

## Milliman analysis: Funded status improves by \$29 billion in March



A \$15 billion asset increase, paired with a \$14 billion liability decrease, reduces the Milliman 100 PFI funded status deficit to \$285 billion

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The funded status of the 100 largest corporate defined benefit pension plans improved by \$29 billion during March as measured by the Milliman 100 Pension Funding Index (PFI). The deficit decreased to \$285 billion from \$314 billion at the end of February, due to the dual effect of a six basis point increase in the benchmark corporate bond interest rates used to value pension liabilities and the strong 1.21% investment gain during March. As of March 31, the funded ratio climbed to 82.7%, up from 81.2% at the end of February. Note that this March 31 PFI reflects the annual update of the Milliman 100 companies and their 2012 financial figures included in the Milliman 2013 Pension Funding Study published on March 25, 2013.

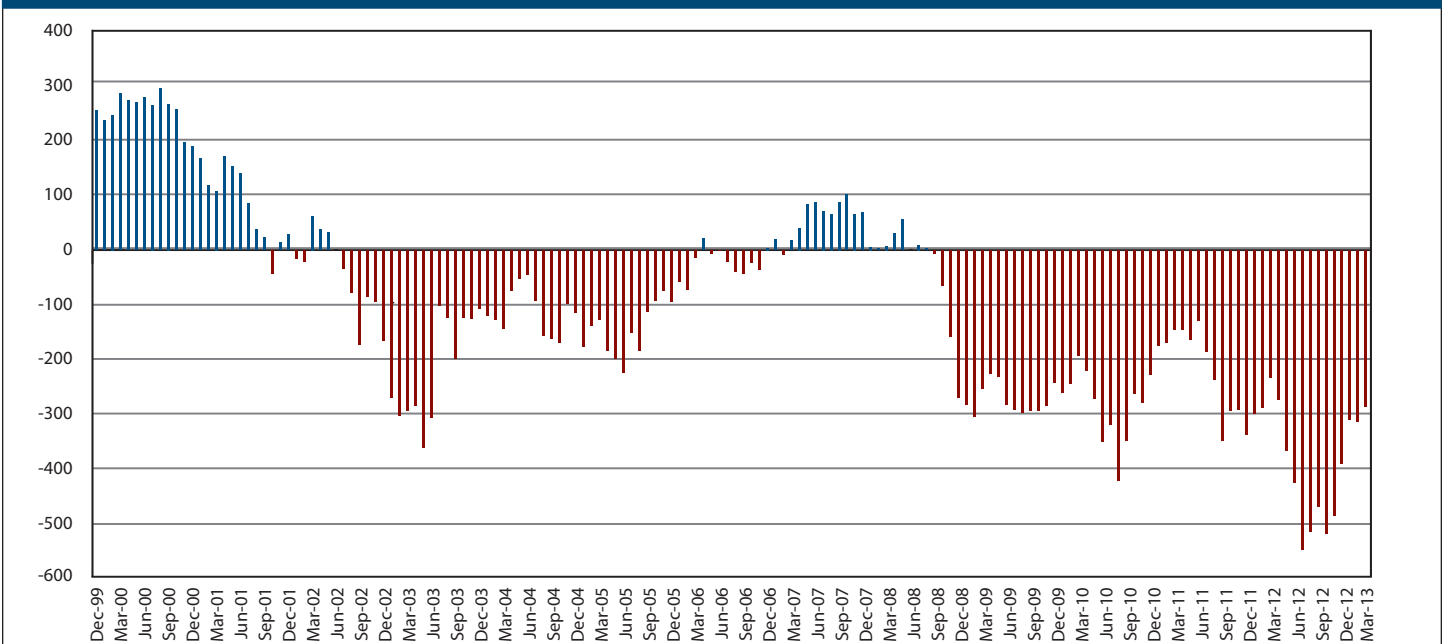
### HIGHLIGHTS

	\$ BILLION			FUNDED PERCENTAGE
	MV	PBO	FUNDED STATUS	
<b>FEBRUARY 2013</b>	1,352	1,665	(314)	81.2%
<b>MARCH 2013</b>	1,366	1,651	(285)	82.7%
<b>MONTHLY CHANGE</b>	+14	(14)	+29	+1.5%
<b>YTD CHANGE</b>	+44	(61)	+106	+5.5%

NOTE: NUMBERS MAY NOT ADD UP PRECISELY DUE TO ROUNDING

March's \$15 billion increase in market value brings the Milliman 100 PFI asset value to \$1.366 trillion, up from \$1.351 trillion at the end of February, based on an investment gain of 1.21% for the month. By comparison, the 2013 Milliman Pension Funding Study reported that the median expected investment return during 2012 was 0.60% (7.5% annualized).

