



Contact: Zorast Wadia
Milliman, Inc.
Tel: +1 646 473 3315
zorast.wadia@milliman.com

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Press Release

Milliman analysis: Corporate pension funding falls for second straight month in September after discount rates drop 14 basis points

Declining rates cause third-quarter loss of \$12 billion in funding surplus for Milliman PFI plans

SEATTLE – OCTOBER 7, 2024 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its latest Milliman 100 Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans.

During September, the Milliman 100 PFI plans' funded ratio slipped from 102.6% at the end of August to 102.4% as of September 30. While monthly investment gains of 1.74% lifted the market value of plan assets by \$17 billion, to \$1.362 trillion as of September 30, a 14-basis-point drop in discount rates, to 4.96%, increased the plans' projected benefit obligation by \$19 billion, to \$1.330 trillion at month's end. A similar pattern was seen throughout the third quarter, as strong market performance was not enough to counteract falling discount rates and the PFI plans lost \$12 billion in funded surplus for the period.

"Asset performance in the third quarter was quite strong, but liabilities trended upward as discount rates fell. September's 4.96% discount rate was the first time rates fell below 5% since April 2023," said Zorast Wadia, author of the PFI. "Although markets are still at all-time highs, we need to focus on both sides of the balance sheet to manage funded status volatility. As the Fed contemplates further rate cuts, asset-liability matching portfolios continue to be very relevant to plan sponsors."

Looking ahead, under an optimistic forecast with rising interest rates (reaching 5.11% by the end of 2024 and 5.71% by the end of 2025) and annual asset returns of 10.4%, the funded ratio would reach 105% by the end of 2024 and 118% by the end of 2025. Under a pessimistic forecast with similar interest rate and asset movements (4.81% discount rate at the end of 2024 and 4.21% by the end of 2025 and 2.4% annual asset returns), the funded ratio would be 100% by the end of 2024 and 91% 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.

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Milliman leverages deep expertise, actuarial rigor, and advanced technology to develop solutions for a world at risk. We help clients in the public and private sectors navigate urgent, complex challenges—from extreme weather and market volatility to financial insecurity and rising health costs—so they can meet their business, financial, and social objectives. Our solutions encompass insurance, financial services, healthcare, life sciences, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. Visit us at milliman.com. ###