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Milliman analysis: Corporate pensions near ‘full funding,’ with funded ratio up to 98.4% in March

Milliman PFI funded status improves by $62 billion thanks to third consecutive monthly increase in discount rates

SEATTLE – APRIL 15, 2021 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans.

March was a great month for corporate pensions, with the funded status of plans improving by $62 billion, thanks to a 24-basis-point increase in the monthly discount rate, from February’s 2.88% to 3.12% as of March 31. As a result, the funded status deficit for these plans dropped to $29 billion at month’s end, compared to February’s $91 billion.

The Milliman 100 PFI asset value remained at $1.760 trillion during March due to a relatively low monthly return of 0.37%. But the liability improvements propelled the funded ratio higher, climbing from 95.1% at the end of February to 98.4% as of March 31, 2021. The Milliman PFI plans are now less than two percentage points away from ‘full funding’ levels.

“Discount rates have increased now for three months in a row, bringing full funding within reach for the 100 largest U.S. corporate pension plans,” said Zorast Wadia, author of the Milliman 100 PFI. “The last time these plans had a funded ratio over 100% was in 2008, just before the global financial crisis.”

Looking forward, under an optimistic forecast with rising interest rates (reaching 3.57% by the end of 2021 and 4.17% by the end of 2022) and asset gains (10.2% annual returns), the funded ratio would climb to 110% by the end of 2021 and 127% by the end of 2022. Under a pessimistic forecast (2.67% discount rate at the end of 2021 and 2.07% by the end of 2022 and 2.2% annual returns), the funded ratio would decline to 92% by the end of 2021 and 84% by the end of 2022.

To view the complete Pension Funding Index, go to www.milliman.com/pfi. To see the 2021 Milliman Pension Funding Study, go to www.milliman.com/pfs. To receive regular updates of Milliman’s pension funding analysis, contact us at pensionfunding@milliman.com.

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