



Contact: John Ehrhardt
Milliman, Inc.
Tel: 646.473.3300
john.ehrhardt@milliman.com

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Press Release

Milliman analysis: October's \$45 billion funded status decline pushes pension deficit to \$498 billion

After two months of improvement, funding status declines to near record levels due to lower discount rates and flat investment returns

Seattle – November 7, 2012 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its latest Pension Funding Index, which consists of 100 of the nation's largest defined benefit pension plans. In October, these pensions experienced a \$45 billion decrease in funded status based on a \$43 billion increase in the pension benefit obligation (PBO) and a \$2 billion decrease in assets. The \$45 billion decrease wipes out September's improvement in funded status and contributes to a larger trend: During five of the last seven months, these 100 pensions have seen an interest-rate-driven increase in the funded status deficit, increasing the funded status gap by a cumulative \$270 billion.

"Four months ago a pension funding deficit of nearly \$500 billion would have been a record," said John Ehrhardt, co-author of the Milliman Pension Funding Study. "I don't want people to get too comfortable with such a funded status gap, but if historically low interest rates persist, it will be hard to put distance from a funding deficit of half a trillion dollars."

In October, the discount rate used to calculate pension liabilities decreased from 4.08% to 3.96%, increasing the PBO to \$1.821 trillion at the end of the month. The overall asset value for these 100 pensions decreased from \$1.324 trillion to \$1.322 trillion.

Looking forward, if these 100 pensions were to achieve their expected 7.8% median asset return and if the current discount rate of 3.96% were to be maintained throughout 2012 and 2013, these pensions would improve the pension funded ratio from 72.6% to 73.2% by the end of 2012 and to 77.6% by the end of 2013.

To view the complete study, go to <http://ow.ly/4xFlt>. 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. It is a founding member of Abelica Global, an international organization of consulting firms serving employee benefits clients worldwide. For further information, visit milliman.com.

About the Milliman 100 Pension Funding Index

For the past 12 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.

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 preceding fiscal year and for previous fiscal years. 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 funding standards different from those for U.S. qualified pension plans. The results do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

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