

Milliman analysis: Corporate pension funded status declines in April for first time this year



A \$35 billion increase in liabilities and \$4 billion decrease in assets moves the Milliman 100 PFI funded status deficit to \$267 billion

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The funded status of the 100 largest corporate defined benefit pension plans dropped by \$39 billion during April 2012, as measured by the Milliman 100 Pension Funding Index (PFI). The deficit increased to \$267 billion from \$228 billion at the end of March.

April's funded status decrease, the first of 2012, was due primarily to a decrease in the corporate bond interest rates that are the benchmarks used to value pension liabilities. As of April 30, 2012, the funded ratio fell to 82.9%, down from 85.0% at the end of March 2012.

The Milliman 100 PFI asset value decreased by \$4 billion during April, lowering the Milliman 100 PFI value to \$1.294 trillion from \$1.298 trillion at the end of March. The decrease was due to investment losses of 0.15% for the month. By comparison, the Milliman 2012 Pension Funding Study, published in March,

HIGHLIGHTS

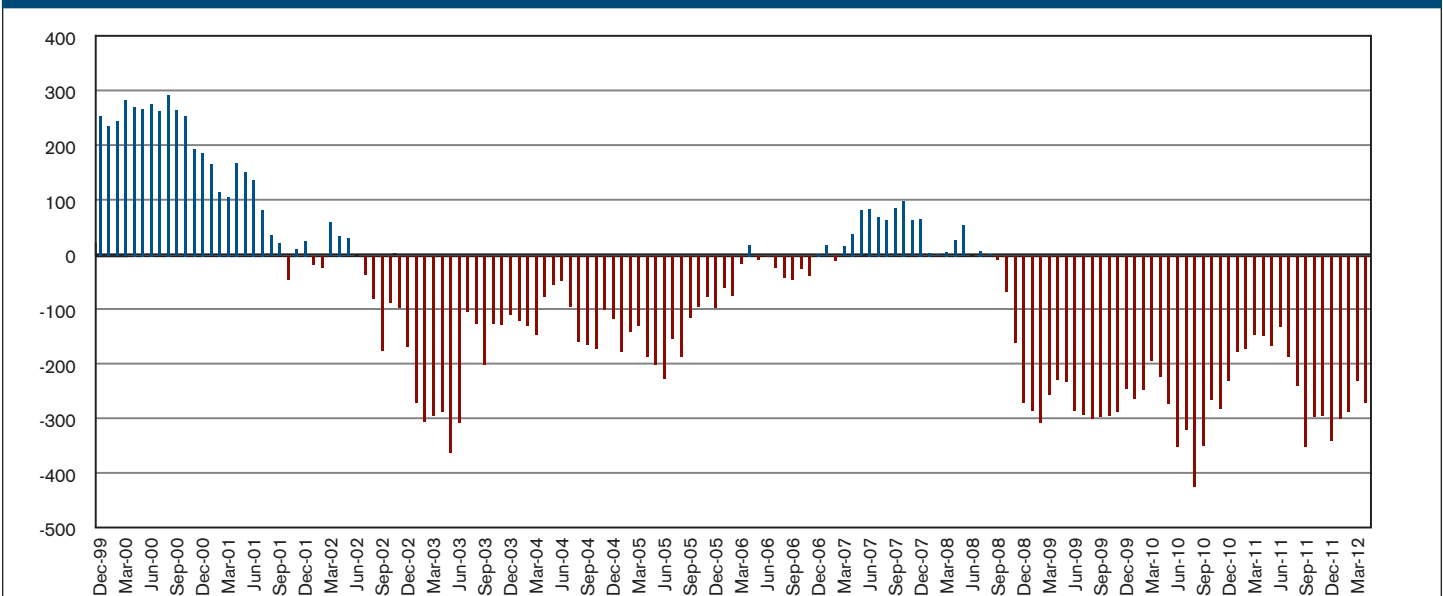
	\$ BILLION			FUNDED PERCENTAGE
	MV	PBO	FUNDED STATUS	
MAR 2012	1,298	1,526	(228)	85.0%
APR 2012	1,294	1,561	(267)	82.9%
MONTHLY CHANGE	(4)	+35	(39)	-2.1%
YTD CHANGE	+47	(22)	+70	+4.2%

NOTE: NUMBERS MAY NOT ADD UP CORRECTLY DUE TO ROUNDING

reported that the median expected investment return during 2011 was 0.63% (7.80% annualized).

