

# Milliman analysis: Funded status slide continues with further declines in July

The Milliman 100 PFI funded ratio fell to 95.8% as lower interest rates drive liability increases, offsetting asset gains

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The funded status of the 100 largest corporate defined benefit pension plans decreased by \$25 billion during July as measured by the Milliman 100 Pension Funding Index (PFI). The deficit swelled to \$80 billion based on liability losses outweighing asset gains during July. Pension liabilities rose due to a decrease in the benchmark corporate bond interest rates used to value those liabilities. As of July 31, the funded ratio dropped to 95.8%, down from 97.1% at the end of June. The current funded ratio is still ahead of the funded ratio of 90.3% seen at the start of 2021.

July's robust 1.10% investment return raised the Milliman 100 PFI asset value by \$13 billion, to \$1.836 trillion from \$1.823 trillion at the end of June. By comparison, the 2021 Milliman Pension Funding Study (PFS) reported that the monthly median expected investment return during 2020 was 0.50% (6.2% annualized). The full results of the annual 2021 study can be found at [milliman.com/pfs](https://milliman.com/pfs). July's above-average asset return builds on a strong second quarter of returns for the Milliman 100 plans.

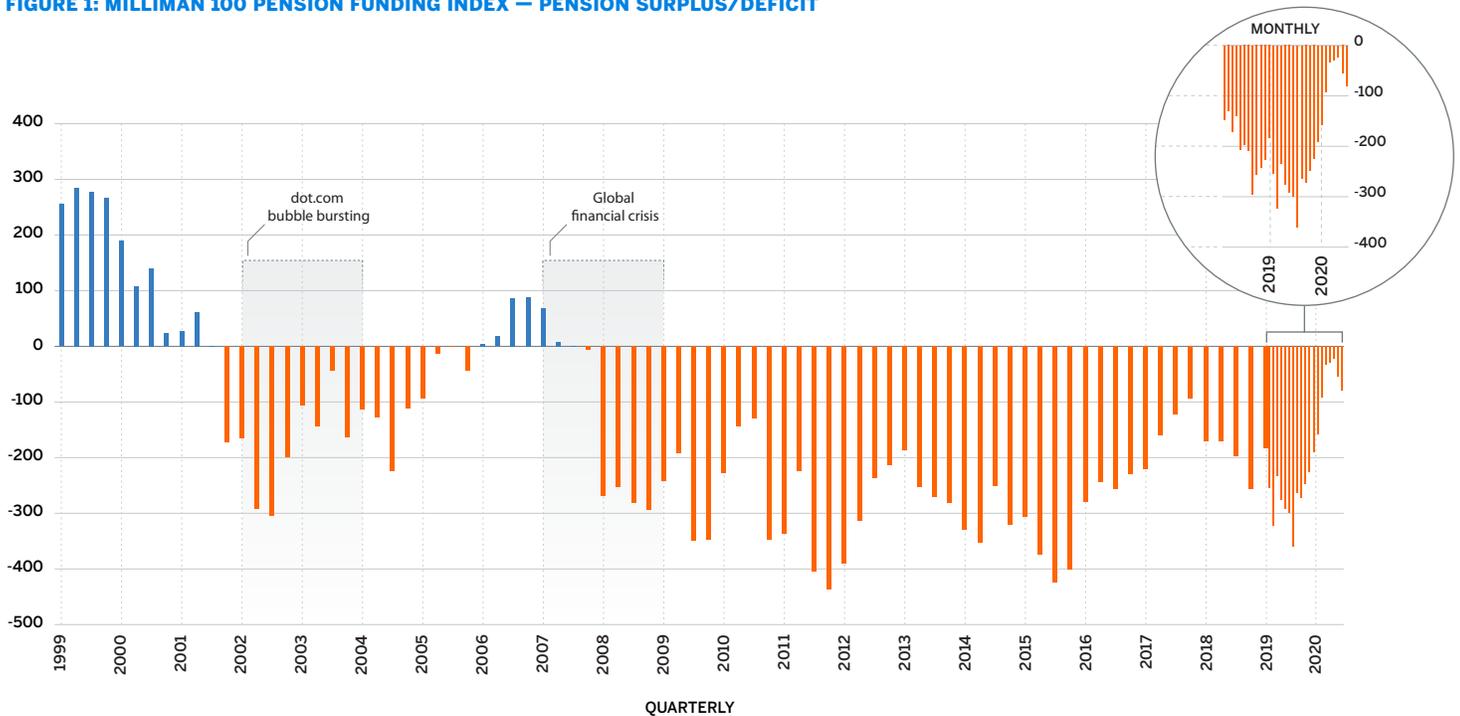
## HIGHLIGHTS

	\$ BILLION			
	MV	PBO	FUNDED STATUS	FUNDED PERCENTAGE
JUNE	1,823	1,878	(55)	97.1%
JULY	1,836	1,917	(80)	95.8%
MONTHLY CHANGE	+13	+38	(25)	-1.3%
YTD CHANGE	+58	(52)	+110	5.5%

