

2021 Client Conference

Welcome!

Bret Linton

MAY 18, 2021





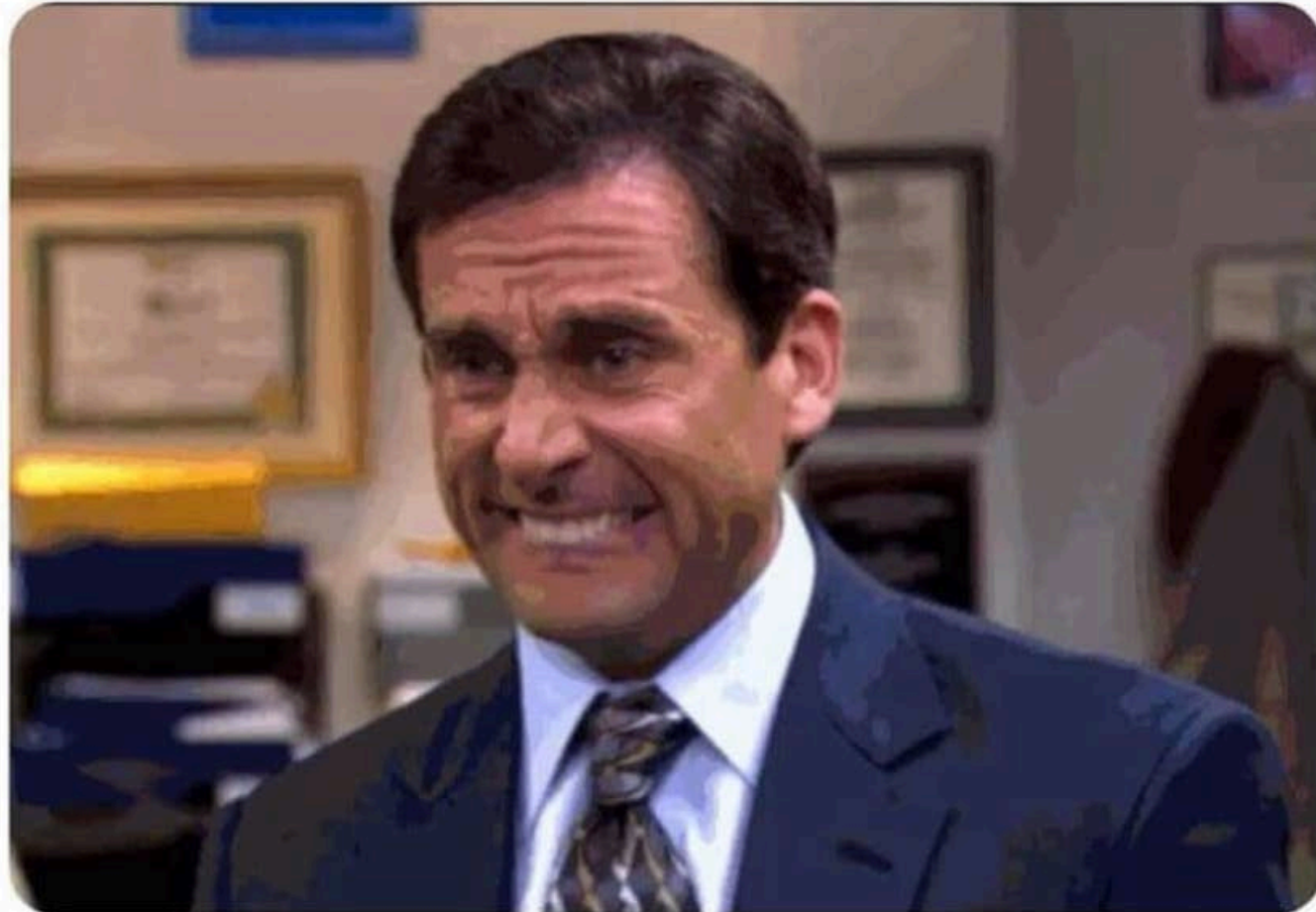
LIVE POLL

- Where (state) are you right now?
- What is the focus of your work?

Time traveler: What year is it?

Me: 2020

Time traveler:



2020 every second



Kids in 2055 when they see that there's a different history unit for every week of 2020:



Mum is
in a meeting

9.30-11



! DO NOT ENTER !

The answer to your question
might be here:

Upstairs

In the wash

I don't know
what's for dinner

No

In your bedroom

piece of fruit

Zoom meeting,
audio only



Zoom meeting
with video



2021 Client Conference

May 18, 19 & 20

The Economy

**Health &
Benefits**

**Diversity,
Equity &
Inclusion**

The Economy

May 18

9:05 am	John Mitchell	Economic Update & Forecast
10:15 am	Sarah Murray	Trending Pension Plan Topics
10:35 am	John-Paul Augeri	Employee Benefits Beyond Our Borders
10:55 am	Casey Mochel	Wrap Up

Health & Benefits

May 19

9:05 am	Charles Clark	Federal Laws and Regulations Update 2021 Employer Actions for Benefit Plans
9:50 am	Garry Simmons Tammy McAllister	Health & Group Benefits: Strategic Considerations in Uncertain Times
10:35 am	Daniel Skwire	Disability Millibyte
10:55 am	Casey Mochel	Wrap Up

Diversity, Equity & Inclusion

May 20

9:10 am	Pam Cone	Integrating DEI into Your Organization: A Discussion with Clients
9:55 am	Heidi tenBroek	DEI & Employee Communication
10:05 am	Greg McNutt Peggy Brinkmann	Pay Equity Millibyte
10:25 am	Lauren Busey Larry Daniels	Compensation Trends Relating to DEI
10:55 am	Bret Linton	Conference Wrap Up

2021 Client Conference Charitable Gift

Diversity, Equity and Inclusion Non-profit Organizations



Advocate. Educate. Activate.



Challenging teachers and their students to stand up to bigotry and hate.



Equality for ALL not for some.

American Association for Access, Equity and Diversity

Advocate. Educate. Activate.



A leader in Equal Opportunity, affirmative action and diversity training and advocacy for professionals in higher education, private industry and government.

Facing History and Ourselves

Using lessons of history to challenge teachers and their students to stand up to bigotry and hate



FACING
HISTORY
AND
OURSELVES

Working to ensure students gain an understanding of the threats of racism, antisemitism, and other forms of bigotry and hatred, and the importance of courage, empathy, and compassion.

People make choices. Choices make history.

Human Rights Campaign

Equality for ALL not for some.



HUMAN
RIGHTS
CAMPAIGN®

HRC's goal is to ensure that all LGBTQ people, and particularly those who are trans, people of color, and HIV+, are treated as full and equal citizens within our movement, across our country, and around the world.

Diversity, Equity, and Inclusion Non-profit Organizations



Advocate. Educate. Activate.



FACING
HISTORY
AND
OURSELVES

Challenging teachers and their students to stand up to bigotry and hate.



HUMAN
RIGHTS
CAMPAIGN®

Equality for ALL not for some.

Caveats

The information provided in today's presentation should be considered incomplete without the benefit of the discussion that accompanied it. The observations described in the presentation are not necessarily applicable to any specific organization. Users of the information provided in this presentation should be advised by professionals with experience in relevant domains.

The opinions provided in the presentation are those of the authors/presenters and should not be attributed to Milliman, Inc.

Infection, Injection, Reconstruction

Milliman

May 18, 2021

John W. Mitchell

May 2021

- ▶ Second Year of Pandemic and Perhaps Second Year of Upturn
- ▶ A Series of Initiatives Reminiscent of LBJ (Great Society)
- ▶ Discordant Note of Ubiquitous Help Wanted Ads, Record Job Vacancies and 8.2 Million Jobs Below Peak
- ▶ Inflation Worries (Something Many do Not Remember Unless an Adult in the 1970s)
- ▶ Our Corner A Geographic Cacophony of Phases, Pauses, Mandates, Closures, and Openings
- ▶ Global Vaccination Efforts
- ▶ Convergence of Upside Forces
- ▶ Drought Conditions
- ▶ One Data Point is Not a TREND
- ▶ Major Portland TV Station-Last Night “ Is Portland Over?”
- ▶ Policy Experiments that will Impact Us All
- ▶ Gas Lines, Offers to Buy Your Car From Rental Firms, Up Tick in Retirement of 65-74 Year-Olds After Decades of Decline, Credit Card Debt Declining , Bankruptcies Down
- ▶ Stimmies Joins the Lexicon

The Pandemic as an Accelerant

- ▶ Online Shopping
- ▶ Regional Dispersion
- ▶ Connectivity Issues
- ▶ Digital Payments
- ▶ Income Distribution Issues
- ▶ Healthcare System
- ▶ Vaccine Development
- ▶ Productivity

