



Daily Pension Tracker

The Milliman Daily Pension Tracker provides daily updates of plan discount rates, funded status, and projections, allowing for real-time investment decisions and an accurate daily diagnosis of your pension plans.

With the Milliman Daily Pension Tracker (MDPT), companies are able to monitor funded status, reallocate assets at opportune times, be notified of unexpected future requirements, and monitor their pension plans on a daily basis.

Milliman's *Daily Pension Tracker* is an integrated tool with an automated process for pulling daily market information, such as bond information from Merrill Lynch and the Federal Reserve, as well as other market and pension information needed to run calculations and projections. Using the imported data, *MDPT* estimates daily discount rates, funded status, and various projections, then automatically informs plans sponsors of changes via email, text message, and/or a website interface.

The estimated daily discount rate is based on publicly available daily interest rate indicators that track well to pension plan benefit payment patterns. The calculated effective yields are then converted into spot rates. Whether a plan uses a Citigroup yield curve or a custom bond model to develop a yield curve, the MDPT simulates daily yield curves to closely and accurately approximate either basis to determine a discount rate for all business days of the year.

The tool is customizable to provide a dashboard of pension information, early warnings, charts, and various summaries, depending on specific needs of plan sponsors.

Who can benefit from the *Milliman Daily Pension Tracker*?

- Open, closed, or frozen pension plans
- Pension plans with an asset allocation policy tied to the funded status, a.k.a. a "glide path" investment approach
- Plan sponsors seeking to:
 - Model the impact of future contributions
 - Monitor the implementation of liability-driven investment strategies
 - Monitor disclosure information as fiscal year-end approaches
 - Identify early warning signs of potential future action items, e.g., estimated PBGC variable rate premiums, special PBGC reporting requirements, and future contributions
 - Be apprised of market trends as quarterly and year-end disclosures approach, e.g., discount rate movement

Milliman Daily Pension Tracker allows plan sponsors to make investment decisions, implement and follow a "glide path" investment approach, as well as check the overall health of their pension plans on a daily basis.

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

How does it work?

A Milliman client was interested in gradually immunizing its liabilities over an extended period of time as the funded status of its pension plan improved. The goal was to immunize liabilities on an accounting basis and be able to make investment decisions daily based on the daily funded status of the pension plan.

Discount rate indicators are typically only available on a monthly basis, the most popular being the Citigroup yield curve. Our client wanted to make investment reallocations based on live market values of its pension plan, reacting to market changes as they happen.

What was the Milliman solution?

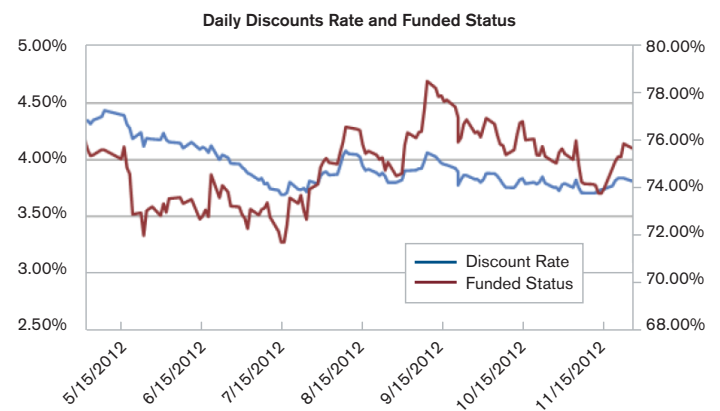
In conjunction with the "glide path" investment approach established by our client and its investment consultant, the Milliman *MDPT* assisted our client with daily discount rates and pension liability measurements. This tool also retrieves daily asset values of their pension plan and provides the daily funded status. Now the client is able to take a more proactive approach to managing the funded status of its pension plan, thus accomplishing the goals of lowering volatility and immunizing liabilities on any chosen day.

A "glide path" approach, combined with the Milliman Daily Pension Tracker, helped our client make investment reallocations at opportune times during the market business cycle.

A "glide path" investment approach moves assets into fixed income in favorable market conditions and as the plan becomes better funded. It maintains a good balance of retaining equity investments and lowering the volatility over time as the funded status improves. With this approach, the liabilities gradually become immunized while allowing the equity portion to seek better returns.

In today's market, the change in discount rates from day to day can vary significantly. During the summer of 2012, the interest rate environment continued to be volatile. Pension discount rates exhibited a downward trend and sometimes jumped significantly from one week to the next. The following chart shows the volatility of our client's discount rate from May 15 to November 27, measured on a daily basis. The chart also shows the funded status of its plans (in aggregate) over the same period.

On May 15, the discount rate was 4.35%. The discount rate trended upward for about a week and then trended downward to a low of 3.69% on July 25.



Our client made a significant asset reallocation of nearly 10% of the plan's assets (from fixed income to equities) when the funded status and market discount rates were at a low. As a result, the client took advantage of a subsequent uptick in the market. Leveraging the insights provided by the *MDPT*, our client took actions to increase the funded status of its plan at a faster rate than it would have if it had had access only to information on a monthly basis.

For additional information on the *MDPT*, contact Bret D. Linton at bret.linton@milliman.com or your Milliman consultant.