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FOR IMMEDIATE RELEASE

Press Release

Milliman analysis: Corporate pensions see surprising \$93 billion funding gain in March from massive discount rate surge

Milliman 100 PFI funded ratio climbs to 85.6% despite heavy investment losses

SEATTLE – APRIL 7, 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. Corporate pensions in March experienced a \$93 billion *increase* in funded status, despite deteriorating economic conditions and in the midst of the global COVID-19 pandemic that brought heavy investment losses. Between February 29 and March 31, the Milliman 100 PFI funded ratio climbed from 82.1% to 85.6%.

March's funding improvement was the direct result of a massive surge in the monthly discount rate, from 2.69% to 3.39%. The 70-basis-point increase was the fifth-largest ever recorded in the 20-year history of the PFI, with the last comparable increase happening in December 2009. This discount rate jump was a saving grace for these corporate pensions, which simultaneously experienced an \$85 billion investment loss in March because of severe stock market losses. Only five other months in the last two decades have posted more severe investment losses, the last occurring in October of 2008 during the Great Recession.

"It's a stunning twist of fate that a month so turbulent as March – given the market conditions and the ongoing global pandemic – actually resulted in positive funding news for corporate pensions," said Zorast Wadia, author of the Milliman 100 PFI.

Looking forward, under an optimistic forecast with rising interest rates (reaching 3.84% by the end of 2020 and 4.44% by the end of 2021) and asset gains (10.6% annual returns), the funded ratio would climb to 96% by the end of 2020 and 112% by the end of 2021. Under a pessimistic forecast (2.94% discount rate by the end of 2020 and 2.34% by the end of 2021 and 2.6% annual returns), the funded ratio would decline to 81% by the end of 2020 and 74% by the end of 2021.

To view the complete Pension Funding Index, go to <https://us.milliman.com/pfi>. To see the 2019 Milliman Pension Funding Study, go to <https://us.milliman.com/en/Insight/2019-Corporate-Pension-Funding-Study>. 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 19 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 2019 Pension Funding Study are based on the pension plan accounting information disclosed in the footnotes to the companies' annual reports for the 2018 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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