Job Growth Update March 2021 Data

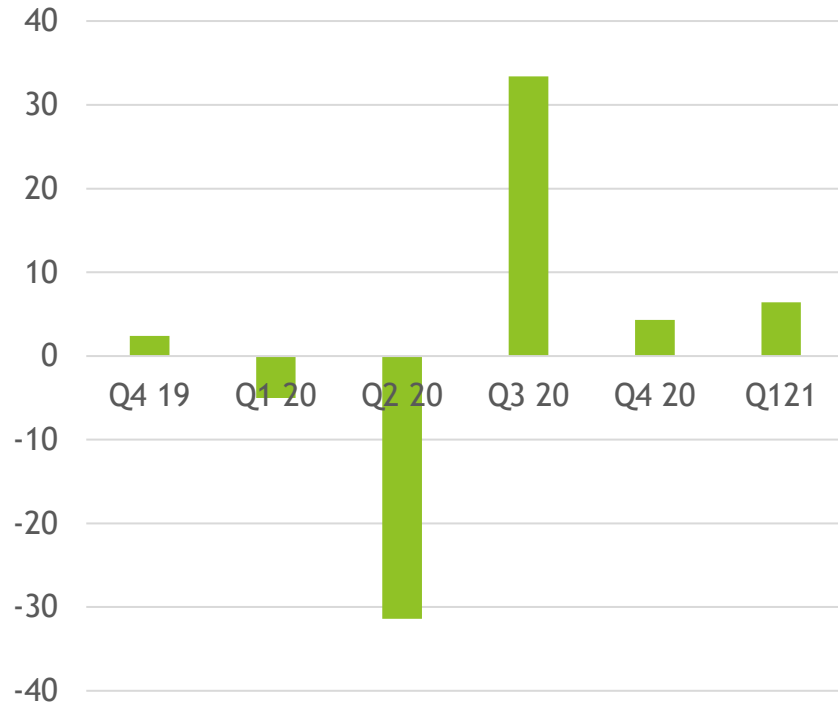
Year over Year Change - 48 States Down

Source: BLS, ASU

- ▶ **Idaho 1**
- ▶ Utah 2
- ▶ South Dakota 3
- ▶ Montana 4
- ▶ Nebraska 5
- ▶ Arkansas 6
- ▶ Alabama 7
- ▶ Tennessee 8
- ▶ North Carolina 9
- ▶ Arizona 10
- ▶ Mississippi 11
- ▶ South Carolina 12
- ▶ Texas 13
- ▶ Missouri 14
- ▶ Kansas 15
- ▶ Georgia 16
- ▶ Indiana 17
- ▶ Iowa 18
- ▶ Oklahoma 19
- ▶ New Hampshire 20
- ▶ West Virginia 21
- ▶ Maryland 22
- ▶ Ohio 23
- ▶ Delaware 24
- ▶ Kentucky 25
- ▶ Wisconsin 26
- ▶ Virginia 27
- ▶ Colorado 28
- ▶ Wyoming 29
- ▶ Maine 30
- ▶ **Washington 31**
- ▶ Florida 32
- ▶ North Dakota 33
- ▶ Minnesota 34
- ▶ Illinois 35
- ▶ **Oregon 36**
- ▶ Connecticut 37
- ▶ Pennsylvania 38
- ▶ Michigan 39
- ▶ Louisiana 40
- ▶ Alaska 41
- ▶ Vermont 42
- ▶ New Jersey 43
- ▶ Rhode Island 44
- ▶ Massachusetts 45
- ▶ New Mexico 46
- ▶ California 47
- ▶ New York 48
- ▶ Nevada 49
- ▶ Hawaii 50

REAL GDP Growth (SAAR)

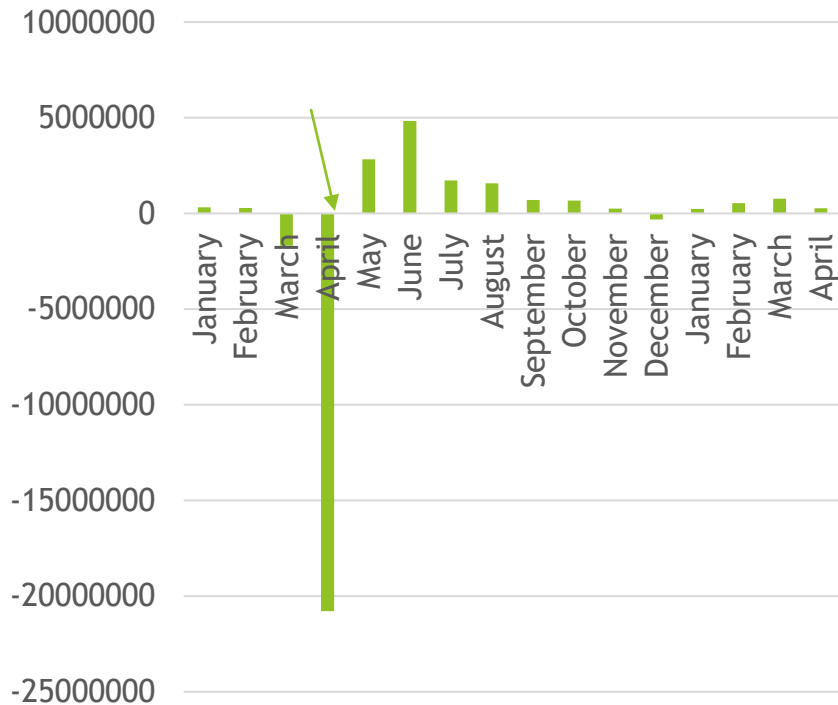
Source: BEA



- ▶ Consumption Contribution **-24%** Points in Q2, 25.44% Points Q3, 1.58% Points in Q4, and 7.02% Points in Q1
- ▶ Fixed Private Investment **-5.27 %** Points in Q2, 5.39% Points in Q3, 3.04 in Q4, and 1.77% Points in Q1

Employment Month to Month Changes

Source: BLS



- ▶ April 2020 Lost a Decade's Job Growth
- ▶ May to November Up then -306,000 in December, January up 233,000, February up 536,000. March up 770,000 and April 266,000
- ▶ Leisure and Hospitality fell 498,000 in December, and 17,000 in January before rising 413,000 in Feb., 206,000 in March and 331,000 in April
- ▶ Unemployment Rate 6.1% in April
- ▶ 6.6 Million not in Labor Force But Want Job, Part Time Economic Reasons 5.2 Million
- ▶ Participation Rate 61.7% April versus 63.3% February 20
- ▶ 40% Private Job Losses in Leisure and Hospitality (Brainard)
- ▶ April's Why-Child Care, Fear, Schools On-Line, Unemployment Benefits-All Likely Involved

Q1 2020 versus Q4 19 Trend-Sector Output (Neil Irwin, NYT)

	%
Recreational Goods	26.3
Information Equipment	23
Furniture HH Durables	16.6
Residential Investment	14.4
Software	7.4
Healthcare	-5.9
Goods Exports	-6.1

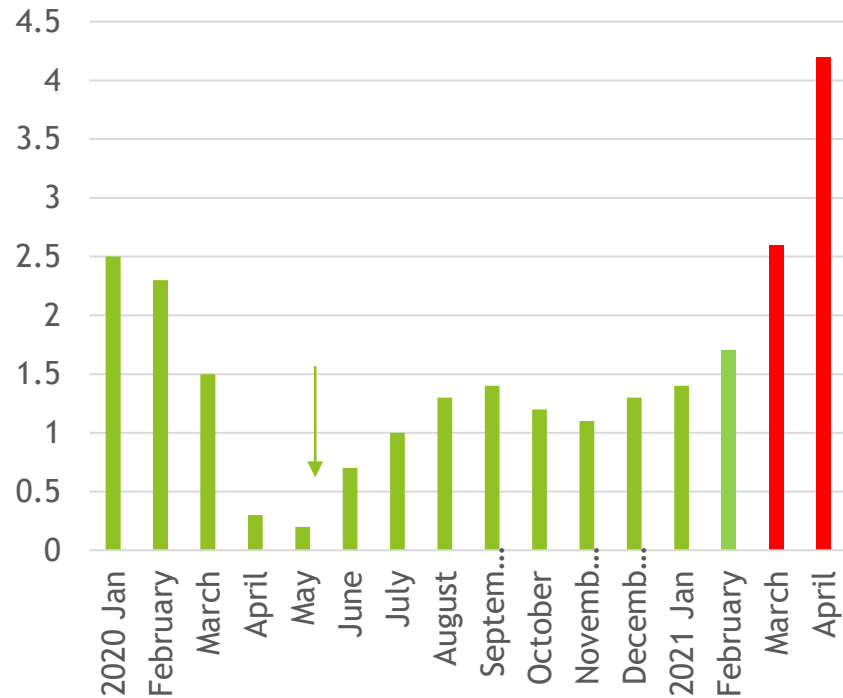
	%
Transportation Equipment Inv.	-9.5
Gas and Other Energy	-11.2
Food and Accommodations	-18.6
Structures	-19.2
Transportation Services	-23.4
Service Exports	-26.1
Recreational Services	-31