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



The projected benefit obligation (PBO), or pension liabilities, decreased by \$14 billion during March, lowering the Milliman 100 PFI value to \$1.651 trillion from \$1.665 trillion at the end of February. The change resulted from a small increase of six basis points in the monthly discount rate to 4.22% for March, from 4.16% for February.

For the quarter ended March 31, 2013, the assets had a net gain of 3.7%. Since the start of 2013, the funded status has surged by \$106 billion due to a combination of asset gains and interest rate increases. The funded status increase during the first quarter of 2013 was the largest first-quarter calendar-year increase ever recorded in the 13-year history of the Milliman 100 PFI. For the first quarter of 2013, the funded ratio of the Milliman 100 companies increased to 82.7% from 77.2%.

Over the last 12 months (April 2012 to March 2013), the cumulative asset return for these pensions has been 7.15% and the Milliman 100 PFI funded status deficit has risen by 53 billion. The primary reason for the increase in the funded status deficit has been the lower-trending discount rates seen throughout most of 2012. The discount rate as of a year ago on March 31, 2012, was 4.88%. The funded ratio of the Milliman 100 companies has slightly decreased over the past 12 months to 82.7% from 84.8%.

**PFI RECONCILIATION**

The actual December 31, 2012, pension liability was \$36 billion lower than projected, primarily due to the heavy de-risking activities (in excess of \$45 billion) that took place by way of liability settlements during 2012. Offsetting the liability gain was the discount rate, coming in 22 basis points lower than projected, standing at 3.96% as of December 31, 2012.

The actual PFI asset value was \$15 billion lower than projected due to the asset reductions that took place to settle plan liabilities as part of many of the Milliman 100 companies' de-risking initiatives. Offsetting

the asset losses were investment gains that were higher than assumed for the Milliman 100 companies during their 2012 fiscal years. The weighted average actual investment return on pension assets for the Milliman 100 companies' 2012 fiscal years was 11.7%.

The net adjustments based on the results of the Milliman 2013 Pension Funding Study were a funded status gain of \$21 billion and a corresponding increase to the funded ratio, bringing it to 77.2% as of December 31, 2012. This denotes an increase over the 76.5% funded status figure previously projected at year-end 2012.

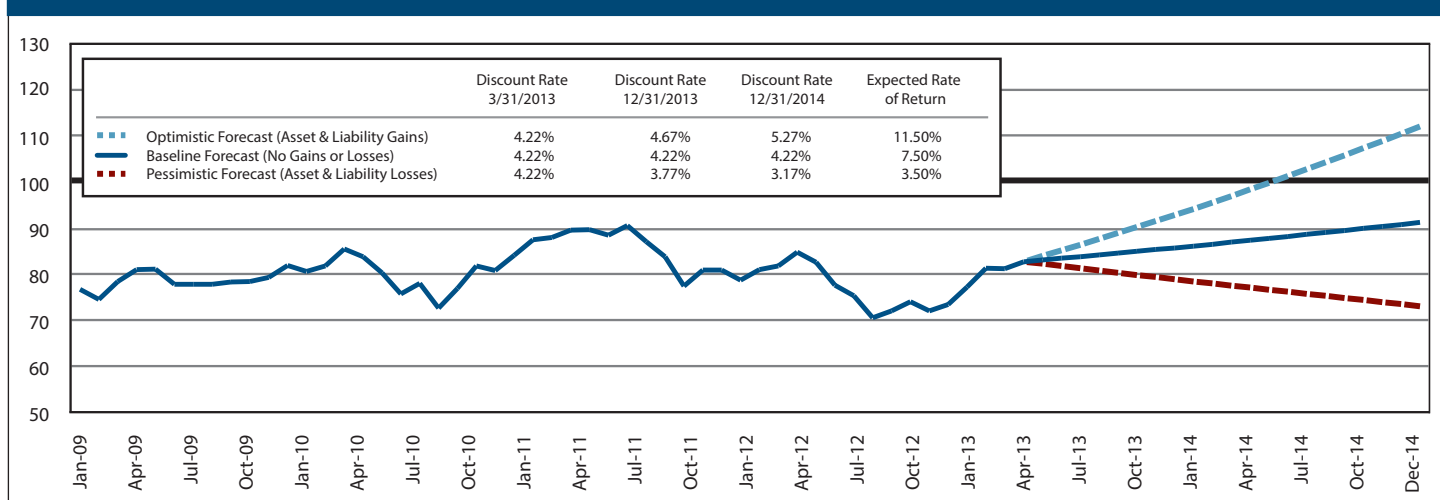
**2013-2014 PROJECTIONS**

If the Milliman 100 PFI companies were to achieve the expected 7.5% (as per the 2013 pension funding study) median asset return for their pension plan portfolios and the current discount rate of 4.22% were maintained during years 2013 and 2014, we forecast the funded status of the surveyed plans would increase. This would result in a projected pension deficit of \$230 billion (funded ratio of 86.1%) by the end of 2013 and a projected pension deficit of \$145 billion (funded ratio of 91.3%) by the end of 2014. For purposes of this forecast, we have assumed 2013 aggregate contributions of \$74 billion and 2014 aggregate contributions of \$81 billion.

