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Press Release

Milliman analysis: Five months of corporate pension funded status improvement ends with February's \$6 billion decline

Discount rate drops 11 basis points to 3.89% offsetting robust investment returns

February's funded ratio inches down to 81.5%

SEATTLE – March 7th, 2017 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans. In February, after five months of steady improvement, these pension plans experienced a \$6 billion decline in funded status primarily due to discount rates that plunged from 4.00% in January to 3.89% in February, an 11 basis point drop. The funded ratio for these pensions inched down from 81.6% to 81.5% over the same time period. Robust investment gains of 1.74% helped offset the funded status decline.

"While February's strong investment gains helped soften the blow dealt by the discount rate decline, all eyes are on interest rates right now," said Zorast Wadia, co-author of the Milliman 100 PFI. "The Federal Reserve has signaled it will raise rates this month, which would be welcome news for pension plans."

Looking forward, under an optimistic forecast with rising interest rates (reaching 4.39% by the end of 2017 and 4.99% by the end of 2018) and asset gains (11.2% annual returns), the funded ratio would climb to 91% by the end of 2017 and 104% by the end of 2018. Under a pessimistic forecast (3.39% discount rate at the end of 2017 and 2.79% by the end of 2018 and 3.2% annual returns), the funded ratio would decline to 75% by the end of 2017 and 69% by the end of 2018.

To view the complete Pension Funding Index, go to http://us.milliman.com/PFI. To see the 2016 Milliman Pension Funding Study, go to http://us.milliman.com/PFS/. To receive regular updates of Milliman's pension funding analysis, contact us at pensionfunding@milliman.com.

About Milliman

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. For further information, visit milliman.com.

About the Milliman Pension Funding Study

For the past 16 years, Milliman has conducted an annual study of the 100 largest defined benefit pension plans sponsored by U.S. public companies. The results of the Milliman 2016 Pension Funding Study are based on the pension plan accounting information disclosed in the footnotes to the companies' annual reports for the 2015 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.

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