Annual Change CPI 2020-21

April 2021 4.2%, Core 3%

March PCE 2.3%

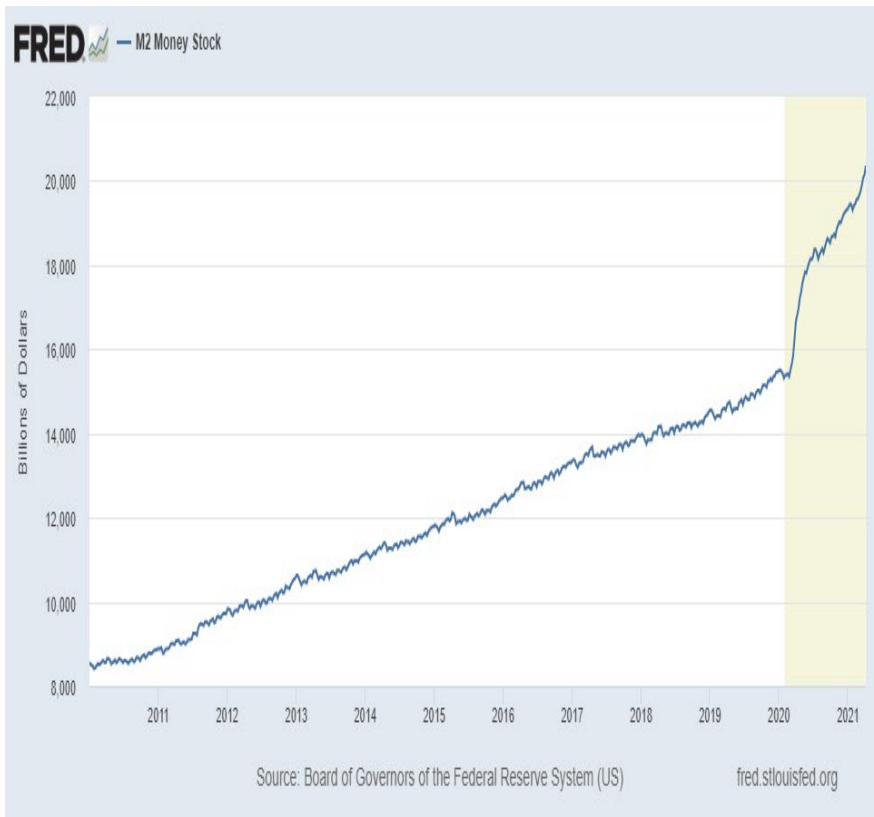
Source: BLS



- ▶ Fed Target 2% Since 2012-PCE
- ▶ Watch for Transitory Shocks-Base Effect
- ▶ Supply Chain Disruptions-Shipping Capacity, Covid Restrictions, Trade Barriers, Chips, Lumber, Colonial Pipeline
- ▶ Energy 25%, Used Cars 21%, Food AWFH 3.8% April Data
- ▶ Debate about Inflation Risk? Many on the Call Probably do not Remember the Last Episode!
- ▶ Commodity Prices Rising in Global Markets
- ▶ April PPI Final Demand up 6.2% YoY

The Response: Monetary Policy Back to the Zero Bound and FAIT

- ▶ Fed cut Funds Rate Twice in March 2020-Back to Zero Bound
- ▶ Broad Liquidity Support
- ▶ Security Holdings up about \$2 Trillion in the Last Year
- ▶ Rate Projections- Here until 2023
- ▶ Recent Jump in Bond Yields 10 Year from .93% First Business Day of Year , 1.74% March 19th, and to 1.63% May 14th
- ▶ **New Operating Procedure-Tolerate Inflation above 2% after Period of Below Target (FAIT)**
- ▶ Governor Lael Brainard “patient rather than preemptive” policy



- ▶ Fed Buying Securities-\$120 Billion Per Month
- ▶ Bank Reserves Growing-Non-Borrowed Reserves in April \$3.7 Trillion Up from \$2.1 Trillion in 2020
- ▶ This is the Raw Material For Loans

Fiscal Policy

Unaccustomed Speed

- ▶ Six Corona Virus Bills Passed and Signed: Stimulus Checks, Forgivable Loans, Boosted Unemployment Compensation, Help to Hospitals, States and Cities, Testing Funds, Expanded Sick Leave etc.
- ▶ About \$6 Trillion in New Spending Including the \$1.9 Trillion
- ▶ In Fiscal 2020-The Deficit hit \$3.1 Trillion with Spending up 47% to \$6.5 Trillion and Revenues Down 1% to \$3.4 Trillion- 16.1% of GDP Highest Since 1945
- ▶ October to April \$1.9 Trillion Deficit up 30% from Fiscal 2020
- ▶ Borrowing and Creating Money To Pay For Benefits

Fiscal Policy In Action

(%, SAAR, BEA)

	Personal Income	Earnings	Transfers
Idaho Q2	41.6	-15.4	677.1
Q3	-18.3	28.8	-74.7
Q4	5.7	13.3	-14.9
Oregon Q2	44	-23.8	814.1
Q3	-14.8	23	-62.9
Q4	-9.3	4.6	-43.9
Washington Q2	32.9	-19	998.5
Q3	-9.2	32.9	-71.7
Q4	-6.2	3.1	-44.9

American Rescue Plan, American Jobs Plan, American Families Plan

- ▶ American Rescue Plan: More Stimmys, Funds for State and Local Governments, Rental Assistance, Pension Bailouts, Higher Premium Subsidies for ACA, Vaccine Funds, Refundable Child Credits
- ▶ American Jobs Plan- \$2.3 Trillion Plan-\$620 Billion Transportation, \$400 Billion Care for Disabled and Elderly, \$300 Billion for Manufacturing, Broadband, Power Grid, Remove Lead Pipes- Raise Corporate Income Taxes back to 28% from 21%-Change International Rules
- ▶ American Families Plan \$1.8 Trillion-Educational Assistance, Pre-School, Free Community College, Child Care Assistance, Higher Pell Grants, etc. Financed by Higher Taxes on Wealthy -Income, Capital Gains, Eliminate Step Up
- ▶ Fate of the Last Two is Unclear

Grand Experiments

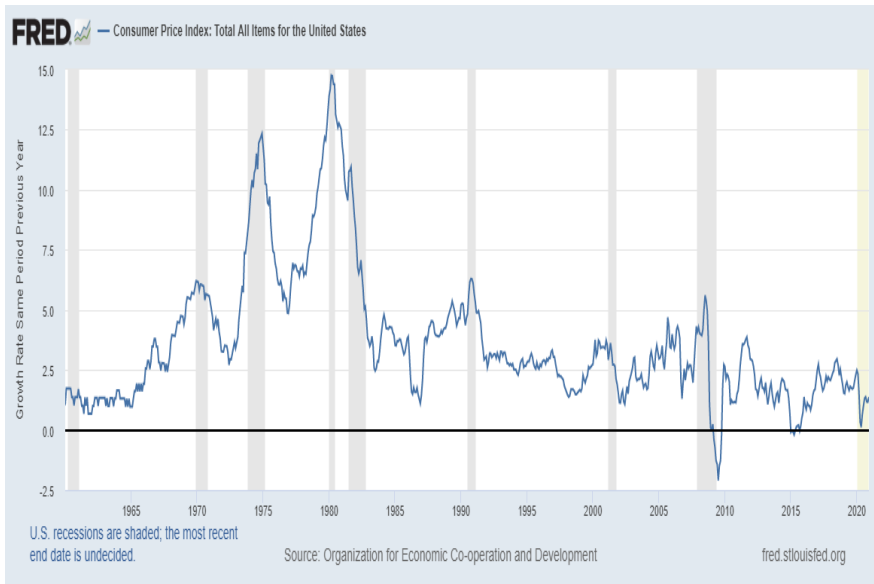
- ▶ I. Modern Monetary Theory-Spend What Need To In Order to Achieve Goals
- ▶ We Create the Money so Bankruptcy has no Meaning
- ▶ The Deficit Worries Have not Come to Pass-Crowding Out, Rising Rates, High Inflation, Inability to Sell Debt
- ▶ Tighten When Press Capacity and Inflation Appears
- ▶ Grow Out of the Debt-as after the Second World War
- ▶ 2. Increased Tax Rates and Altered Structures-Behavioral and Performance Impact?
- ▶ 3. Regulatory Pendulum Shift
- ▶ 4. From Balanced Budget as a Constraint to Borrowed Benefits (DeMuth)

Upside Confluence 2021

A Boomer Year

- ▶ Vaccine Distribution and Effectiveness
- ▶ Fiscal Stimulus and Monetary Policy
- ▶ Money Supply Growth
- ▶ Savings Build Up-January Savings Rate 19.8% in February 13.6% and 21% in March -The 2019 Rate was 7.5%
- ▶ NY Fed Consumer Credit Q4-Flows Into Serious Delinquency Declining Q4 2019 2.36% and Q4 2020 1.25%
- ▶ Net Worth Jump \$6.93 Trillion in Q4-Households and Non-Profits
- ▶ Pent Up Demand and Funds to Spend

Back to the Future? Risk?



- ▶ Amity Shlaes “The Great Society”
- ▶ Money Supply School
- ▶ Fiscal Expansionary Policy
- ▶ Tightening Labor Markets
- ▶ More Protectionism
- ▶ New Operating Policy at Fed

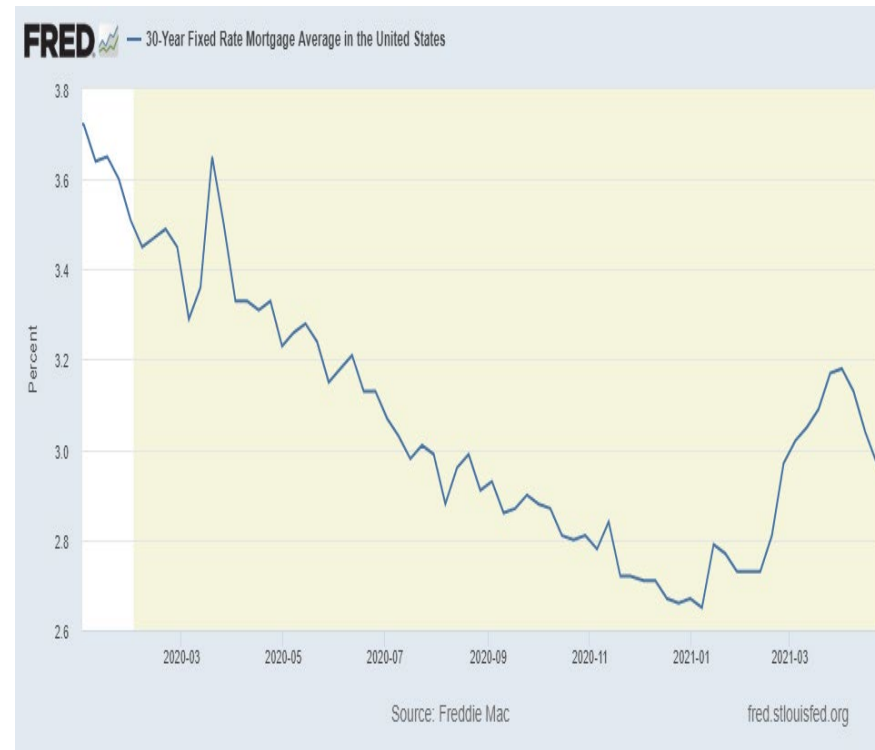
- ▶ Transitory or Prelude?

