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Press Release

Milliman analysis: Corporate pensions end 2021 at 99.6% funded, just shy of full funding

Milliman PFI records lowest funded status deficit, at \$7 billion, since 2008

SEATTLE – JANUARY 12, 2022 – Milliman, Inc., a premier global consulting and actuarial firm, today released the year-end results of its latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans. In 2021, corporate pension funding improved by \$183 billion for the year – the second-largest deficit reduction in the history of the PFI.

Plan assets outperformed expectations, posting an annual return of 8.33% and a gain of nearly \$64 billion. Meanwhile discount rates in 2021 also increased year-over-year, climbing from 2.46% to 2.80% and reducing PFI plan liabilities by \$120 billion. Year-end monthly discount rates have increased in four of the last 10 years, though they climbed above 3.00% only once in 2021 – in March, at 3.12%.

The funded ratio climbed from 90.3% at year-end 2020 to 99.6% as of December 31, 2021. The last time the monthly funded ratio was this close to full funding was August 2008 (at 100.3%).

“With several interest rate hikes forecast for 2022, it’s entirely possible we’ll see funded percentages climb above 100% for the first time in 14 years,” said Zorast Wadia, author of the Milliman 100 PFI. “The challenge for plan sponsors will be to find ways to sustain full funding going forward.”

Looking forward, under an optimistic forecast with rising interest rates (reaching 3.40% by the end of 2022 and 4.00% by the end of 2023) and asset gains (10.2% annual returns), the funded ratio would climb to 116% by the end of 2022 and 135% by the end of 2023. Under a pessimistic forecast (2.20% discount rate at the end of 2022 and 1.60% by the end of 2023 and 2.2% annual returns), the funded ratio would decline to 91% by the end of 2022 and 83% by the end of 2023.

To view the complete Pension Funding Index, go to www.milliman.com/pfi. To see Milliman’s full range of annual Pension Funding Studies, go to <https://www.milliman.com/en/retirement-and-benefits/pension-funding-studies>. To receive regular updates of Milliman’s pension funding analysis, contact us at pensionfunding@milliman.com.

About Milliman

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

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