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FOR IMMEDIATE RELEASE

Press Release

Milliman analysis: Despite robust investment returns, 100 largest U.S. corporate pension plans saw their funded status decrease by $21.7 billion in 2016

SEATTLE – April 6, 2017 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its 2017 Pension Funding Study, which analyzes the largest corporate pension plans sponsored by 100 U.S. public companies. In 2016, these pension plans experienced a $21.7 billion decrease in funded status, the result of a $54.0 billion increase in the projected benefit obligation (PBO) that was only partially offset by a $32.3 billion increase in the market value of plan assets. As a result, these Milliman 100 plans finished off the year with a funded ratio of 81.2%, down from 81.9% the year before. But the $21.7 billion deterioration and incremental drop in funded status mask a year that experienced volatility across the board for pension plans.

“The last year was quite the tug-of-war for these pension plans,” says Zorast Wadia, consulting actuary and co-author of the Milliman Pension Funding Study. “Investment performance exceeded expectations, with the 100 largest U.S. pensions experiencing returns of 8.4%—compare that to 0.8% the year prior. But the volatile interest rate environment saw the discount rate plummet by 30 basis points. In 2016, these dynamics resulted in a funded ratio that oscillated back and forth for most of the year before the post-election bump. The end result was a funded ratio of 81.2%—not that far off from where we’ve been at the end of 2015 and 2014.”

Study highlights include:

Analysis of asset gains. The 8.4% investment returns experienced by these pension plans was well above the 7.0% return expectation set for 2016. Meanwhile employers’ 2016 plan contributions were up 38% from the year prior. One possible reason for the higher plan contributions is that they improve funded status, resulting in lower PBGC premium expenses.

Impact of updated mortality assumptions. Further decreases in future life expectancy for the second year in a row result in significant reductions in PBO for several Milliman 100 companies.

Use of spot rates increases by 24%. Forty-six of the largest 100 plan sponsor companies will consider recording the fiscal year 2017 pension expense using an accounting method change linked to the spot interest rates derived from yield curves of high quality corporate bonds. The move to spot rates will result in pension expense savings.

Pension Risk Transfers continue. The estimated sum of pension risk transfers to insurance companies (“pension lift-outs”) and settlement payments increased from $11.6 billion in FY2015 to $13.6 billion in FY2016.

To view the Milliman Corporate 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.

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.

About the Milliman Public Pension Funding Index

For the past 17 years, Milliman has conducted an annual study of the 100 largest defined benefit pension plans sponsored by U.S. public companies. The results of the Milliman 2017 Pension Funding Study are based on the pension plan accounting information disclosed in the footnotes to the companies' Form 10-K annual reports for the 2016 fiscal year and for previous fiscal years. These figures represent the Generally Accepted Accounting Principles (GAAP) accounting information that public companies are required to report under Financial Accounting Standards Board Accounting Standards Codification Subtopics 715-20, 715-30, and 715-60. In addition to providing the financial information on the funded status of their 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 from those for U.S. qualified pension plans. The information, data, and footnotes do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

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