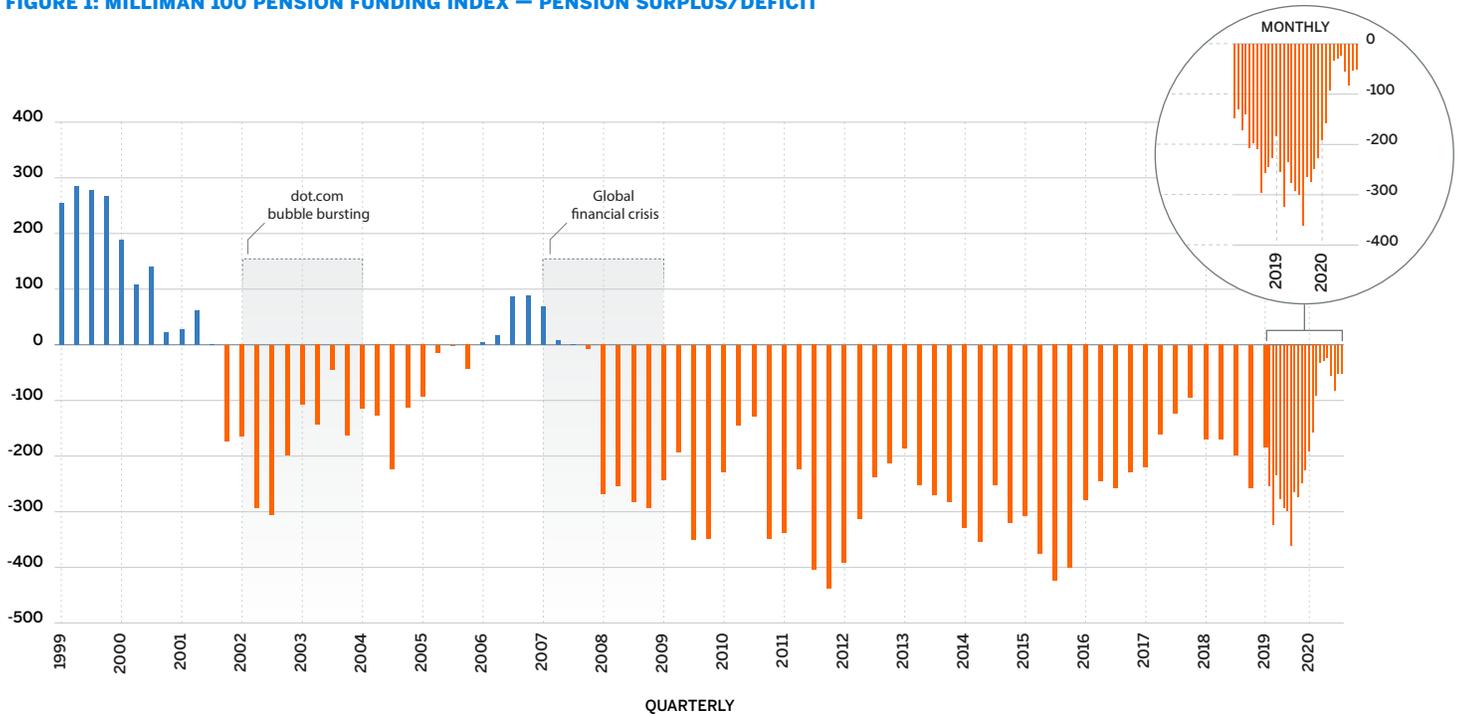
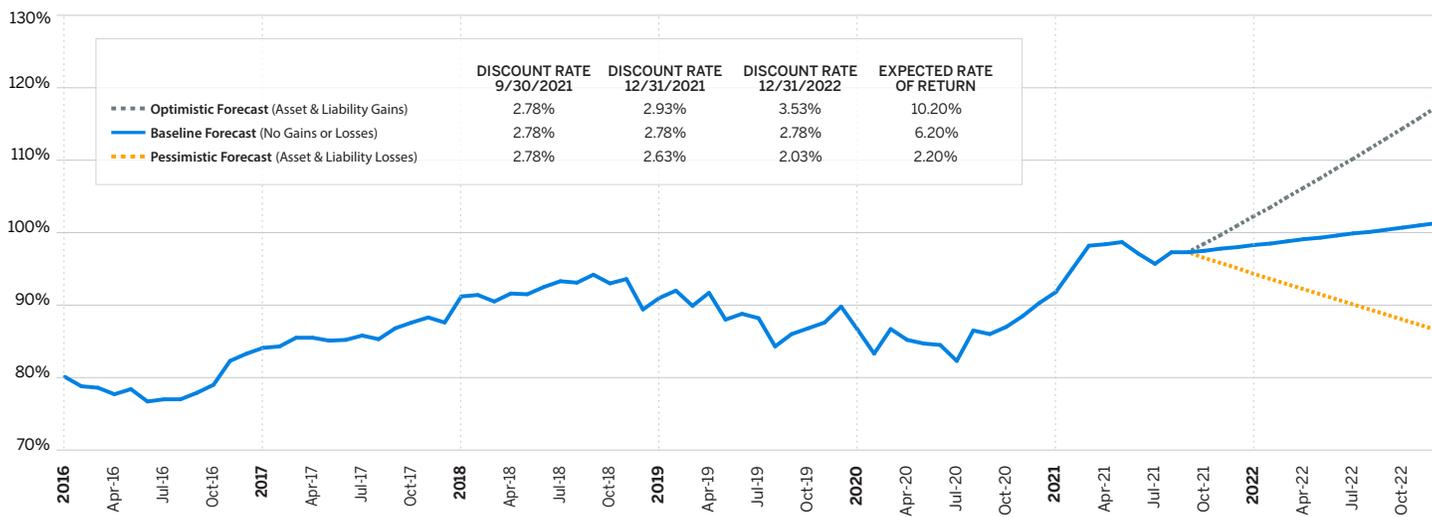


