Milliman

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Press Release

Milliman analysis: Modest increase in 2010 funded status as a result of record employer contributions

With almost $60 billion in contributions, corporate pension funded status improved by $12.4 billion in 2011

Seattle – March 29, 2011 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its annual Pension Funding Study, which consists of 100 of the nation's largest defined benefit pension plans. In 2011, these plans experienced asset returns of 12.8% (a $115 billion improvement) that were offset by a liability increase of 7.7% (a $103 billion increase) based on a decrease in the discount rate. The decline in discount rates fueled record levels of pension expense for these plan sponsors. Collectively, these pensions went into the year expecting a $30 billion charge to earnings, with the final number almost doubling that estimate, at $59.4 billion.

"This was a record year for pension contributions, though the number could have exceeded $60 billion if a few things had gone differently," said John Ehrhardt, co-author of the Milliman Pension Funding Study. "Pension funding relief enacted last summer helped reduce the funding burden, along with positive investment performance. If interest rates remain at current levels (or decline), contributions will be even higher in 2011."

While the funded status for the year changed only modestly, the year was marked by several significant events. In August, falling interest rates drove up the projected benefit obligation and resulted in a record deficit for the 11 year history of this study. Over the course of the year, several companies adopted new accounting approaches, which involved full or substantive recognition of accumulated losses and a larger charge to 2010 balance sheets. Had similar accounting changes been instituted across all of the companies in this study, the resultant charge would have totaled $342 billion.

Despite the eventful (and sometimes volatile) year, pension investment strategies remained relatively consistent.

"For the year, the asset allocation of these 100 pension plans did not change significantly, as investment in equities only decreased from 45% to 44%," said Paul Morgan, co-author of the Milliman Pension Funding Study. "Fixed income allocations were unchanged at 36%, but allocations to other (alternative) investments increased from 19% to 20%. On average, there were not many changes, though we did see eight of the 100 companies decrease their equity allocations by more than 10%."

To view the complete study, go to http://www.milliman.com/expertise/employee-benefits/products-tools/pension-funding-study/index.php. 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 independent actuarial and consulting firms. Founded in Seattle in 1947 as Milliman & Robertson, the company currently has 54 offices in key locations worldwide. Milliman employs over 2,500 people. The firm has consulting practices in healthcare, employee benefits, property & casualty insurance, life insurance and financial services. Milliman serves the full spectrum of business, financial, government, union, education and nonprofit organizations. For further information, visit www.milliman.com

About the Milliman 100 Pension Funding Index

For the past ten 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 monthly 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.

This study includes the 100 U.S. public companies with the largest defined benefit pension assets whose 2010 annual reports were released by March 3, 2011. Eleven of the companies included in the 2011 study had fiscal years other than the calendar year. Private companies, mutual insurance companies, and U.S. subsidiaries of foreign parents were excluded from the study.

Projections for 2011 are based on the Milliman 100 Pension Funding Index, which has been updated to reflect the data from this study. This index is published on a monthly basis and reflects the effect of market returns and interest-rate changes on pension-funded status, utilizing actual reported asset values, liabilities, and asset allocation from the Milliman Pension Funding Study.

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