Under an optimistic forecast with rising interest rates (reaching 4.67% by the end of 2013 and 5.27% by the end of 2014) and asset gains (11.5% annual returns), the funded ratio would climb to 94% by the end of 2013 and 112% by the end of 2014. Under a pessimistic forecast with similar interest rate and asset movements (3.77% discount rate at the end of 2013 and 3.17% by the end of 2014 and 3.5% annual returns), the funded ratio would decline to 78% by the end of 2013 and 73% by the end of 2014.

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



**MILLIMAN 100 PENSION FUNDING INDEX – MARCH 2013 (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
MARCH	2012	1,301,294	1,533,849	(232,555)	N/A	84.8%
APRIL	2012	1,298,481	1,571,717	(273,235)	(40,680)	82.6%
MAY	2012	1,269,002	1,634,658	(365,656)	(92,421)	77.6%
JUNE	2012	1,290,860	1,714,945	(424,085)	(58,429)	75.3%
JULY	2012	1,306,535	1,852,645	(546,110)	(122,025)	70.5%
AUGUST	2012	1,319,055	1,832,240	(513,186)	32,924	72.0%
SEPTEMBER	2012	1,335,728	1,804,898	(469,170)	44,016	74.0%
OCTOBER	2012	1,334,050	1,851,841	(517,791)	(48,621)	72.0%
NOVEMBER	2012	1,341,551	1,827,021	(485,470)	32,321	73.4%
DECEMBER	2012	1,322,002	1,712,697	(390,695)	94,775	77.2%
JANUARY	2013	1,342,030	1,651,004	(308,974)	81,721	81.3%
FEBRUARY	2013	1,351,580	1,665,403	(313,823)	(4,849)	81.2%
MARCH	2013	1,366,296	1,651,385	(285,089)	28,734	82.7%

**PENSION ASSET AND LIABILITY RETURNS**

END OF MONTH	YEAR	ASSET RETURNS		DISCOUNT RATE	LIABILITY RETURNS	
		MONTHLY	YEAR-TO-DATE		MONTHLY	YEAR-TO-DATE
MARCH	2012	0.40%	4.62%	4.88%	-3.05%	-2.67%
APRIL	2012	-0.15%	4.46%	4.76%	2.63%	-0.11%
MAY	2012	-2.21%	2.15%	4.56%	4.14%	4.03%
JUNE	2012	1.79%	3.98%	4.32%	5.03%	9.26%
JULY	2012	1.28%	5.31%	3.92%	8.11%	18.12%
AUGUST	2012	1.02%	6.38%	3.99%	-1.01%	16.93%
SEPTEMBER	2012	1.32%	7.79%	4.08%	-1.39%	15.30%
OCTOBER	2012	-0.07%	7.72%	3.96%	2.69%	18.40%
NOVEMBER	2012	0.62%	8.39%	4.05%	-1.25%	16.92%
DECEMBER	2012	-0.30%	8.07%	3.96%	-4.20%	12.01%
JANUARY	2013	1.64%	1.64%	4.22%	-3.30%	-3.30%
FEBRUARY	2013	0.84%	2.49%	4.16%	1.18%	-2.15%
MARCH	2013	1.21%	3.74%	4.22%	-0.53%	-2.67%

**ABOUT THE MILLIMAN 100 MONTHLY PENSION FUNDING INDEX**

For the past 13 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 2012 fiscal year and for previous fiscal years. This pension plan accounting disclosure information was summarized as part of the Milliman 2013 Pension Funding Study, which was published on March 25, 2013. 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.

This March 31 report (published in April) of the Milliman 100 Pension Funding Index (Milliman 100 PFI) reflects the annual update of the Milliman 100 companies and their 2012 financial figures included in the Milliman 2013 Pension Funding Study published on March 25, 2013. The March 31 Milliman 100 PFI replaces previously published results for January and February 2013 and adjusts the monthly projections for 2012 to reflect actual gains and losses for 2012. View the Milliman 2013 Pension Funding Study at milliman.com.

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