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FOR IMMEDIATE RELEASE

Press Release

Milliman year-end analysis: Corporate pensions see an overall investment gain of 15.66% in 2019, but funding still drops due to discount rate lows

Milliman PFI discount rate hits record-lows in 2019, drops 99 basis points for the year

Funding ratio dips from 89.4% as of Dec 2018 to 89.0% at 2019 year-end

SEATTLE – JANUARY 8, 2020 – Milliman, Inc., a premier global consulting and actuarial firm, today released the year-end results of its latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans. In 2019, corporate pension funding ended down \$30 billion for the year, with the funding ratio dropping from 89.4% at the end of 2018 to 89.0% as of December 31, 2019.

Plan assets outperformed expectations, posting an annual return of 15.66% and a gain of \$174 billion. But record-low discount rates resulted in plan liabilities increasing as well, by \$204 billion during 2019. As of December 31, the Milliman 100 discount rate had fallen 99 basis points, from 4.19% at the end of 2018 to 3.20% a year later. This marks the lowest year-end discount rate that has been recorded in the 19-year history of the Milliman 100 Pension Funding Index (PFI).

“For corporate pensions during 2019, the funded status environment was like trying to fill a bucket full of holes with water – funding levels would rise given superb asset gains but then quickly recede given offsetting liability movements attributable to ever-falling discount rates,” said Zorast Wadia, author of the Milliman 100 PFI. “Looking ahead to 2020, many plan sponsors can expect to have a rise in pension expense given the funded status losses suffered by plans during 2019.”

Looking forward, under an optimistic forecast with rising interest rates (reaching 3.80% by the end of 2020 and 4.40% by the end of 2021) and asset gains (10.6% annual returns), the funded ratio would climb to 104% by the end of 2020 and 121% by the end of 2021. Under a pessimistic forecast (2.60% discount rate at the end of 2020 and 2.00% by the end of 2021 and 2.6% annual returns), the funded ratio would decline to 82% by the end of 2020 and 76% by the end of 2021.

To view the complete Pension Funding Index, go to <https://us.milliman.com/en/periodicals/corporate-pension-funding-index>. 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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