

December 31, 2014, funded ratio declines to 81.7%: Discount rate decrease of 75 basis points to 4.00% overwhelms robust 10.9% investment gain

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Declining interest rates make 2014 a banner year for pension plans with substantive allocation to fixed income investments, benefiting plans that pursued a liability-driven investing strategy. In reversal of 2013, plans with highest proportion of fixed income allocation see 14.5% average return.

Pension plan liabilities skyrocketed because of plummeting discount rates, while investment performance that exceeded expectations for the fifth time in the last six years increased plan asset values. The funded status of the Milliman 100 companies declined by \$131.3 billion in 2014 as plan liability increases overwhelmed robust asset investment gains, and annual contributions declined to \$39.8 billion from \$44.2 billion in 2013. The funded status deficit has grown by \$82 billion in that same six-year span of 2009 through 2014.

HIGHLIGHTS (FIGURES IN \$ BILLION)

	FISCAL YEAR ENDING		CHANGE
	2013	2014	
MARKET VALUE OF ASSETS	\$1,394.5	\$1,452.4	\$57.9
PROJECTED BENEFIT OBLIGATION	\$1,589.4	\$1,778.6	\$189.2
FUNDED STATUS	(\$194.9)	(\$326.2)	\$131.3
FUNDED PERCENTAGE	87.7%	81.7%	-6.1%
NET PENSION INCOME/(COST)	(\$32.3)	(\$37.1)	(\$4.8)
EMPLOYER CONTRIBUTIONS	\$44.2	\$39.8	(\$4.4)
DISCOUNT RATE	4.75%	4.00%	-0.75%
ACTUAL RATE OF RETURN	9.9%	10.9%	1.0%

NOTE: NUMBERS MAY NOT ADD UP PRECISELY DUE TO ROUNDING

Pension expense in 2014 was \$37.1 billion, a \$4.8 billion increase compared with 2013. The overall funded ratio fell to 81.7% at the end of 2014, from 87.7% at the end of 2013.

Strong year for plan sponsors with liability-driven investment strategies

Equity allocations in the pension portfolios dropped to 37.3% by the end of 2014, marking their lowest concentration in the 15-year history of the Milliman Pension Funding Study (PFS). The companies comprising the Milliman PFS have generally shifted toward higher allocations in fixed-income investments in recent years. This trend has surfaced as plan sponsors reconfigured allocations to de-risk their pension plans over the past several years.

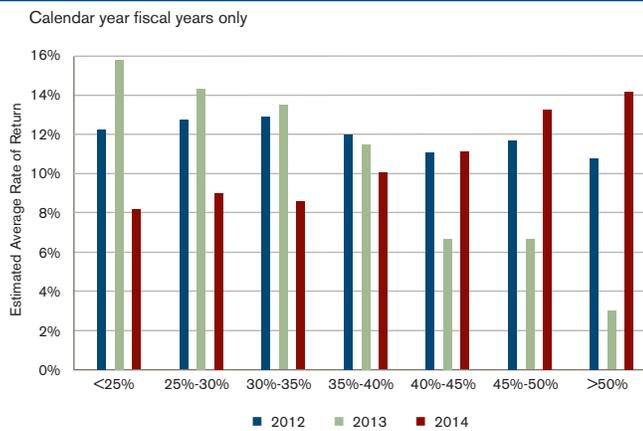
However, not all plan sponsors aggressively adopted liability-driven investing (LDI) strategies. Some continued to maintain a more traditional equity-heavy asset mix, perhaps waiting for a more opportune time to de-risk their plans. In 2014, as interest rates dropped, plan sponsors with significant allocations to fixed income, especially longer-duration instruments, experienced greater improvement in pension funded status than those that had higher equity exposure. Pivoting off of the funded status gain of 2013, those plan sponsors that heavily de-risked and invested in LDI strategies at the beginning of 2014 ended up having a banner year. The actual asset return for the plan sponsor with the highest allocations to equities (83.5%) was 6.7%, compared with a return of 29.7% for the plan sponsor with lowest allocations to equities (0%) in 2014. The polar opposite result occurred just one year ago in 2013, when equities drove the 9.9% average return.