Housing/Construction

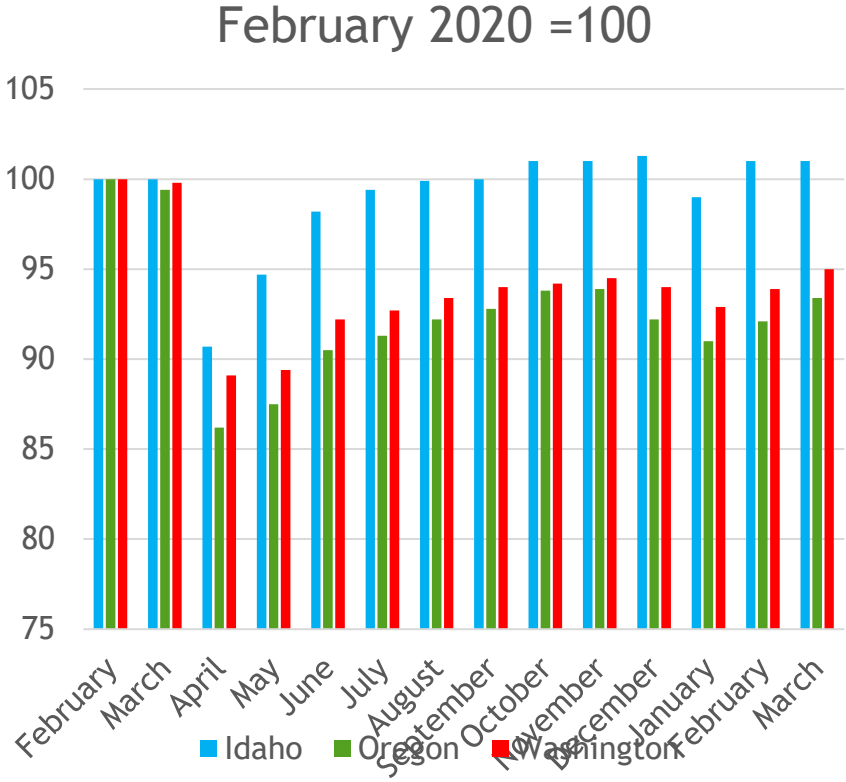
- ▶ The Perfect Storm (For Sellers) Low Levels of Inventory, Strong Demand, Mortgage Rates, Preferences, Demographics-Millennials in Home Buying Demographic, Pandemic Distortions, Lock Downs, Stay Put, Supply Chain Pressures
- ▶ FHFA Q4 House Price Index-All States Up: Idaho 21.08%, WA 13.7%, Oregon 11.54%
- ▶ Case-Shiller January Portland 10.6%, Seattle 14.3
- ▶ Affordability Limits-Have had Falling Mortgage Rates and Rising Prices-That Ship Sailed
- ▶ Strength to Continue in 2021
- ▶ To February Value Put in Place- Residential up 22%, Non-Res -6.9%
- ▶ Beige Book-April-Hotel, Office, and Retail Weak

Picking Up-National Permits up 23.4% First Three Months

	2021 Q1	% Change
Idaho	5,083	25.8
Oregon	5,013	12.2
Washington	14,371	32.2
Boise	3,155	39.9
Portland	3,189	-24.8
Seattle	8,239	60.8
Source: Census		



Employment Since the Peak and FHFA House Prices Q4 (All Transactions)



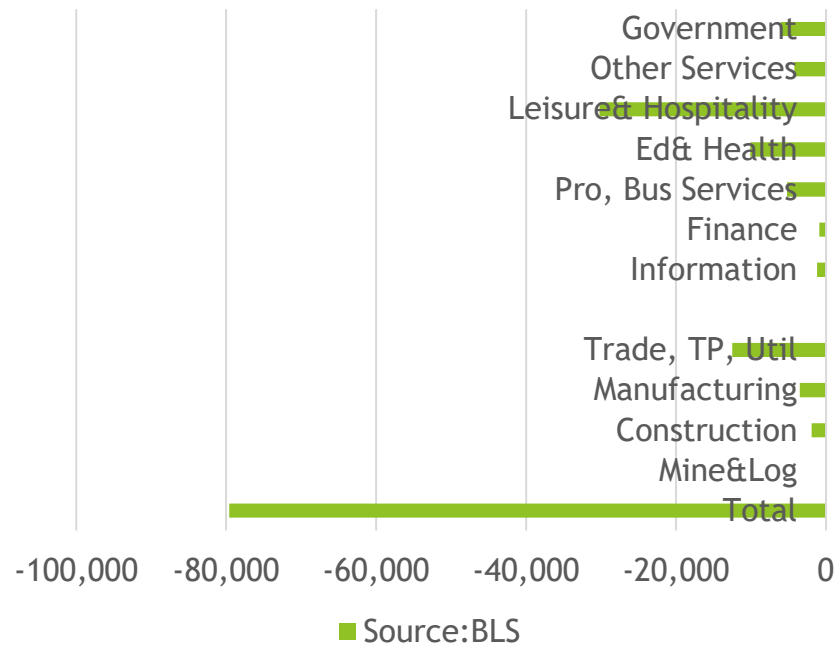
Metro	Rank	%HPI Q4
Boise	1	13.83
CDA	2	12.98
Idaho Falls	3	12.86
Tacoma	4	10.83
Spokane	5	10.65
Mt Vernon	14	9.09
Olympia	16	9.07
Longview	21	8.72
Yakima	27	8.42
Bend	38	7.93
Eugene	41	7.89
Albany	45	7.77

The NW Corner

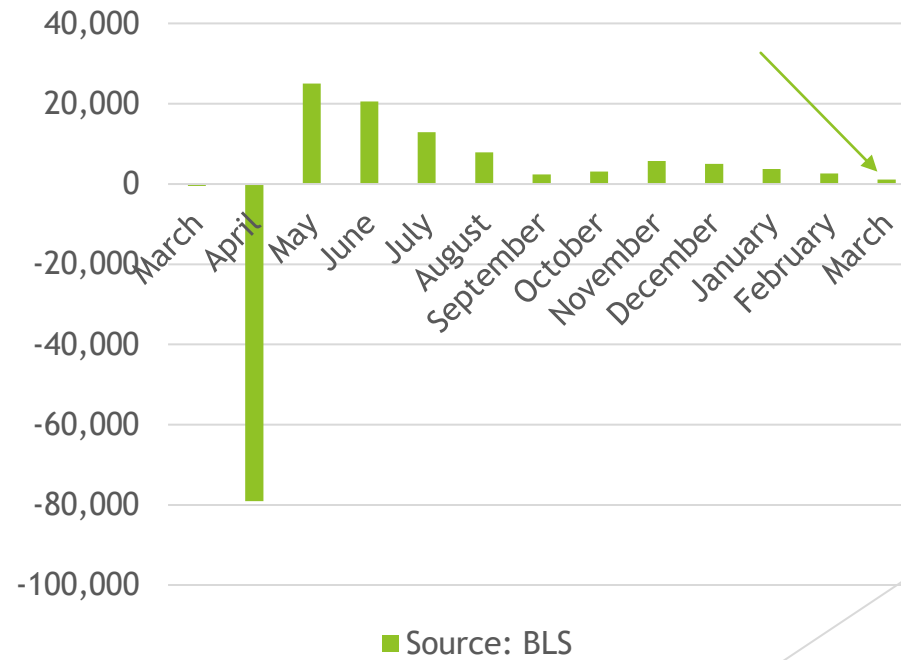
- ▶ Two States out of the Top Tier of Employment Growth
- ▶ Population Growth above the National Average in All 3: Idaho at 2.1%, Washington at 1% and Oregon at .6% 2019-20
- ▶ Tax Systems: Oregon headed for a Kicker, Washington enacted Capital gains Tax and Cap and Trade, Idaho on verge of Tax cuts with Surplus
- ▶ Commodity Industry Strength
- ▶ Portland Poster Child of Urban Dysfunction
- ▶ Home of Some of the Global Firms that have fared well-Amazon, Microsoft, Costco, Micron as well as those facing challenges Boeing, Intel

Idaho

Idaho Job Change February to April 2020 -11.3%



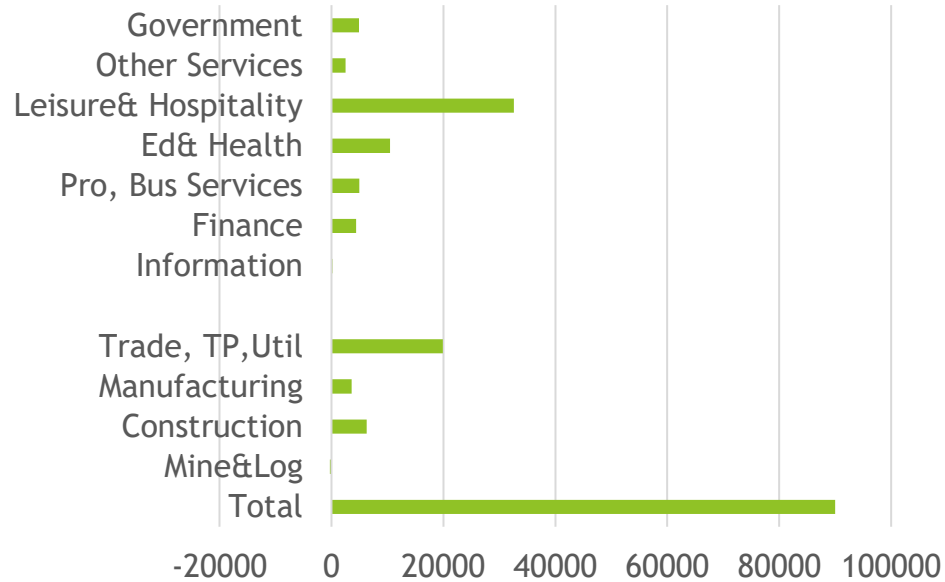
Monthly Change in Payroll Employment (SA)