FIGURE 2: MILLIMAN 100 PENSION FUNDING INDEX — PENSION FUNDED RATIO



## Third Quarter 2021 Summary

As of September 30, 2021, the third quarter (Q3) funded status deficit improved by \$4 billion. July had a \$27 billion funded status loss due to a drop in the discount rate for that month, while August and September posted funded status gains as discount rates reversed course. Asset returns in July and August were above expectations but faltered in September, spoiling what would otherwise have been a strong quarter for funded status. The funded ratio of the Milliman 100 companies improved to 97.3% at the end of September from 97.1% at the end of June.

Over the last 12 months (October 2020 to September 2021) the cumulative asset return for these pensions was 12.27% and the Milliman 100 PFI funded status deficit declined by \$222 billion. Discount rates showed a net increase of 21 basis points during the same time period. The funded ratio of the Milliman 100 companies improved significantly over the past 12 months, to 97.3% from 86.0%.

## 2021-2022 Projections

If the Milliman 100 PFI companies were to achieve the expected 6.2% median asset return (as per the 2021 PFS), and if the current discount rate of 2.78% were maintained during 2021 and 2022, we forecast that the funded status of these plans would increase. This would result in a projected pension deficit of \$37 billion (funded ratio of 98.0%) by the end of 2021 and a projected pension surplus of \$23 billion (funded ratio of 101.3%) by the end of 2022. For purposes of this forecast, we have assumed 2021 and 2022 are respectively aggregate annual contributions of \$25 billion and \$28 billion.

Under an optimistic forecast with rising interest rates (reaching 2.93% by the end of 2021 and 3.53% by the end of 2022) and asset gains (10.2% annual returns), the funded ratio would climb to 101% by the end of 2021 and 117% by the end of 2022.

Under a pessimistic forecast with similar interest rate and asset movements (2.63% discount rate at the end of 2021 and 2.03% by the end of 2022 and 2.2% annual returns), the funded ratio would decline to 95% by the end of 2021 and 87% by the end of 2022.

## About the Milliman 100 monthly Pension Funding Index

For the past 21 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 2020 fiscal year and for previous fiscal years. This pension plan accounting disclosure information was summarized as part of the Milliman 2021 Pension Funding Study, which was published on April 7, 2021. 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.

**MILLIMAN 100 PENSION FUNDING INDEX — SEPTEMBER 2021 (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
SEPTEMBER	2020	1,673,054	1,946,196	(273,142)	N/A	86.0%
OCTOBER	2020	1,656,117	1,904,612	(248,495)	24,647	87.0%
NOVEMBER	2020	1,742,745	1,968,350	(225,605)	22,890	88.5%
DECEMBER	2020	1,778,535	1,968,688	(190,153)	35,452	90.3%
JANUARY	2021	1,763,529	1,921,148	(157,619)	32,534	91.8%
FEBRUARY	2021	1,759,672	1,851,360	(91,688)	65,931	95.0%
MARCH	2021	1,756,805	1,789,278	(32,473)	59,215	98.2%
APRIL	2021	1,791,884	1,821,118	(29,234)	3,239	98.4%
MAY	2021	1,806,000	1,829,032	(23,032)	6,202	98.7%
JUNE	2021	1,823,087	1,878,342	(55,255)	(32,223)	97.1%
JULY	2021	1,834,558	1,916,518	(81,960)	(26,705)	95.7%
AUGUST	2021	1,846,432	1,898,593	(52,161)	29,799	97.3%
SEPTEMBER	2021	1,808,735	1,859,659	(50,924)	1,237	97.3%

**PENSION ASSET AND LIABILITY RETURNS**

END OF MONTH	YEAR	ASSET RETURNS		DISCOUNT RATE	LIABILITY RETURNS	
		MONTHLY	YEAR-TO-DATE		MONTHLY	YEAR-TO-DATE
SEPTEMBER	2020	-0.95%	4.53%	2.57%	-0.15%	11.27%
OCTOBER	2020	-0.86%	3.63%	2.71%	-1.78%	9.29%
NOVEMBER	2020	5.39%	9.21%	2.47%	3.70%	13.33%
DECEMBER	2020	2.15%	11.56%	2.46%	0.36%	13.73%
JANUARY	2021	-0.47%	-0.47%	2.62%	-2.08%	-2.08%
FEBRUARY	2021	0.16%	-0.30%	2.88%	-3.28%	-5.29%
MARCH	2021	0.22%	-0.08%	3.12%	-2.98%	-8.11%
APRIL	2021	2.39%	2.30%	2.98%	2.15%	-6.13%
MAY	2021	1.17%	3.50%	2.94%	0.80%	-5.38%
JUNE	2021	1.32%	4.86%	2.74%	3.06%	-2.49%
JULY	2021	1.00%	5.91%	2.59%	2.38%	-0.17%
AUGUST	2021	1.02%	6.99%	2.65%	-0.59%	-0.76%
SEPTEMBER	2021	-1.68%	5.20%	2.78%	-1.70%	-2.44%



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