AVERAGE FIXED-INCOME ALLOCATION 50% OR HIGHER

Year	Fixed-income Allocation 50% or Higher		All Others	
	Number of Companies	Average Investment Return	Number of Companies	Average Investment Return
2014	24	13.9%	76	9.9%
2013	20	3.7%	80	12.1%
2012	20	10.1%	80	11.9%
2011	13	12.0%	87	4.6%
2010	10	13.0%	90	13.0%

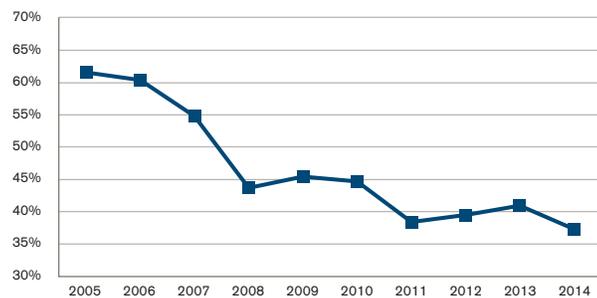
Investment allocations made by plan sponsors and their advisors showed a continued trend toward implementing LDI strategies during 2014. The percentage of pension fund assets allocated to equities, fixed income, and other investments was 37.3%, 42.7%, and 20.0%, respectively, at the end of 2014, compared with 40.9%, 39.5%, and 19.5%, respectively, at the end of 2013.

**ESTIMATED AVERAGE RATE OF RETURN
BY ALLOCATION TO FIXED INCOME - 2012–2014**



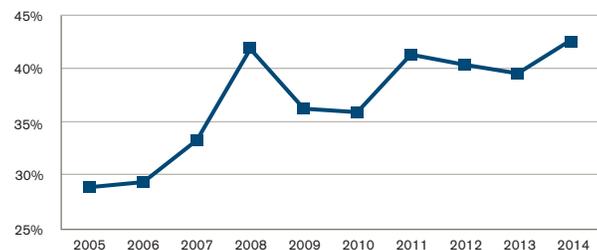
Overall allocations to equities decreased during 2014, resulting in the lowest allocations in the 15-year history of the Milliman Pension Funding Study. Only one of the 100 companies had increases to their equity allocations of more than 10% in 2014. Twelve companies decreased their equity allocations by more than 10% in 2014, compared with five companies in 2013 and 2012, and 16 in 2011.

ASSET ALLOCATION - EQUITIES



The allocation to equities was down from 55% at the end of 2007 and the allocation to fixed income instruments was up from 33% at the end of 2007. The percentage of investments in other asset classes was also up from the 12% allocation at the end of 2007.

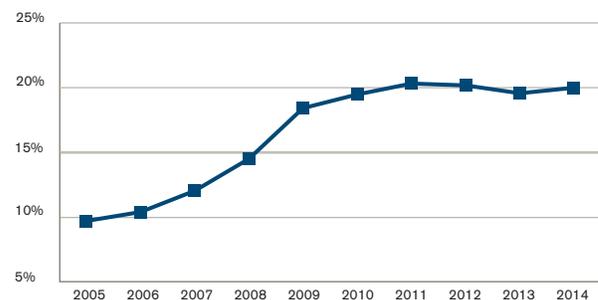
ASSET ALLOCATION - FIXED INCOME



Overall allocations to fixed income increased in 2014. Only one company had a decrease of more than 10% in its fixed income allocation. Eight companies, however, increased their fixed-income allocations by more than 10% in 2014, compared with four in 2013, three in 2012, and 10 in 2011.

Other asset classes include real estate, private equity, hedge funds, commodities, and cash equivalents. More explicit details on how investments are allocated to the other categories are generally not available in the companies' SEC filings. Overall allocations to other asset classes remained stable in 2014. Six companies increased their allocations by 5% or more to other asset classes during 2014.

ASSET ALLOCATION - OTHER



Among the Milliman 100 companies, 17 pension plans had fixed-income allocations greater than 40% at the end of 2009 and maintained an allocation of at least 40% to fixed income through 2014. Over this five-year period, these 17 plans experienced lower funded ratio volatility than the other 83 plans (a median funded ratio volatility of 3.5% versus 6.4% for the other 83 plans) while earning a slightly higher five-year annualized rate of return (an average of 10.3% versus 10.2%). Unlike in 2013, when these 17 plans underperformed relative to the other 83 plans (3.6% average return versus 11.8%), they outperformed the other plans in 2014 (14.5% average return versus 10.1%).

Risk transfer trend continues

Besides plan sponsors changing plan asset allocations, some plan sponsors engaged in pension risk transfer activities as a way of divesting pension liability from their plans. Well-publicized, large-scale pension buyouts were transacted for two of the Milliman 100 companies (Bristol-Myers Squibb and Motorola) as pension assets and liabilities were transferred to an insurance company. While the pension buyout market was not nearly as active as it was in 2012, de-risking activity did pick up in 2014 compared with 2013. These de-risking transactions are an effective way to reduce a pension plan's balance sheet footprint, but generally they have an adverse effect on the plan's funded status, as assets paid to participants or assumed by the insurance companies as part of the risk transfer are larger than the corresponding liabilities that are extinguished from plans. Much of this incongruity stems from Internal Revenue Service (IRS) pension plan valuation rules compared with the insurance company's underwriting assessment of its new future risks.