Idaho

March 2021 Up 1.4% YoY

Idaho Job Change April 2020 to
March 2021 12.9%



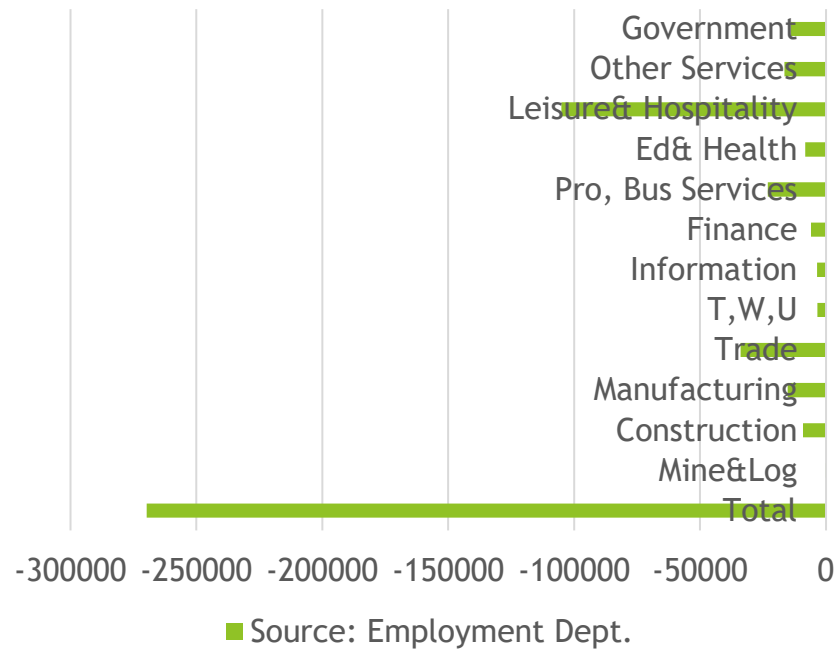
■ Source: BLS

March 2021 Metro Employment
Change YoY

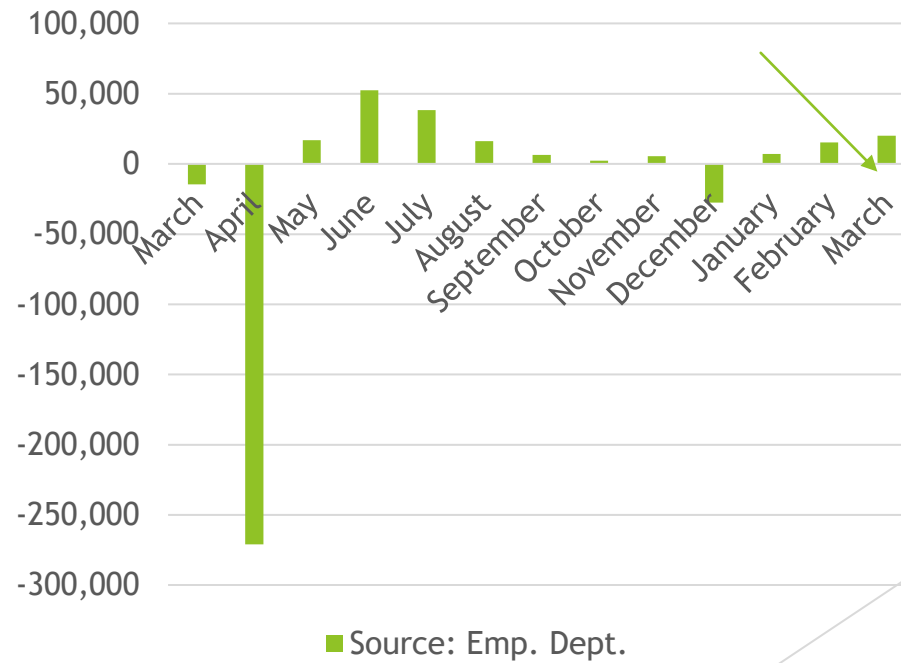
	#	%
Boise	400	0
CDA	2,300	3.4
Idaho Falls	3,400	4.8
Lewiston	0	0
Pocatello	1,300	3.5
Twin Falls	-500	-1

Oregon

Oregon Job Change February to April 2020 -13.8%



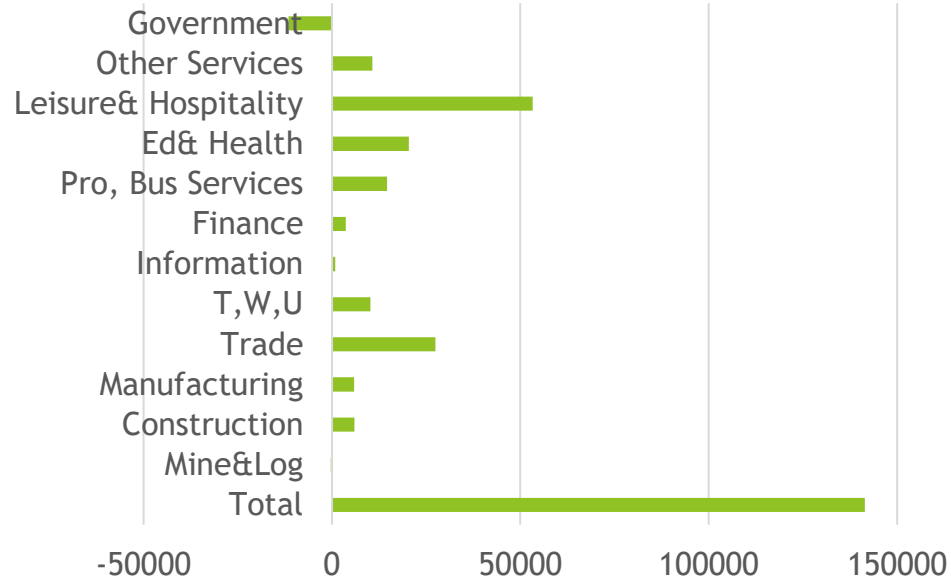
Monthly Change in Payroll Employment (SA)



Oregon

March 2021 Down 6% YoY

Oregon Job Change April 2020 to
March 2021 8.4%



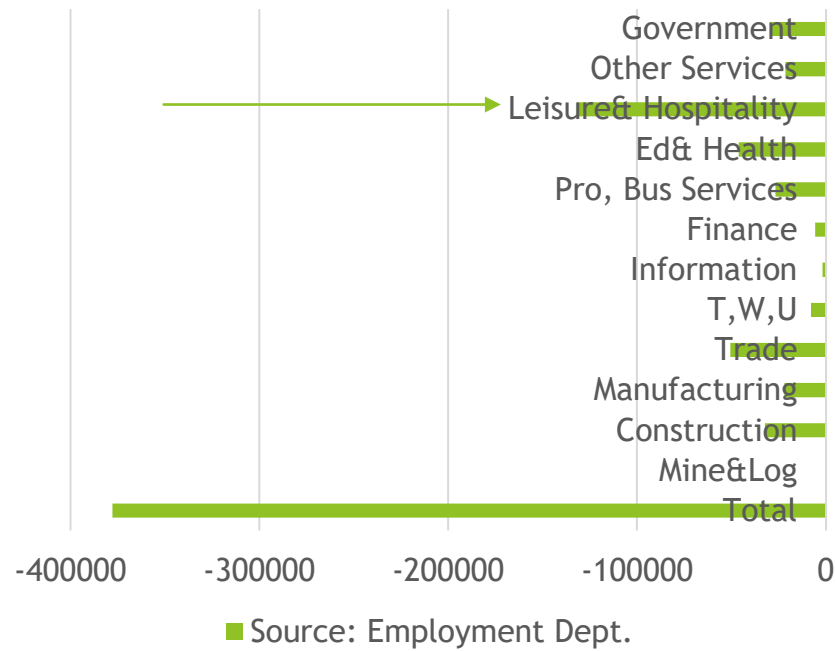
■ Source: Employment Dept.

