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Press Release

Milliman analysis: Corporate pension funded ratio climbs to 89.8% in January

Milliman PFI funded status improves by \$39 billion thanks to monthly discount rate increase

SEATTLE – FEBRUARY 5, 2021 – Milliman, Inc., a premier global consulting and actuarial firm, today released the latest results of its latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans.

In January, corporate pension funding improved by \$39 billion thanks to a 16-point increase in the monthly discount rate, from December's 2.46% to 2.62% as of January 31. As a result, the funded status deficit dropped to \$196 billion at month's end, the first time it has dipped below \$200 billion in over a year. Meanwhile, the market value of assets dropped by \$7 billion for the month, the result of a -0.21% investment loss. Overall the funded ratio for the Milliman PFI plans climbed from 88.1% at the end of December 2020 to 89.8% as of January 31.

"Over the past four months, we've seen the funded ratio for these plans climb steadily upward," said Zorast Wadia, author of the Milliman 100 PFI. "January's discount rate bump was good news for corporate pensions, especially coming on the heels of last quarter's \$70 billion funded status improvement."

Looking forward, under an optimistic forecast with rising interest rates (reaching 3.17% by the end of 2021 and 3.77% by the end of 2022) and asset gains (10.5% annual returns), the funded ratio would climb to 104% by the end of 2021 and 123% by the end of 2022. Under a pessimistic forecast (2.07% discount rate at the end of 2021 and 1.47% by the end of 2022 and 2.5% annual returns), the funded ratio would decline to 84% by the end of 2021 and 77% by the end of 2022.

To view the complete Pension Funding Index, go to www.milliman.com/pfi. To see the 2020 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.

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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