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Press Release

Milliman analysis: Another all-time low discount rate causes corporate pension funded ratio to plummet to 81.1% in July

Milliman 100 PFI funded status worsens by \$68 billion despite 2.85% investment return

SEATTLE – AUGUST 10, 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.

Despite robust investment returns, July's PFI funded status worsened by \$68 billion due to a 39 basis point drop in the monthly discount rate, from 2.65% in June to 2.26% for July. July's low discount rate eclipses the record low set in June. The projected benefit obligation (PBO) for the Milliman 100 PFI rose to \$2.047 trillion, the first time the PBO for these plans has crossed the \$2 trillion threshold. Asset gains of \$41 billion, thanks to a solid investment return of 2.85%, partially offset the increase in liabilities. The funded ratio for these plans dropped from 83.5% as of June 30 to 81.1% at July's end.

"The funded ratio as of July 31 is the lowest in nearly four years – since October 2016 – dropping 8.7 percentage points in the last seven months," said Zorast Wadia, author of the Milliman 100 PFI. "July's robust investment returns build on a strong second quarter for asset values, but it wasn't enough to create funding gains given we've had four months straight of discount rate declines, culminating with the lowest discount rate in the 20-year history of our study."

Looking forward, under an optimistic forecast with rising interest rates (reaching 2.51% by the end of 2020 and 3.11% by the end of 2021) and asset gains (10.5% annual returns), the funded ratio would climb to 87% by the end of 2020 and 102% by the end of 2021. Under a pessimistic forecast (2.01% discount rate by the end of 2020 and 1.41% by the end of 2021 and 2.5% annual returns), the funded ratio would decline to 78% by the end of 2020 and 72% 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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