March 2021 Metro Employment
Change YoY

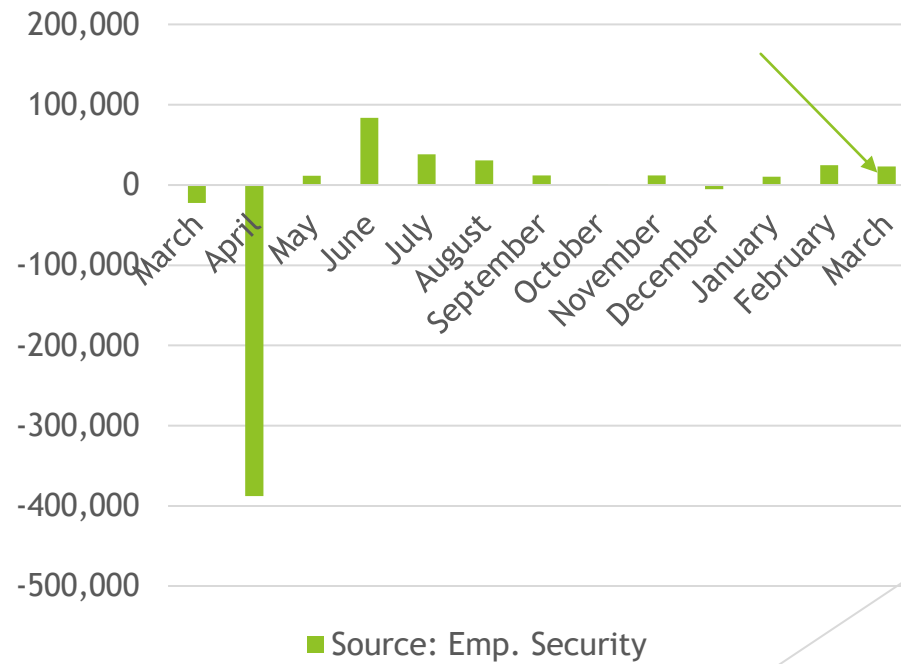
	#	%
Albany	-1,300	-2.8
Bend	-2,700	-3.1
Corvallis	-3,480	-8
Eugene	-13,700	-8.3
Grants Pass	-680	-2.5
Medford	-2,690	-3
Portland	-81,000	-6.6
Salem	-5,500	-3.2

Washington

Washington Job Change
February to April 2020
Down 10.9%



Monthly Change in Payroll
Employment (SA)

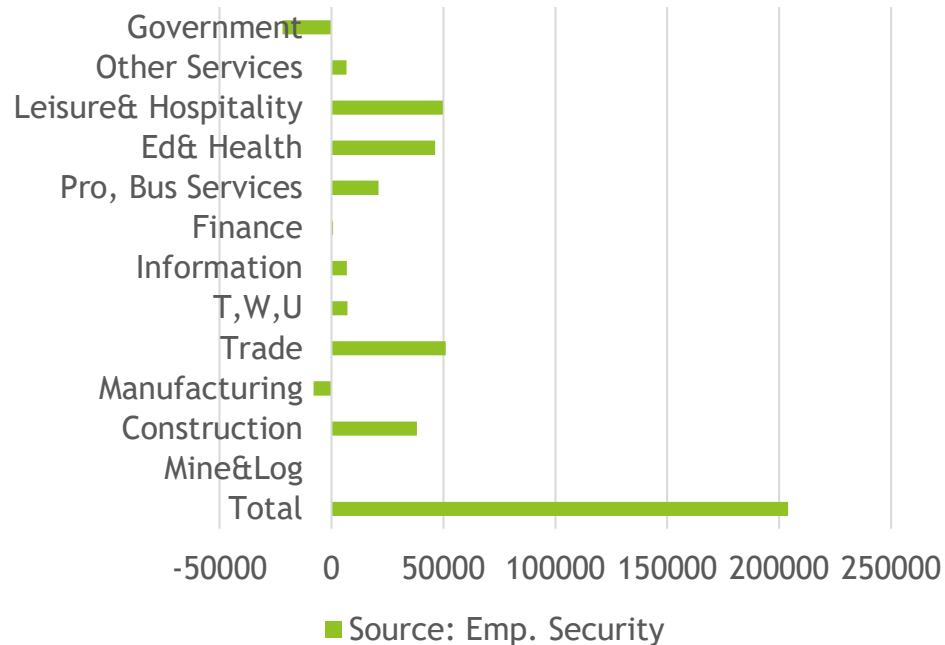


Washington

March 2021 Down 4.8% YoY

March 2021 Metro Employment Change YoY

Washington Job Change April 2020
to March 2021 6.6%

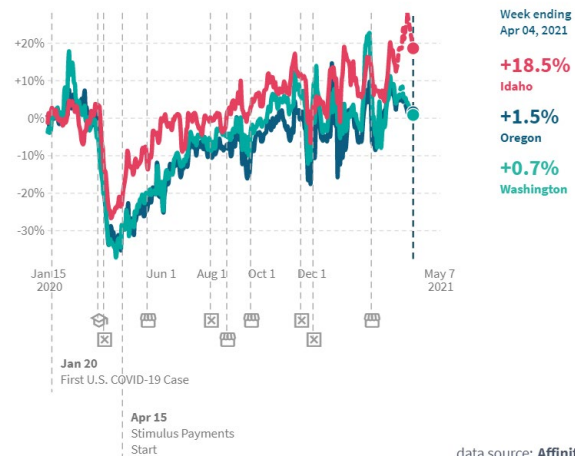


	#	%
Bellingham	-6,300	-6.5
Bremerton	-5,100	-5.4
Olympia	-2,800	-2.3
Seattle	-92,500	-5.2
Skagit	-3,000	-5.8
Spokane	-10,200	-4
Tacoma	-19,800	-5.2
Tri-Cities	-2,100	-1.8
Wenatchee	-1,600	-3.5
Yakima	-2,400	-2.8

Opportunity Insights Chetty, Friedman, Hendren and Stepner

Percent Change in All Consumer Spending*

In **Oregon**, as of **April 04 2021**, total spending by all consumers **increased** by **1.5%** compared to January 2020.



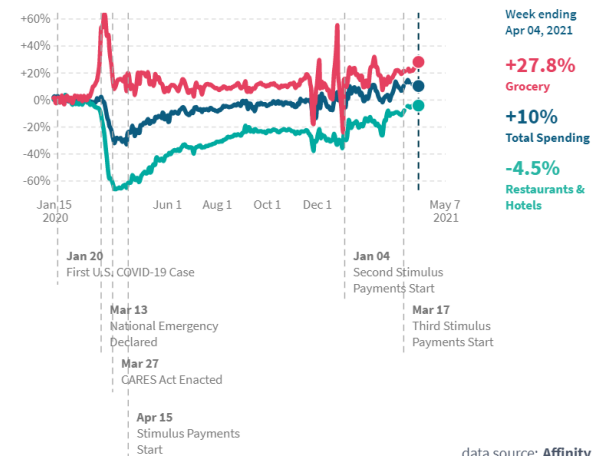
*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

last updated: April 16, 2021 next update expected: May 12, 2021

visit tracktherecovery.org to explore

Percent Change in All Consumer Spending*

In the **United States**, as of **April 04 2021**, total spending by all consumers **increased** by **10%** compared to January 2020.



*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

last updated: April 16, 2021 next update expected: May 12, 2021

visit tracktherecovery.org to explore

The Outlook

- ▶ Expectations for 2021 5-7% Growth in GDP-Rates and Inflation Higher
- ▶ Oregon and Washington Recovering Previous Levels-Idaho Already There Oregon and Washington 1-2% Job Growth in 2021 and 3-4% Next Year, Idaho Faster 4-5% in 2021 and 2-3% in 2022 (WBC)
- ▶ BUT
- ▶ Virus Course ? New Variants? A Fourth Wave?
- ▶ Timing of Policy Ideas?
- ▶ Vaccination Program ?
- ▶ Behavior ?
- ▶ Damage at this Point that is Invisible

When You Have Nothing Else to Ponder

- ▶ How Much Slack is There?
- ▶ Deficit and Inflation Fears Have Not Come to Pass-Will They?
- ▶ Incidence of Taxes?
- ▶ How will People and Firms Respond to New Rules, Programs, Taxes and Incentives?
- ▶ Massive Expansion in the Role of Government
- ▶ Test of Creative Destruction and Flexibility

Leftovers Of The Interlude

- ▶ Plans Disrupted, Assumptions Changed, Range of Possibilities Widened
- ▶ What business entities will survive? Deferrals, Forbearance, Eviction Moratoriums, Debt Burdens
- ▶ Transitions-Jobs Gone, Firms Gone, Hysteresis, Scarring
- ▶ Education Disruption-Lifetime Implications
- ▶ Participation Rates-Stay Home, Income and Experience Loss, Drop Out-Will They Come Back? Retire Early
- ▶ Connection Between Work and Income Weakened
- ▶ Will downtown Portland and Seattle Rebound and When?

- ▶ Geographic Implications-Suburbs, Smaller Cities, The South, Remote Work-Short Term Excitement-Longer Term Trends Persisting-South, West, and Suburbs
- ▶ Reimagining Space-Use Hubs, Office to Residential, Malls to Distribution Centers
- ▶ WFH and Downtowns (OR 28.8% of Adults in HH Where Some Telework in Last 7 Days, WA 30.7% and Idaho 20.4%) Census Pulse Data #28, April 14-26th 2021, Hybrid Model
- ▶ What Habits will Persist? Travel-Modes, Leisure, Business- Dining out Preferences, Large Events, Savings Behavior
- ▶ Will we increase housing supply?
- ▶ Leftover Public Debt-War Time Levels
- ▶ When Circumstances Change will Policy Shift? Test of FAIT?
- ▶ Promises to be an Exciting Few Years