A more prevalent de-risking measure came in the form of a “lump-sum window” program. Many plan sponsors instituted window periods where participants were offered a chance to elect a lump sum instead of an annuity benefit, but only for a specific length of time. Interest doesn’t seem to be waning to settle plan liabilities via lump sum before plan sponsors may be required by the IRS to reflect the Society of Actuaries (SOA) updated mortality table and projection scale assumptions in their statutory minimum lump-sum calculations.

New mortality assumptions increase pension liabilities by 3.4%

The new mortality assumptions generally reflect increasing participant life expectancy and expectations that life expectancy will continue to “improve” over the next 20 years, which results in higher pension liabilities. The magnitude of these increases is contingent on age, gender, and other demographic characteristics of each plan’s participants. Based on the footnote disclosures at year-end 2014, the new SOA mortality assumptions appeared to increase pension liabilities by approximately \$38.3 billion or 3.4% of the pension liabilities for plans with calendar-year fiscal years, for those companies that disclosed the impact. While it appears that many plan sponsors did not adopt the full mortality and improvement scale assumptions recommended by the 2014 SOA study, some adjustments were made to last year’s mortality assumptions. We believe (though we do not have explicit confirmation) that some of the Milliman 100 companies were large enough to develop customized mortality tables based on the experience of their plan participants and that they elected not to adopt the specific table cited in the 2014 SOA report.

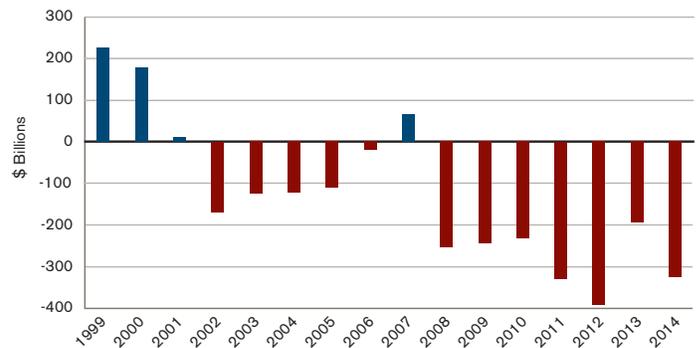
The overall funded status decrease in 2014 was larger than projected by the January 2015 Milliman 100 Pension Funding Index (PFI), which was based on data collected for the 2014 Milliman Pension Funding study. The January 2015 PFI projected a year-end 2014 funded ratio of 83.6% while the actual year-end funded ratio settled at 81.7% (81.4% for plans with calendar-year fiscal years) after we collated and analyzed publicly available information. Cash contributions that were \$4 billion less than we had forecasted were the key reason for the 1.9% lower funded status. The lower contributions are most likely due to the pension stabilization provisions of the Highway and Transportation Funding Act (HATFA) legislation. Many plan sponsors adhered to the lower required contributions under HATFA.

Impact of decreasing discount rates evident in 2014 financial statements of the Milliman 100 companies

Discount rates used to measure plan obligations, determined by reference to AA-rated corporate bonds, decreased during 2014, increasing liabilities and reversing the trend from the prior year. The median discount rate decreased to 4.0% at the end of 2014, from 4.75% in 2013. The 4.0% discount rate at the end of 2014 was the lowest ever recorded in the 15-year history of the Milliman 100 Pension Funding Study. Discount rates had been declining from 7.63% at the end of 1999. Discount rates were 234 basis points higher at the end of 2008. The decrease in the discount rates during 2014 reversed the improvement in funded status that was started with the increase in rates last year.

