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Press Release

Milliman analysis: Corporate pensions improve by \$93 billion in August, second-largest monthly increase in 20 years

Milliman 100 PFI funded ratio jumps from 81.1% to 85.1% during August

SEATTLE – SEPTEMBER 9, 2020 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans.

In August, corporate pensions experienced the second-largest monthly funding increase in the past two decades, with a funded status improvement of \$93 billion. In the 20-year history of the PFI, only July 2003's monthly increase of \$203.8 billion was higher. Discount rates for the month jumped 28 basis points, from 2.26% at the end of July to 2.54% as of August 31, lowering the Milliman 100 PFI deficit to \$293 billion. These plans saw a monthly asset gain of 0.94%, which increased the PFI asset value by \$11 billion. As of August 31, the funded ratio for these plans rose to 85.1%, up from 81.1% at the end of July, reversing declines experienced during the previous four months.

"August was a great month for corporate pensions, as discount rates finally increased and the market value of assets improved as well – the fifth straight month of above-average investment returns," said Zorast Wadia, author of the Milliman 100 PFI. "The fact that the funded status improved by a near-record-setting amount of \$93 billion only serves to underline how the low-discount rate environment has been a drag on these pensions in 2020."

Looking forward, under an optimistic forecast with rising interest rates (reaching 2.74% by the end of 2020 and 3.34% by the end of 2021) and asset gains (10.5% annual returns), the funded ratio would climb to 90% by the end of 2020 and 105% by the end of 2021. Under a pessimistic forecast (2.34% discount rate by the end of 2020 and 1.74% by the end of 2021 and 2.5% annual returns), the funded ratio would decline to 83% by the end of 2020 and 76% by the end of 2021.

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.



About the Milliman Pension Funding Study

For the past 20 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 2020 Pension Funding Study are based on the pension plan accounting information disclosed in the footnotes to the companies' annual reports for the 2019 fiscal year and for previous fiscal years. These figures represent the 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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