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Press Release

Milliman analysis: Corporate pensions close 2023 at 102.1% funded, second straight year-end with a surplus

Milliman 100 PFI plans see annual returns of 9.94%, helping to offset falling discount rates

SEATTLE – JANUARY 8, 2024 – Milliman, Inc., a premier global consulting and actuarial firm, today released the year-end results of its Milliman 100 Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans. In 2023, corporate pension funding improved by \$4 billion for the year.

Rebounding equity markets, led by the technology sector, drove this result as the PFI plan assets saw cumulative annual investment returns of 9.94%. This was partially offset by falling discount rates, which fluctuated throughout 2023, peaking at 6.20% as of October 31st—the highest rate in almost 15 years—before dropping to 5.00% as of December 31. While plan liabilities rose over the year by \$15 billion, plan assets rose by \$19 billion. The Milliman PFI plans closed 2023 with a surplus of \$29 billion and a funded ratio of 102.1%, up from 101.9% at the end of 2022.

“The PFI funded ratio was on a rollercoaster ride throughout 2023, but the last two months of the year had the biggest impact as assets rose 12% while the discount rate plummeted 120 basis points,” said Zorast Wadia, author of the PFI. “With the significant discount rate movements seen over the last two months and the general expectations of interest rate cuts in the new year, 2024 is shaping up to bring new challenges for plan sponsors.”

Looking forward, under an optimistic forecast with rising interest rates (reaching 5.60% by the end of 2024 and 6.20% by the end of 2025) and asset gains (9.8% annual returns), the funded ratio would climb to 115% by the end of 2024 and 130% by the end of 2025. Under a pessimistic forecast (4.40% discount rate at the end of 2024 and 3.80% by the end of 2025 and 1.8% annual returns), the funded ratio would decline to 93% by the end of 2024 and 84% by the end of 2025.

To view the complete Pension Funding Index, go to www.milliman.com/pfi. To see Milliman’s full range of annual Pension Funding Studies, go to <https://www.milliman.com/en/retirement-and-benefits/pension-funding-studies>. 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.

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