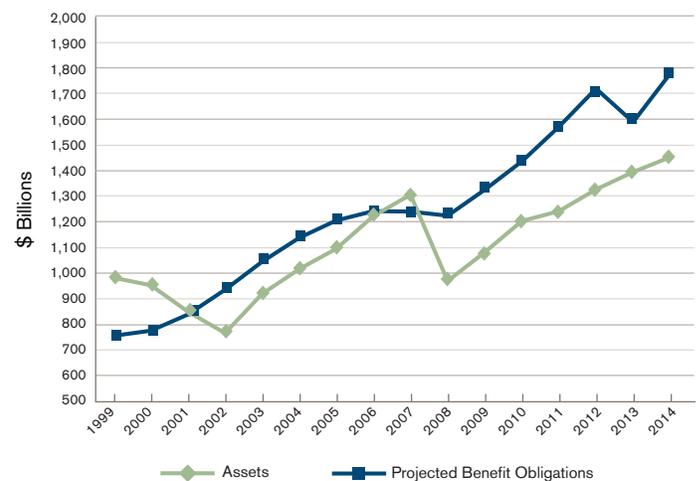
The impact of the decreasing discount rates in 2014 was partially offset with strong investment returns, to shore up the funded status. The 2014 funding deficit of \$326.2 billion is a \$131.3 billion increase over the year-end 2013 funding deficit of \$194.9 billion. It is the third-largest deficit in the 15-year history of the Milliman Pension Funding Study. This decrease in funded status follows just one year after the funding deficit had improved to its highest level since 2007.

PENSION FUNDING SURPLUS / (DEFICIT)



Pension expense—the charge to company earnings—also increased to \$37.1 billion in 2014 as compared with \$32.3 billion during fiscal year 2013, a \$4.8 billion increase. The peak level of pension expense was in 2012 when it was \$56.1 billion. Given the large drop in discount rates during 2014, 2015 pension expense may approach the 2012 peak levels.

PLAN ASSETS AND OBLIGATIONS



The aggregate 2014 cash contributions of the Milliman 100 companies were \$39.8 billion, a decrease of \$4.4 billion from the \$44.2 billion contributed in 2013, and a \$22.5 billion decrease from the 2012 record high level of \$62.3 billion.

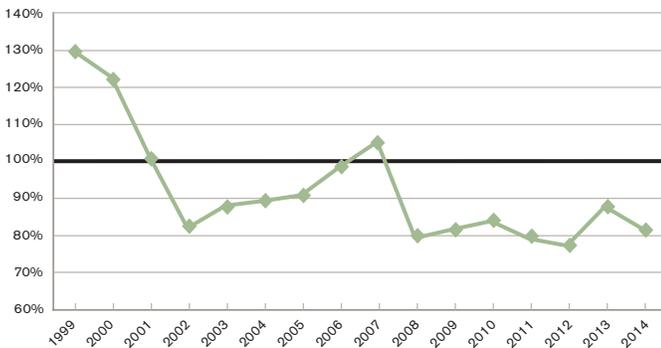
The effect of better-than-expected 2014 investment experience helped offset the increase in plan liabilities that were due to the decrease in discount rates. This helped to minimize the increase in the funding deficit during 2014.

The 11.9% increase in pension obligations generated by the decrease in discount rates used to measure pension plan obligations (at a median rate of 4.0% at year-end 2014, down 75 basis points from 4.75% at year-end 2013) resulted in a liability increase of \$189.2 billion. Pension liabilities for IBM and GM exceeded the \$100 billion liability mark even as they had investment gains of 12.2% and 12.3% respectively, soundly beating the mean investment gain of 10.9%. That 10.9% investment return (actual weighted average return on assets during 2014) resulted in an increase of \$57.9 billion in the market value of plan assets. The Milliman 100 companies had set an expectation that 2014 investment returns would be, on average, 7.3%.

Funded ratios decrease

The funded ratio of the Milliman 100 pension plans decreased during 2014 to 81.7% from 87.7% at the end of 2013 (81.4% for plans with calendar-year fiscal years in 2014, down from 88.0% for 2013). The aggregate pension deficit increased by \$131.3 billion during these companies' 2014 fiscal years, to \$326.2 billion from an aggregate deficit of \$194.9 billion at the end of 2013. For fiscal year 2014, funded ratios ranged from a low of 43% for Delta Airlines to a high of 150% for Nextera Energy.

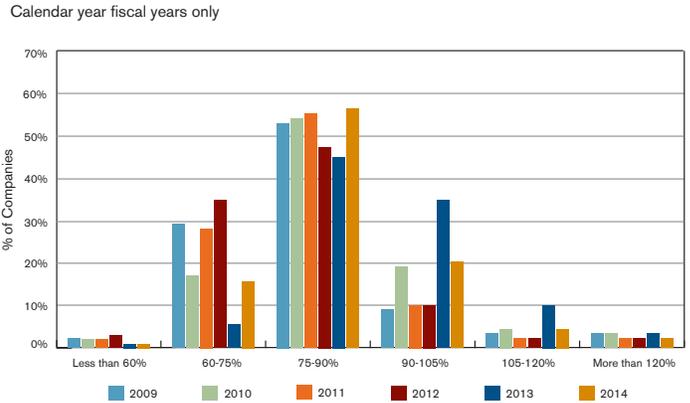
FUNDED RATIO - ASSETS / PROJECTED BENEFIT OBLIGATION



The decrease in funded ratio reversed the 2013 result. The funded ratio was 87.7% at year-end 2013. The funded ratio decrease during 2014 was the largest percentage decrease after the 26.1% decrease from the surplus ratio of 105.3% in 2007, to 79.2% in 2008. Note that there has not been a funding surplus since the aforementioned 105.3% in 2007.