The projected benefit obligation (PBO), or pension liabilities, increased by \$35 billion during April, raising the Milliman 100 PFI value to \$1.561 trillion from \$1.526 trillion at the end of March. The change resulted from a decrease of 12 basis points in the monthly discount rate to 4.76% for April, from 4.88% for March.

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



Over the last 12 months (May 2011 to April 2012), the cumulative asset return has been 5.3% and the Milliman 100 PFI funded status deficit has increased by \$122 billion. For these 12 months, the funded ratio of the Milliman 100 companies dropped to 82.9% from 89.7%.

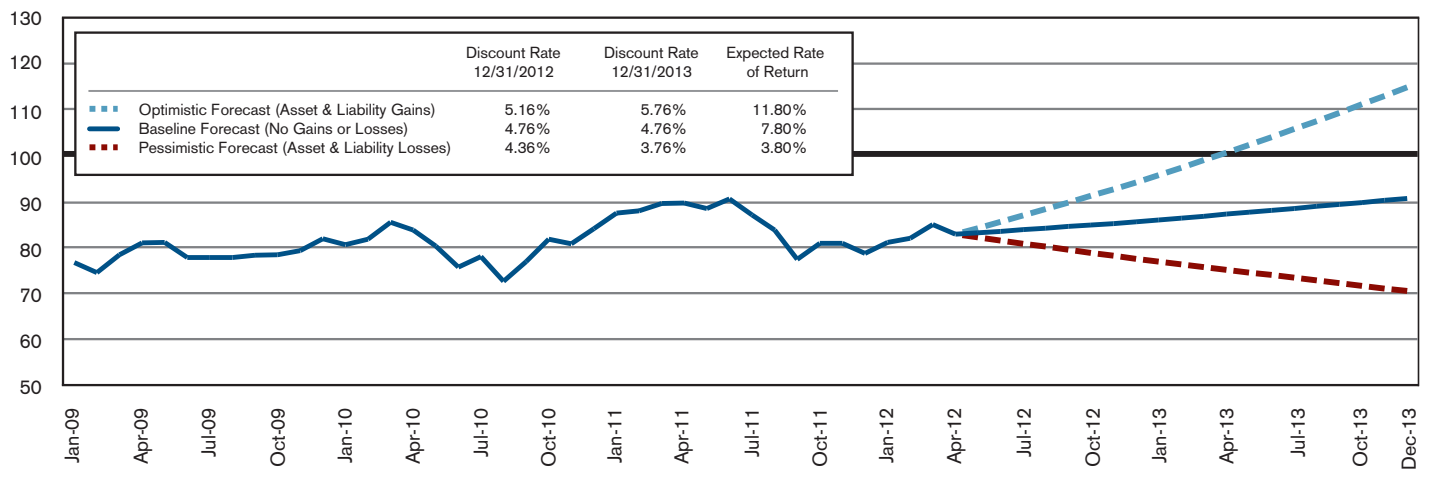
2012-2013 PROJECTIONS

If the Milliman 100 PFI companies were to achieve a 7.8% median asset return (as per the 2012 Pension Funding Study) expected for their pension plan portfolios and the current discount rate of 4.76% were to be maintained during 2012 through 2013, we forecast the funded status of the surveyed plans would increase. This would result in a projected pension deficit of \$226 billion (funded ratio of 85.6%) by the end of 2012 and a projected pension deficit of \$148 billion (funded ratio of 90.7%) by the end of 2013. For purposes of this forecast, we have assumed 2012 aggregate contributions of \$67 billion and 2013 aggregate contributions of \$81 billion.

