Milliman Analysis: Little change in public pension funded ratio in Q2, now at 71.2%

Lackluster asset performance of 0.70% for second quarter 2018 drops funded status by $23 billion

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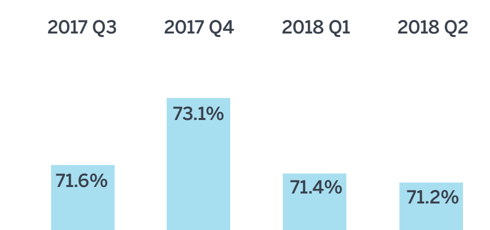
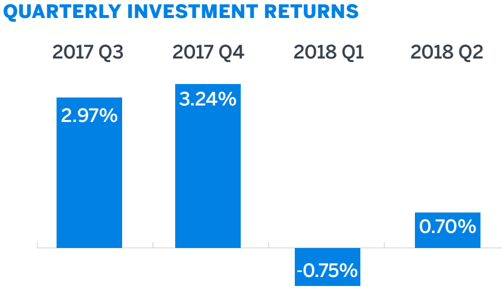
Another quarter of below benchmark asset performance has caused a $23 billion setback in the estimated funded status of the 100 largest US public pension plans, as measured by the Milliman 100 Public Pension Funding Index (PPFI). At the end of June 2018, the deficit stands at **$1.448** trillion, the largest deficit since the PPFI began in September 2016, compared to $1.425 trillion at the end of March 2018. As of June 30, the funded ratio stood at **71.2%**, down slightly from 71.4% at the end of March.

FUNDED RATIO



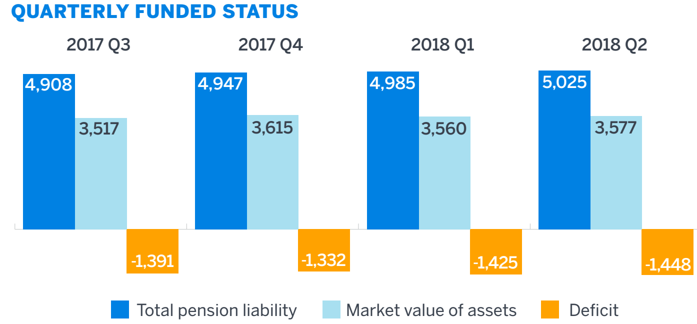
In aggregate, the PPFI plans experienced investment returns of **0.70%** in the second quarter. Estimated returns for the second quarter ranged from a low of -0.36% to a high of 2.52%. The Milliman 100 PPFI asset value increased from $3.560 trillion at the end of Q1 to **$3.577** trillion at the end of Q2. The plans earned investment market value of approximately $45 billion, but this was offset by approximately $28 billion flowing out, as benefits paid out exceeded contributions coming in from employers and plan members.

QUARTERLY INVESTMENT RETURNS



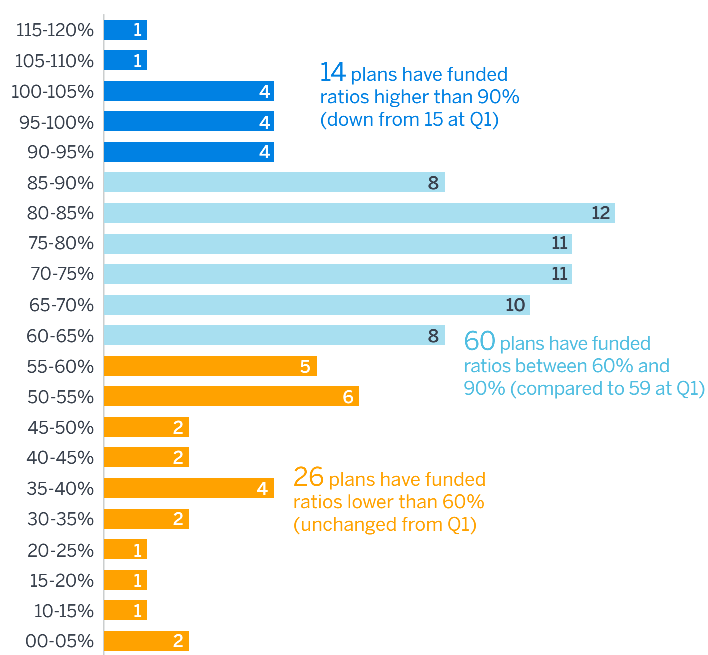
The total pension liability (TPL) topped the $5 trillion mark for the first time to an estimated **$5.025** trillion at the end of Q2, up from $4.985 trillion at the end of Q1. Just as pension assets grow over time with investment income and shrink over time as benefits are paid, so too does the TPL grow over time with interest and shrink as benefits are paid. The TPL also grows as active members accrue pension benefits.

QUARTERLY FUNDED STATUS



Funded ratios did not move much this quarter, with one more plan dropping below the 90% funded mark; there are now just 14 plans above this mark, compared to 15 at the end of the Q1. At the lower end, the number of the more poorly funded pension plans remained unchanged. There are still 26 plans whose funded ratios fall below 60%, and 11 plans remain below 40% funded.

FUNDED RATIOS AT JUNE 30, 2018



The projected asset and liability figures presented in this quarterly analysis will be adjusted as part of Milliman's annual Public Pension Funding Study, due out later this summer.

About the Milliman 100 Public Pension Funding Index

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

The results of the Milliman 100 Public Pension Funding Index are based on the pension plan financial reporting information disclosed in the plan sponsors' Comprehensive Annual Financial Reports, which reflect measurement dates ranging from June 30, 2015 to December 31, 2016. This information was summarized as part of the Milliman 2017 Public Pension Funding Study, which was published on October 5, 2017.

This quarterly update reflects adjustments made as of the end of June 2017 as part of Milliman's annual Public Pension Funding Study, published in October, found here milliman.com/ppfs. The adjustments reflect updated publicly available asset and liability information gathered for the annual study.

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