Eight of the 89 Milliman 100 companies with calendar-year fiscal years reported surplus funded status at year-end 2014, compared with 17 companies at year-end 2013 and six at year-end 2012. These numbers pale in comparison to the 51 companies with reported surplus funded status at year-end 2007. Because of the offsetting impact of favorable investment returns and the increase in liabilities caused by lower discount rates, 86 of the Milliman 100 companies reported a decrease in funded ratio for 2014, compared with two for 2013.

DISTRIBUTION BY FUNDED STATUS - 2009-2014

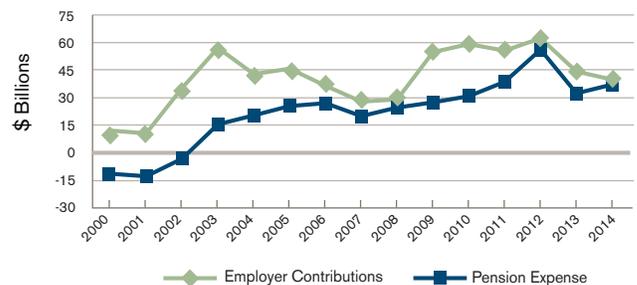


2014 pension expense also increases

Robust investment gains in 2013 were partially offset by the impact of lower contributions and increasing discount rates during that year, producing a net increase in 2014 pension expense: a \$37.1 billion charge to earnings (\$4.8 billion higher than in 2013). This is well below the \$56.1 billion level in 2012, which reached the highest level in the 15-year history of our study. Sixteen companies recorded 2014 pension income (i.e., a credit to earnings), down from 18 in 2013.

The discount rate for 2015 pension expense is based on the year-end 2014 Securities and Exchange Commission (SEC) disclosures. We estimate that 2015 pension expense will increase to \$52 billion, a \$15 billion increase compared with 2014, under assumptions of continued low discount rate and higher life expectancy. This would be the highest level of pension expense since the \$56 billion expense peak seen in 2012.

PENSION EXPENSE (INCOME) AND CONTRIBUTIONS



Contributions decline during 2014

The \$39.8 billion in contributions during 2014 (down \$4.4 billion from \$44.2 billion in 2013) was the lowest level since 2008. The lower-than-expected contributions were likely due to plan sponsors changing their contribution strategies in light of the HATFA interest rate stabilization legislation, enacted in August 2014.

We expect that many plan sponsors may continue to contribute at these lower levels for 2015 if they find better investment opportunities for their potential pension contribution dollars. With interest rates at low levels, many plan sponsors are hesitant to change asset allocations to take on more fixed income positions and lock in their funded status. Locking in funded status while not being fully funded essentially guarantees a plan sponsor will need to make cash contributions to close the pension deficit.

On the other hand, we also expect that some plan sponsors undertaking de-risking activities (e.g., lump-sum payouts, annuity purchases, etc.) may have to increase contributions to maintain funded status. Moreover, some plan sponsors that want to minimize Pension Benefit Guaranty Corporation (PBGC) premium costs may choose to accelerate plan funding to close pension deficits sooner. PBGC variable premium calculations are based on the pension liabilities in excess of pension assets. PBGC pension liabilities are valued using current interest rates compared with the 25-year interest rate averages used for HATFA calculations. PBGC variable rate premiums are calculated as a percentage of unfunded liability. This percentage will likely rise to more than 3% after 2016.

Pension deficit increases as a percentage of market capitalization

The total market capitalization for the Milliman 100 companies increased by 5.7%, while the increase in pension obligations that are due to lower discount rates resulted in an increase in the unfunded pension liability as a percentage of market capitalization to 4.7% at the end of 2014 from 3.0% at the end of 2013. Pension deficits represented less than 10% of market capitalization for 73 of the Milliman 100 companies (down from 78 companies in 2013). However, this is still an increase from 2012, when only 57 companies had deficits that were less than 10% of their market capitalization. Since 2011, we have had three consecutive years of investment returns exceeding expectations and this has resulted in elevated levels of market capitalization. There are two companies whose