Under an optimistic forecast with rising interest rates (reaching 5.16% by the end of 2012 and 5.76% by the end of 2013) and asset gains (11.8% annual returns), the funded ratio would climb to 94% by the end of 2012 and 115% by the end of 2013. Under a pessimistic forecast with similar interest rate and asset movements (4.36% discount rate at the end of 2012 and 3.76% by the end of 2013 and 3.8% annual returns), the funded ratio would decline to 78% by the end of 2012 and 71% by the end of 2013.

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FIGURE 2: MILLIMAN 100 PENSION FUNDING INDEX – PENSION FUNDED RATIO



MILLIMAN 100 PENSION FUNDING INDEX – APRIL 2012 (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
APRIL	2011	1,261,242	1,406,750	(145,509)	N/A	89.7%
MAY	2011	1,261,476	1,424,745	(163,269)	(17,761)	88.5%
JUNE	2011	1,253,541	1,383,010	(129,469)	33,800	90.6%
JULY	2011	1,250,735	1,435,297	(184,561)	(55,092)	87.1%
AUGUST	2011	1,222,908	1,459,129	(236,221)	(51,660)	83.8%
SEPTEMBER	2011	1,192,824	1,540,649	(347,825)	(111,604)	77.4%
OCTOBER	2011	1,241,510	1,534,408	(292,898)	54,928	80.9%
NOVEMBER	2011	1,235,787	1,527,813	(292,026)	872	80.9%
DECEMBER	2011	1,246,235	1,583,613	(337,378)	(45,352)	78.7%
JANUARY	2012	1,274,884	1,572,630	(297,746)	39,632	81.1%
FEBRUARY	2012	1,294,521	1,579,548	(285,027)	12,719	82.0%
MARCH	2012	1,297,681	1,526,122	(228,441)	56,586	85.0%
APRIL	2012	1,293,677	1,561,169	(267,492)	(39,051)	82.9%

PENSION ASSET AND LIABILITY RETURNS (ALL DOLLAR AMOUNTS IN MILLIONS)

END OF MONTH	YEAR	ASSET RETURNS		DISCOUNT RATE	LIABILITY RETURNS	
		MONTHLY	YEAR-TO-DATE		MONTHLY	YEAR-TO-DATE
APRIL	2011	1.78%	4.34%	5.37%	2.58%	1.48%
MAY	2011	0.00%	4.35%	5.24%	2.16%	3.66%
JUNE	2011	-0.64%	3.67%	5.43%	-2.07%	1.52%
JULY	2011	-0.24%	3.43%	5.12%	4.67%	6.25%
AUGUST	2011	-2.24%	1.12%	4.96%	2.52%	8.93%
SEPTEMBER	2011	-2.47%	-1.38%	4.54%	6.44%	15.94%
OCTOBER	2011	4.07%	2.64%	4.53%	0.40%	16.41%
NOVEMBER	2011	-0.47%	2.15%	4.53%	0.38%	16.85%
DECEMBER	2011	3.00%	5.22%	4.67%*	-1.80%	14.74%
JANUARY	2012	2.46%	2.46%	4.71%	-0.37%	-0.37%
FEBRUARY	2012	1.70%	4.20%	4.69%	0.76%	0.39%
MARCH	2012	0.40%	4.62%	4.88%	-3.05%	-2.67%
APRIL	2012	-0.15%	4.46%	4.76%	2.63%	-0.11%

* Reflects a change in our discount rate methodology in moving from the Citigroup Pension Liability Index to the Citigroup Above Median Pension Liability Index.

ABOUT THE MILLIMAN 100 MONTHLY PENSION FUNDING INDEX

For the past 12 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 2011 fiscal year and for previous fiscal years. This pension plan accounting disclosure information was summarized as part of the Milliman 2012 Pension Funding Study, which was published on March 29, 2012. 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.

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