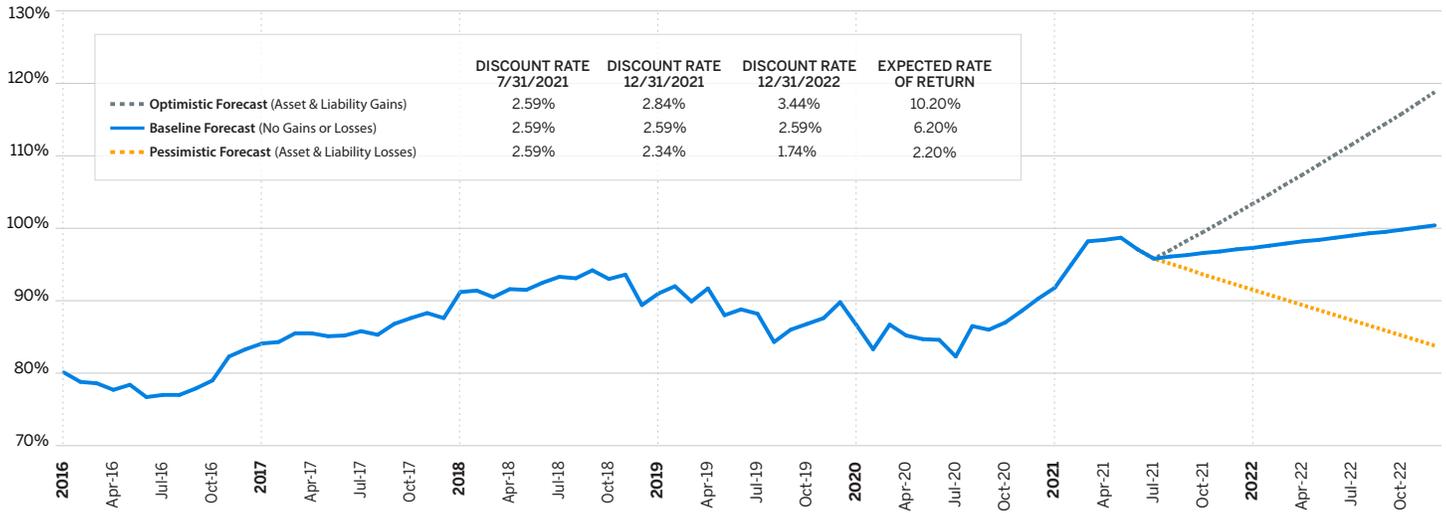
Note: Numbers may not add up precisely due to rounding

The projected benefit obligation (PBO) also rose during July, increasing the Milliman 100 PFI value by \$38 billion to \$1.917 trillion. The change resulted from a decrease of 15 basis points in the monthly discount rate to 2.59% for July from 2.74% in June. Aside from March's discount rate of 3.12%, all other discount rates have been below 3.00% in the past 12 months.

FIGURE 1: MILLIMAN 100 PENSION FUNDING INDEX — PENSION SURPLUS/DEFICIT



**FIGURE 2: MILLIMAN 100 PENSION FUNDING INDEX — PENSION FUNDED RATIO**



Over the last 12 months (August 2020 to July 2021), the cumulative asset return for these pensions has been 13.09% and the Milliman 100 PFI funded status deficit has improved by \$280 billion. Discount rates have shown a net increase over the last 12 months of 33 basis points. The funded ratio of the Milliman 100 companies has improved significantly over the past 12 months to 95.8% from 82.3%.

### 2021-2022 Projections

If the Milliman 100 PFI companies were to achieve the expected 6.2% median asset return (as per the 2021 PFS), and if the current discount rate of 2.59% were maintained during 2021 and 2022, we forecast that the funded status of the surveyed plans would increase. This would result in a projected pension deficit of \$56 billion (funded ratio of 97.1%) by the end of 2021 and a projected pension surplus of \$7 billion (funded ratio of 100.4%) by the end of 2022. For purposes of this forecast, we have assumed 2021 and 2022 aggregate annual contributions of \$25 billion and \$28 billion, respectively.