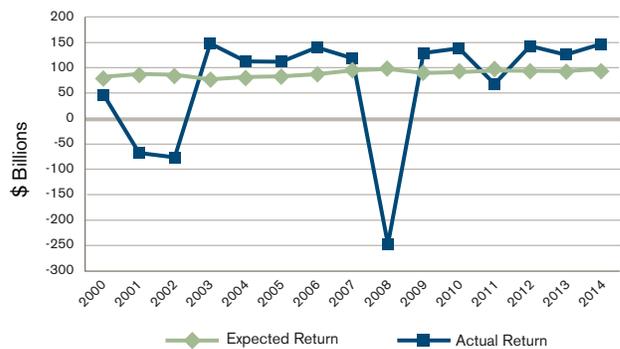
deficits exceed 50% of market capitalization, up from one company in 2013 but down from 10 in 2012.

Investment performance exceeds expectations

The weighted average actual investment return on pension assets for the Milliman 100 companies' 2014 fiscal years was 10.9%, which was above their average expected rate of return of 7.3%. Eighty-four of the Milliman 100 companies exceeded their expected returns in 2014, compared with 73 in 2013 and 98 in 2010.

Investment gains above expectation during five out of the last six years have been earned by the plan sponsors of the Milliman 100 companies. At December 31, 2014, total asset levels settled are at a record high of \$1.452 trillion. This is \$146 billion above the value of \$1.306 trillion at the end of 2007, prior to the collapse of the worldwide financial markets. During 2014, investment gains increased the market value of assets by \$146 billion, \$49 billion more than the companies' expected returns. For the five-year period ending in 2014, investment performance has averaged 10.2% compounded annually. There were three years of investment losses over the past 15 years (2001, 2002, and 2008), contributing to an annualized investment return of only 6.24% over that period.

INVESTMENT RETURN ON PLAN ASSETS



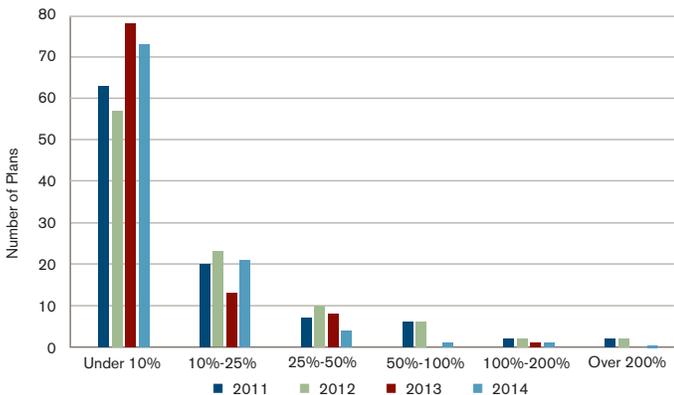
Expected rates of return

Companies continued to lower their expected rates of return on plan assets to an average of 7.3% for 2014, as compared with 7.4% for 2013, 7.5% for 2012, 7.8% for 2011, and 8.0% for 2010. This represents a significant drop from the average expected rate of return of 9.4% back in 2000.

Only one of the Milliman 100 companies utilized an expected rate of return for 2014 and 2013 of at least 9%, whereas three companies also assumed an expected rate of return of at least 9% in 2012, 2011, and 2010, but this was down from five in 2009 and a high of 84 in 2000.

Among the Milliman 100 companies, 24 pension plans had fixed income allocations of at least 50% in 2014. These plans had an average return of 13.9% and a change in funded ratio of -2.1% during 2014 compared with an average return of 9.9% and a change in funded ratio of -7.5% for the 76 plans with fixed income allocations less than 50% in 2014.

PENSION FUNDING DEFICIT AS A PERCENTAGE OF MARKET CAPITALIZATION - 2011-2014



HISTORICAL VALUES (All dollar amounts in millions. | Numbers may not add up correctly due to rounding.)