Questions

Trending Pension Plan Topics

2021 Client Conference

Sarah Murray

MAY 18, 2021



COVID-19

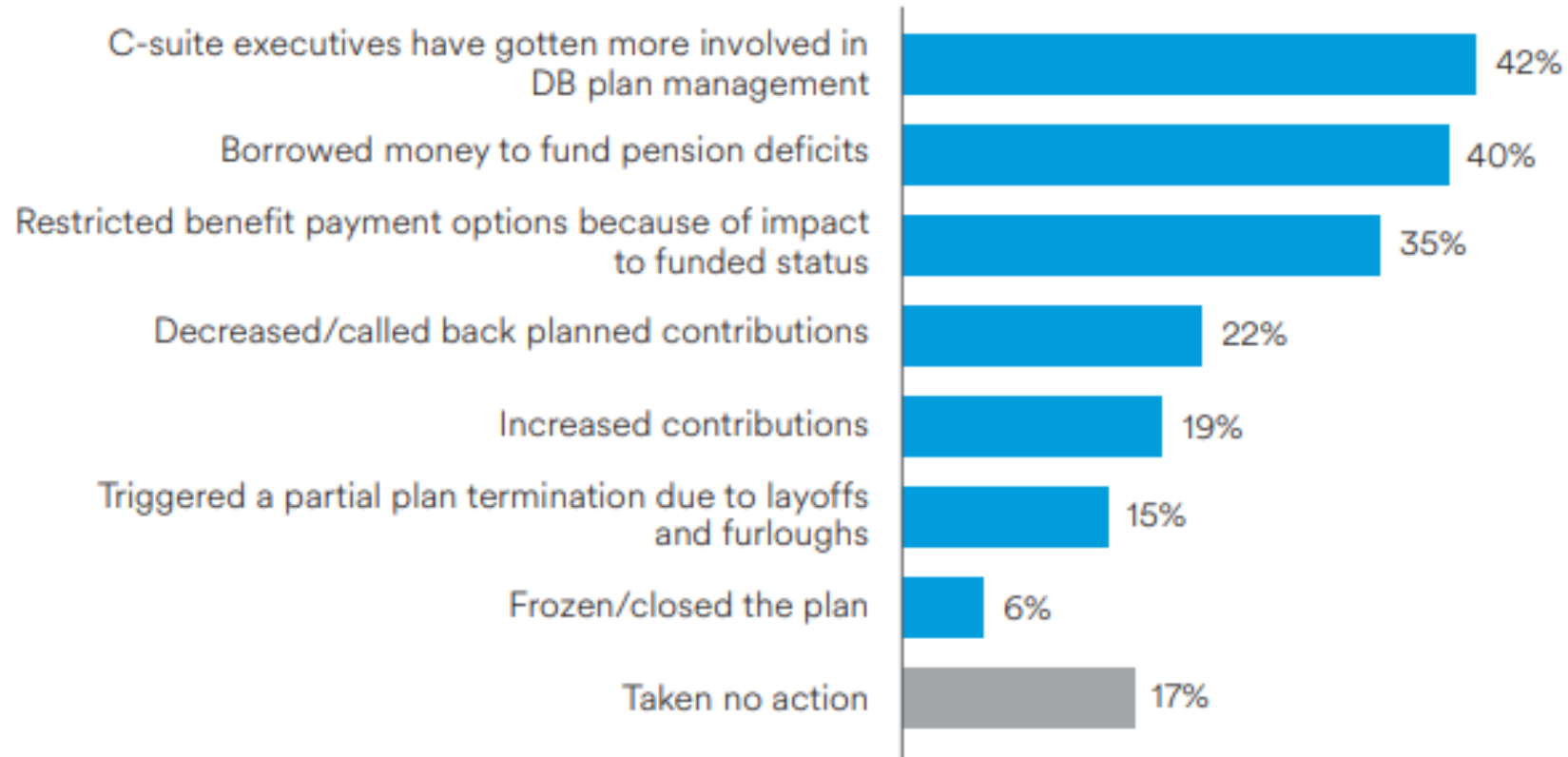
Impact of pandemic on pension plans



- Pension legislation - Check out Charlie Clark's presentation tomorrow!
- Milliman's American Rescue Plan Act (ARPA) thought leadership us.milliman.com/en/retirement-and-benefits/american-rescue-plan-act
- Demographic effects
- Time of reassessment for many plan sponsors

Impact on defined benefit plan management

Impact of COVID-19 on DB plan management
(n=200)

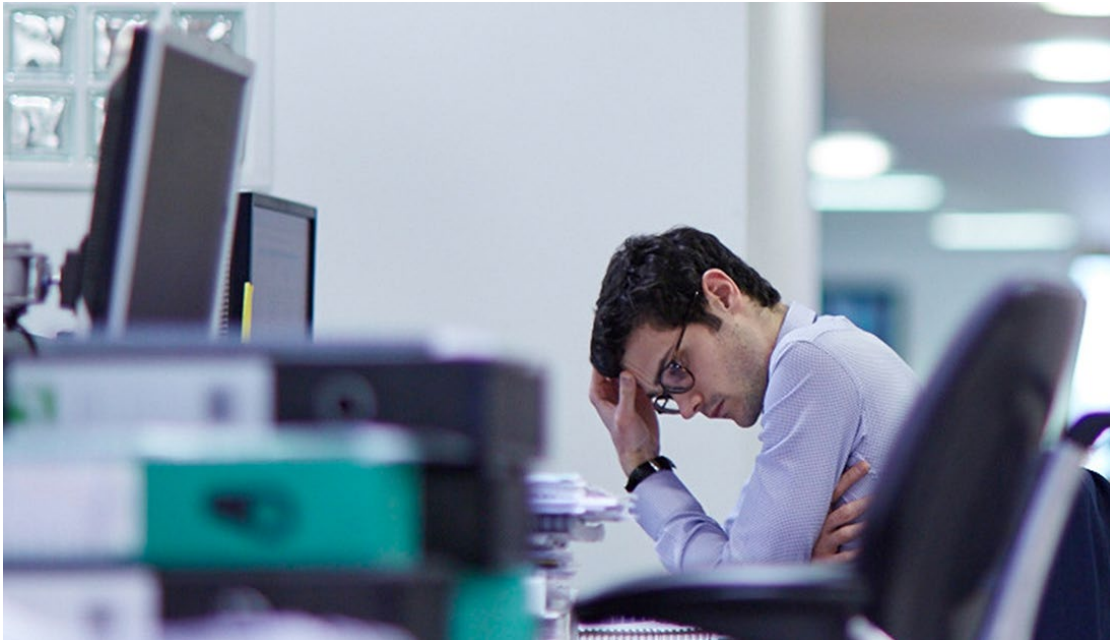


Source: MetLife's 2020 Pension Risk Transfer Poll: A survey of U.S. defined benefit plan sponsors

Risk Management

Current challenges in managing defined benefit plans

What have plan sponsors been most concerned about?



Maintaining / funding DB plans

- Ensuring benefit obligations are being met

Source: MetLife's 2020 Pension Risk Transfer Poll: A survey of U.S. defined benefit plan sponsors



Focusing on DB plan investments

- Minimizing volatility
- Managing the impact of the low interest rate environment

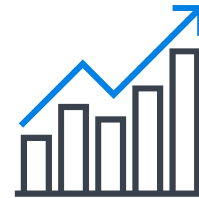
Pension plan risk management

Multi-strategy approach



Plan design

- Change benefit formula
- Alternative plan design
- Close plan
- Freeze
- Terminate



Asset driven

- Asset allocation
- Liability hedging
- Full immunization



Liability driven

- Lump sum windows
- Annuity purchases

De-risking activity continues

- Revisiting investment strategy
- Lump sum windows – vested terminated participants and/or retirees
- Annuity placements - with or without a plan termination
- Buy-in contracts getting more notice in the U.S.?
- Plan terminations – renewed interest with strong 2020 asset returns



2020 risk transfer activity

2021 Corporate Pension Funding Study

By [Zorast Wadia](#), [Alan H. Perry](#), and [Charles J. Clark](#)

07 April 2021

During FY2020, pension settlements or pension risk transfer (PRT) programs continued to be employed as financial cost management tools by plan sponsors. Among the Milliman 100 pension plans, settlement payouts totaled an estimated \$15.8 billion in FY2020; up from the \$13.5 billion in FY2019. General Motors had the most settlements in 2020 totaling \$2.6 billion (most of which was a \$1.5 billion annuity purchase for their Canadian plan).

[2021 Corporate Pension Funding Study](#)

Client Action Bulletin: Plan termination and de-risking strategies under the American Rescue Plan Act of 2021

By [Jake Pringle](#) and [Mary Leong](#)

17 March 2021

Despite bond yields at historic lows, the fourth quarter of 2020 saw its second-highest quarter on record for the LIMRA Secure Retirement Institute's survey of insurers (and highest since 2015) for pension risk transfer activity. The increase in activity was partly due to strategies that reduce plan liabilities through annuity purchases. This helped to minimize rising plan liabilities due to declining interest rates.

[Client Action Bulletin: Plan termination and de-risking strategies under the American Rescue Plan Act of 2021](#)

Milliman.com resources

Pension Funding Index

MILLIMAN 100 PENSION FUNDING INDEX

Milliman analysis: Funded status leaps closer to “full funding” as interest rates rise for the third consecutive month in March

Milliman 100 PFI funded ratio improves to 98.4%

Zorast Wadia, CFA, FSA, MAAA, EA
Charles Clark, ASA, MAAA, EA



The funded status of the 100 largest corporate defined benefit pension plans rose by \$62 billion during March as measured by the Milliman 100 Pension Funding Index (PFI). The funded status deficit improved to \$29 billion from \$91 billion at the end of February 2021, due to liability gains incurred during March. The liability improvement was the result of an increase in the benchmark corporate bond interest rates used to value pension liabilities. As of March 31, 2021, the funded ratio rose to 98.4%, up from 95.1% at the end of February. March’s increase caps an impressive first quarter of 2021, which saw a \$161 billion improvement in funded status. The Milliman 100 PFI funded status is now less than two percentage points away from full funding (at 100%), as the deficit has declined by almost a quarter of a trillion dollars since September 30, 2020.

The Milliman 100 PFI asset value remained at \$1.760 trillion during March due to a relatively low monthly return of 0.37%.