Under an optimistic forecast with rising interest rates (reaching 2.84% by the end of 2021 and 3.44% by the end of 2022) and asset gains (10.2% annual returns), the funded ratio would climb to 102% by the end of 2021 and 119% by the end of 2022. Under a pessimistic forecast with similar interest rate and asset movements (2.34% discount rate at the end of 2021 and 1.74% by the end of 2022 and 2.2% annual returns), the funded ratio would decline to 92% by the end of 2021 and 84% by the end of 2022.

### About the Milliman 100 monthly Pension Funding Index

For the past 21 years, Milliman has conducted an annual study of the 100 largest defined benefit pension plans sponsored by U.S. public companies. The Milliman 100 Pension Funding Index projects the funded status for pension plans included in our study, reflecting the impact of market returns and interest rate changes on pension funded status, utilizing the actual reported asset values, liabilities, and asset allocations of the companies' pension plans.

The results of the Milliman 100 Pension Funding Index were based on the actual pension plan accounting information disclosed in the footnotes to the companies' annual reports for the 2020 fiscal year and for previous fiscal years. This pension plan accounting disclosure information was summarized as part of the Milliman 2021 Pension Funding Study, which was published on April 7, 2021. In addition to providing the financial information on the funded status of 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 than those for U.S. qualified pension plans. They do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

**MILLIMAN 100 PENSION FUNDING INDEX — JULY 2021 (ALL DOLLAR AMOUNTS IN MILLIONS)**

END OF MONTH	YEAR	MARKET VALUE OF ASSETS	PROJECTED BENEFIT OBLIGATION (PBO)	FUNDED STATUS	CHANGE IN FUNDED STATUS	FUNDED RATIO
JULY	2020	1,679,006	2,039,579	(360,573)	N/A	82.3%
AUGUST	2020	1,691,960	1,956,005	(264,045)	96,528	86.5%
SEPTEMBER	2020	1,673,462	1,946,196	(272,734)	(8,689)	86.0%
OCTOBER	2020	1,656,595	1,904,612	(248,017)	24,717	87.0%
NOVEMBER	2020	1,743,353	1,968,350	(224,997)	23,020	88.6%
DECEMBER	2020	1,778,535	1,968,688	(190,153)	34,844	90.3%
JANUARY	2021	1,763,529	1,921,148	(157,619)	32,534	91.8%
FEBRUARY	2021	1,759,672	1,851,360	(91,688)	65,931	95.0%
MARCH	2021	1,756,805	1,789,278	(32,473)	59,215	98.2%
APRIL	2021	1,791,884	1,821,118	(29,234)	3,239	98.4%
MAY	2021	1,806,000	1,829,032	(23,032)	6,202	98.7%
JUNE	2021	1,823,053	1,878,342	(55,289)	(32,257)	97.1%
JULY	2021	1,836,286	1,916,518	(80,232)	(24,943)	95.8%

**PENSION ASSET AND LIABILITY RETURNS**

END OF MONTH	YEAR	ASSET RETURNS		DISCOUNT RATE	LIABILITY RETURNS	
		MONTHLY	YEAR-TO-DATE		MONTHLY	YEAR-TO-DATE
JULY	2020	2.92%	4.58%	2.26%	5.89%	15.80%
AUGUST	2020	0.91%	5.54%	2.54%	-3.76%	11.45%
SEPTEMBER	2020	-0.95%	4.53%	2.57%	-0.15%	11.27%
OCTOBER	2020	-0.86%	3.63%	2.71%	-1.78%	9.29%
NOVEMBER	2020	5.39%	9.21%	2.47%	3.70%	13.33%
DECEMBER	2020	2.15%	11.56%	2.46%	0.36%	13.73%
JANUARY	2021	-0.47%	-0.47%	2.62%	-2.08%	-2.08%
FEBRUARY	2021	0.16%	-0.30%	2.88%	-3.28%	-5.29%
MARCH	2021	0.22%	-0.08%	3.12%	-2.98%	-8.11%
APRIL	2021	2.39%	2.30%	2.98%	2.15%	-6.13%
MAY	2021	1.17%	3.50%	2.94%	0.80%	-5.38%
JUNE	2021	1.32%	4.86%	2.74%	3.06%	-2.49%
JULY	2021	1.10%	6.01%	2.59%	2.38%	-0.17%



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