FUNDED STATUS

Fiscal Year	Market Value of Plan Assets	Change From Prior Year	Projected Benefit Obligation	Change From Prior Year	Funded Ratio	Change From Prior Year	Funded Status	Change From Prior Year
2014	\$1,452,449	\$57,903	\$1,778,644	\$189,239	81.7%	-6.1%	(\$326,195)	(\$131,336)
2013	\$1,394,546	\$67,962	\$1,589,406	(\$130,456)	87.7%	10.6%	(\$194,860)	\$198,418
2012	\$1,326,584	\$84,980	\$1,719,862	\$148,856	77.1%	-1.9%	(\$393,278)	(\$63,876)
2011	\$1,241,604	\$38,457	\$1,571,005	\$135,194	79.0%	-4.8%	(\$329,402)	(\$96,737)
2010	\$1,203,146	\$121,784	\$1,435,812	\$110,587	83.8%	2.2%	(\$232,665)	\$11,197
2009	\$1,081,363	\$111,969	\$1,325,225	\$101,175	81.6%	2.4%	(\$243,862)	\$10,795
2008	\$969,393	(\$336,619)	\$1,224,050	(\$16,037)	79.2%	-26.1%	(\$254,656)	(\$320,583)
2007	\$1,306,013	\$83,320	\$1,240,086	(\$1,920)	105.3%	6.9%	\$65,926	\$85,239
2006	\$1,222,693	\$127,530	\$1,242,006	\$36,501	98.4%	7.6%	(\$19,313)	\$91,029
2005	\$1,095,164	\$79,318	\$1,205,505	\$67,799	90.8%	1.6%	(\$110,342)	\$11,519
2004	\$1,015,845	\$96,613	\$1,137,706	\$93,203	89.3%	1.3%	(\$121,861)	\$3,410
2003	\$919,232	\$153,224	\$1,044,503	\$109,432	88.0%	6.1%	(\$125,270)	\$43,793
2002	\$766,008	(\$83,700)	\$935,071	\$96,434	81.9%	-19.4%	(\$169,063)	(\$180,134)
2001	\$849,708	(\$102,878)	\$838,637	\$63,284	101.3%	-21.5%	\$11,071	(\$166,162)
2000	\$952,586	n/a	\$775,354	n/a	122.9%	n/a	\$177,232	n/a

RETURN ON ASSETS

Fiscal Year	Expected Rate of Return	Actual Rate of Return (Estimated)		Expected Return	Actual Return (All Plans)	Difference
		All Plans	Calendar Fiscal Years			
2014	7.3%	10.9%	10.7%	\$97,142	\$146,217	(\$49,075)
2013	7.4%	9.9%	10.3%	\$92,885	\$125,156	(\$32,271)
2012	7.5%	11.7%	11.9%	\$93,528	\$142,219	(\$48,691)
2011	7.8%	5.9%	5.1%	\$94,002	\$67,561	\$26,441
2010	8.0%	12.8%	12.6%	\$90,975	\$137,666	(\$46,690)
2009	8.1%	14.0%	16.7%	\$89,212	\$128,456	(\$39,244)
2008	8.1%	-18.8%	-21.9%	\$97,209	(\$247,337)	\$344,546
2007	8.3%	9.9%	8.9%	\$94,389	\$118,212	(\$23,823)
2006	8.3%	12.8%	12.5%	\$86,850	\$139,403	(\$52,553)
2005	8.4%	11.2%	10.5%	\$82,618	\$111,285	(\$28,666)
2004	8.4%	12.3%	11.7%	\$81,393	\$111,965	(\$30,572)
2003	8.5%	19.4%	19.8%	\$76,703	\$147,233	(\$70,530)
2002	9.2%	-8.7%	-8.2%	n/a	n/a	n/a
2001	9.4%	-6.4%	-6.7%	n/a	n/a	n/a
2000	9.4%	4.3%	3.5%	n/a	n/a	n/a

PENSION COST

Fiscal Year	Pension Income/(Cost)	Change From Prior Year	Employer Contribution	Change From Prior Year	Discount Rate
2014	(\$37,141)	\$4,794	\$39,806	\$4,367	4.00%
2013	(\$32,347)	(\$23,722)	\$44,173	\$18,117	4.75%
2012	(\$56,069)	\$17,467	\$62,290	(\$6,784)	4.03%
2011	(\$38,603)	\$7,798	\$55,506	\$3,577	4.81%
2010	(\$30,804)	\$3,373	\$59,083	(\$4,332)	5.45%
2009	(\$27,431)	\$2,822	\$54,751	(\$25,701)	5.84%
2008	(\$24,608)	\$4,654	\$29,050	(\$1,218)	6.34%
2007	(\$19,955)	(\$7,023)	\$27,832	\$8,617	6.20%
2006	(\$26,978)	\$1,554	\$36,449	\$9,287	5.75%
2005	(\$25,424)	\$5,056	\$45,737	(\$2,955)	5.53%
2004	(\$20,368)	\$4,869	\$42,782	\$14,243	5.75%
2003	(\$15,499)	\$18,669	\$57,025	(\$21,779)	6.09%
2002	\$3,169	\$9,562	\$35,246	(\$24,649)	n/a
2001	\$12,732	(\$1,377)	\$10,596	\$1,503	n/a
2000	\$11,354	n/a	\$12,099	n/a	n/a