HIGHLIGHTS

	\$ BILLION			
	MV	PBO	FUNDED STATUS	FUNDED PERCENTAGE
FEBRUARY	1,760	1,851	(91)	95.1%
MARCH	1,760	1,789	(29)	98.4%
MONTHLY CHANGE	(0)	(62)	+62	3.3%
YTD CHANGE	(19)	(179)	+161	8.1%

Note: Numbers may not add up precisely due to rounding

The projected benefit obligation (PBO), or pension liabilities, decreased to \$1.789 trillion at the end of March. The change resulted from an increase of 24 basis points in the monthly discount rate to 3.12% for March from 2.88% for February 2021. This was the first time discount rates have exceeded 3% at month-end in the last 12 months.

us.milliman.com/en/periodicals/corporate-pension-funding-index



Milliman Pension Buyout Index

MILLIMAN PENSION BUYOUT INDEX

Estimated retiree buyout cost as a percentage of accounting liability increased by 60 bps from 102.1% to 102.7% in March

Competitive pricing buyout costs increased from 99.3% to 99.7%

Mary Leong, EA, MAAA, MSPA, CPC
Ryan Cook, ASA, MAAA, EA



As the Pension Risk Transfer market continues to grow, it has become increasingly important for plan sponsors to monitor the annuity buyout market when considering a plan termination or de-risking strategy. Figure 1 illustrates retiree buyout costs based on both an average of all insurer rates in our study and on just the most competitive rates, which represent the price savings that may be achieved when selecting between bids from multiple insurers.

During March 2021, average accounting discount rates increased by 27 basis points (bps), while annuity purchase rates increased by 20 bps (average) and 23 bps (competitive). This caused the average estimated retiree buyout cost as a percentage of accounting liability (accumulated benefit obligation) to increase from 102.1% to 102.7%, while the competitive pricing trend increased from 99.3% to 99.7%.

When considering these results, please keep the following information in mind:

- Annuity pricing composites are provided by the following insurers: Prudential Insurance Company of America, American United Life Insurance Company (OneAmerica), American General Life Insurance Company (subsidiary of AIG), Minnesota Life Insurance Company (Securian), Pacific Life Insurance Company, Metropolitan Tower Life Insurance Company (MetLife), Massachusetts Mutual Life Insurance Company (MassMutual), and Banner Life Insurance Company (Legal & General America).
- Baseline accounting obligations are estimated using a representative retiree population, the FTSE Above Median AA Curve, and insurance company data.
- Plan sponsors should note that specific characteristics in plan design or participant population could make settling pension obligations with an insurer more or less costly than estimated.

us.milliman.com/en/periodicals/Milliman-Pension-Buyout-Index

Considerations for open DB pension plans

Attraction and retention

DB pension plan can be a valuable tool to help retain well trained and highly skilled workforce



Challenges for plan sponsors

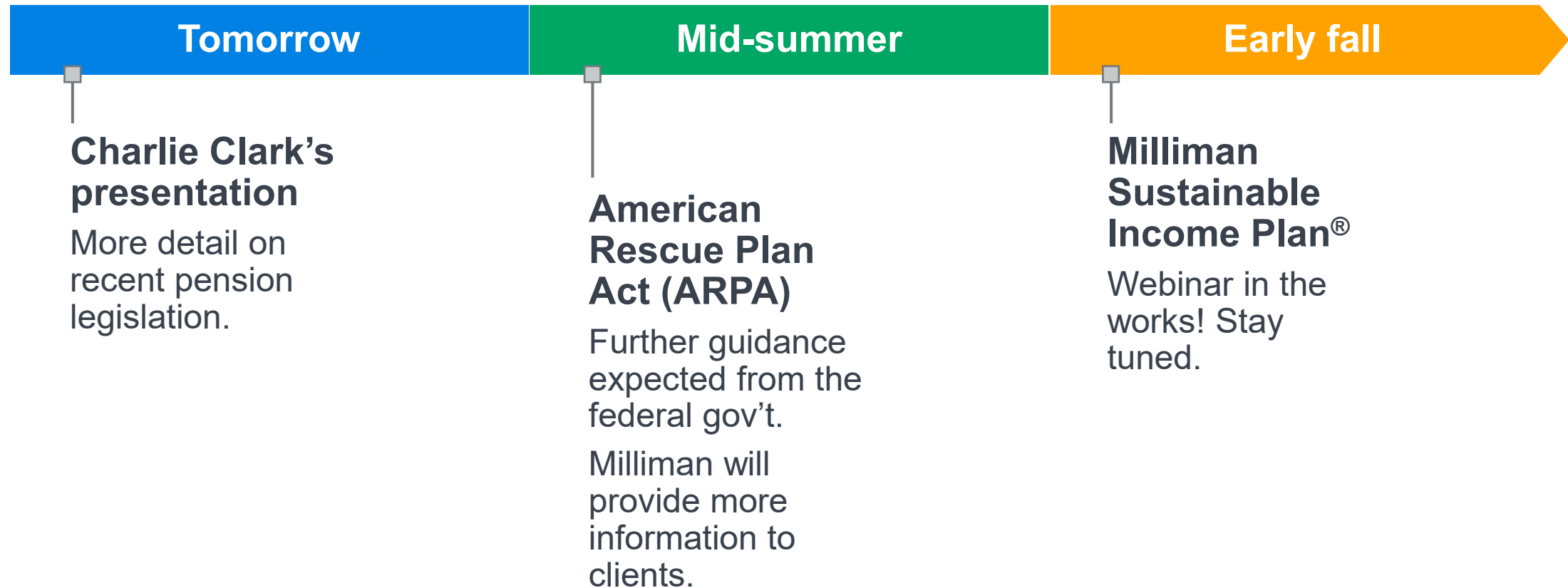
- Growth and high cost of housing affecting employees
- Communicating the value of the entire benefits package, not just salary
- Getting younger employees to appreciate pension benefits
- **Trending:** comparison tools

Other recent topics

- Possible side effects of lower contributions under pension funding relief
 - Higher PBGC premiums
 - ERISA 4010 filings
 - Higher required contributions in future years
- Immediate needs vs. long-term strategy
- Exploring administration outsourcing options if not already in place
 - Desire to focus on core business instead



Additional items





Thank you

Sarah Murray

sarah.murray@milliman.com

Employee Benefits

Beyond Our Borders

JP Augeri

MAY 18, 2021



Become a globalist!





LIVE POLL

- Do you have an international role, or does your organization have non-US employees?

Client strategy interviews

Emerging themes

Since late 2020 Milliman/MBWL has interviewed over a dozen senior global benefits leaders at blue chip organizations to understand the current state of their business, people and benefits programs globally, their opportunities and priorities and the challenges and barriers they face. More interviews are planned for the coming months.

A number of themes have emerged:

Employer drivers and alignment

- Purpose
- Health and financial wellbeing
- I&D, Gender, ESG
- “Great” benefits, reimagined
- Minimum standards

Employee fit and engagement

- Participation
- Access
- Digital
- Leveraging good practices globally
- Too fragmented
- Too much paper (still)

Cost and risk management

- Cost control (not cost cutting)
- Medical and DC costs increasingly important
- Leverage scale
- Sustained, incremental gains

Insights and innovation

- Ongoing desire and need to innovate
- Struggle for impactful new ideas
- Need more challenge / value from advisers

Operations and oversight

- An increasing priority
- Holistic
- Multiple stakeholders
- Efficiency
- Digital solutions
- Data-driven decisions
- Lack of resources is a huge challenge
- Still hard to get the basics right



LIVE POLL

- Which is the greatest priority for you / your team?

Germany COVID-19 study*

Major impacts on HR

99%

of all companies expect mobile working and home office to be standard in future



1.2%

is the average rate of salary increases in 2020 (where increases took place after the start of the pandemic)



47%

consider a change from “managing people” to “leading people”



56%

started to use agile HR tools and approaches



*Lurse Market study from summer 2020, 86 mid-cap and large companies from all industry sectors participated

Hot topics – Netherlands pension reform

All pension plans must be converted into Flat-rate DC before 2027



Global gender gap – retirement and financial well-being

UK spotlight



Women's pension savings

Up to 40%

Less than men



Men contribute

£500 - £1,500 pa

More than women after 30s



Women earning <£10K

3X

More than men



Women increase contributions

An extra 1% of pay

Compared to men after age 50



*Barnett Waddingham gender retirement gap UK study 2021

**“I am not an Athenian
or a Greek, but a
citizen of the world.”**

—Socrates

MBWL International

Independent. Global. Experts.



Independent Global Experts | Access to over 5,000 pensions, benefits, M&A and insurance professionals
Led by experienced international benefits consultants | New York, London and Frankfurt hubs

Milliman

- Founded in 1947
- Independence/partnership structure
- \$1.1 billion turnover
- Offices in over 30 countries
- Over 4,000 employees



- Founded in 1989
- Independent partnership structure
- £100m turnover
- 8 offices providing national coverage in the UK
- Over 1,200 employees

Lurse⁷

- Founded in 1989
- Independence/partnership structure
- EUR 15 million turnover
- Offices in Germany and Switzerland
- Over 140 employees

Our international services

Strategy & Governance

- Global Governance & Oversight
- Strategic Benefit Design & Delivery

Benefits Consulting

- Audits & Benchmarking
- Employee Benefits Consulting
- Health & Wellbeing
- International & Expat Benefits
- Multinational Pooling & Captives

Administration

- DB
- DC
- Benefits

Actuarial Consulting

- Accounting Coordination & Consolidation
- Actuarial Services
- Funding & Investment Strategy

Mergers & Acquisitions

- Target Evaluation
- Due Diligence
- Integration Planning
- Integration Implementation

Health & Wellbeing

- Analytics
- Strategy
- Implementation



Thank you

John-Paul (JP) Augeri

johnpaul.augeri@milliman.com

+1 347 416 1148

Visit us at www.mbwl-int.com

Wrap-up



LIVE POLL

- Which is your preferred organization?

Diversity, Equity, and Inclusion Non-profit Organizations



Advocate. Educate. Activate.



FACING
HISTORY
AND
OURSELVES

Challenging teachers and their students to stand up to bigotry and hate.



HUMAN
RIGHTS
CAMPAIGN®

Equality for ALL not for some.



Thank you

See you tomorrow at 9 am PT.