ASSET ALLOCATIONS

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Equity Allocation	37.29%	40.92%	39.48%	38.39%	44.66%	45.41%	43.67%	54.76%	60.35%	61.53%
Change From Prior Year	-8.86%	3.65%	2.82%	-14.04%	-1.64%	3.99%	-20.26%	-9.27%	-1.91%	n/a
Fixed Allocation	42.70%	39.54%	40.37%	41.32%	35.88%	36.21%	41.86%	33.24%	29.28%	28.80%
Change From Prior Year	7.98%	-2.06%	-2.28%	15.15%	-0.90%	-13.51%	25.94%	13.51%	1.68%	n/a
Other Allocation	19.97%	19.54%	20.15%	20.29%	19.45%	18.39%	14.47%	12.00%	10.36%	9.67%
Change From Prior Year	2.18%	-3.02%	-0.70%	4.30%	5.81%	27.05%	20.58%	15.82%	7.17%	n/a

What to expect in 2015 and beyond

Given the passage of HATFA during 2014, we don't expect 2015 contribution increases over those made in 2014. HATFA resulted in improved funded status for many plans with respect to their IRS minimum funding requirements only. Many plans are well funded from an IRS minimum perspective and are safe from having to impose benefit restrictions when funding levels drop below 80%. These plan sponsors may have less incentive to further fund their plans in 2015 beyond statutory minimum levels. However, for some plans that had already engaged in LDI or other funded status lock-in strategies, higher contribution levels can be expected. It is likely that these plans haven't reached full funded status and will need to close their shortfalls. In addition, upcoming PBGC premium increases and further changes to statutory mortality assumptions to reflect more conservative bases may serve as further incentive as plan experience emerges for plan sponsors to fund up their plans.

The lower discount rates at the end of 2014 are expected to lead to significant 2015 pension expense increases as discount rates for the coming fiscal year are set at the start of the fiscal year. This does not factor in any possible plan de-risking activity in the way of settlements and curtailments, which could further increase pension expense. Many de-risking activities (e.g., paying lump sums, purchasing annuities, etc.) come at a high short-term cost. In 2015, many plan sponsors may be hesitant to pursue them, given the recent funded status declines and all-time low interest rate environment. The pension expense for the 2015 fiscal year is expected to be significant given the decrease in interest rates in 2014. It may approach the all-time high expense result of \$56 billion seen during 2012. One crossover trend expected for 2015 is for pension expense to exceed employer contribution levels. That would be the first time in the 15-year history of the Milliman Pension Funding Study for such an occurrence. Last year broke many records; let's see if 2015 will make history as well.

Who are the Milliman 100 companies?

The Milliman 100 companies are the 100 U.S. public companies with the largest defined benefit pension plan assets for which a 2014 annual report was released by March 5, 2015.

This 2015 report is Milliman's 15th annual study. The total value of the pension plan assets of the Milliman 100 companies was more than \$1.4 trillion at the end of 2014.

About the study

The results of the Milliman 2015 Pension Funding Study are based on the pension plan accounting information disclosed in the footnotes to the companies' Form 10-K annual reports for the 2014 fiscal year and for previous fiscal years. These figures represent the GAAP accounting information that public companies are required to report under Financial Accounting Standards Board Accounting Standards Codification Subtopics 715-20, 715-30, and 715-60. In addition to providing the financial information on the funded status of their 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 from those for U.S. qualified pension plans. The information, data, and footnotes do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

Eleven of the companies in the 2014 Milliman Pension Funding Study had fiscal years other than the calendar year. The 2015 study includes three new companies to reflect mergers, acquisitions, and other corporate transactions during 2014. Privately held companies, mutual insurance companies, and U.S. subsidiaries of foreign parents were excluded from the study.

The results of the 2015 study will be used to update the Milliman 100 Pension Funding Index as of December 31, 2014, the basis of which will be used for projections in 2015 and beyond. The Milliman 100 Pension Funding Index is published on a monthly basis and reflects the effect of market returns and interest rate changes on pension funded status.

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Acknowledgments

The authors thank the following Milliman colleagues for their assistance in compiling the figures and editing the report for the Milliman 2015 Pension Funding Study: Charles Clark, Mary Der, Karen Drake, Jeremy Engdahl-Johnson, Jennifer Faber, Kevin Ferris, Chris Goodman, Heng Lim, Katie Mulligan, Jamie Phillips, Rebecca Ross, Javier Sanabria, Marjorie Taylor, Sydnie Wells, Mike Wilson, Lynn Yu, and Delbert Zamora.

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