



Contact: Kevin Campe
Milliman, Inc.
Tel: +1 312 499 5580
kevin.campe@milliman.com

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Press Release

Milliman: Healthy multiemployer pension plans achieve best funding in a decade, but unhealthy plans continue to languish

Multiemployer plans' aggregate funded percentage hits 83%, highest point since market crisis of 2008

SEATTLE – MAY 9, 2018 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its Spring 2018 Multiemployer Pension Funding Study (MPFS), which analyzes the funded status of all multiemployer pension plans in the United States. As of December 31, 2017, the plans achieved an aggregate funded ratio of 83%, the highest since the market collapse in 2008; a decade ago, the aggregate funded ratio of all multiemployer plans stood at 85%.

While increases in plan contributions and reductions in benefits factored into these plans' funding improvement, stellar investment returns were the primary driver of gains for the MPFS plans. The estimated 2017 calendar year investment return for our simplified portfolio was nearly 16% – more than double the assumption of most plans. Critical plans, however, were unable to capitalize on the sturdy investment returns due to the cash flow demands that hit less-healthy plans.

“While healthier plans benefited from better than assumed investment earnings, critical plans are sinking in quicksand and not able to benefit enough from strong investment returns,” says Kevin Campe, Milliman principal and report author. “It’s been almost ten years since the global financial crisis, and while healthier plans have gotten their funded status levels back to where they were then, critical plans have not.”

Healthy plans have a funded ratio of 93%, compared with 90% a decade ago. Critical plans' aggregate funded ratio as of year-end is mired at 60%, compared to 76% in 2008. A closer look at critical plans in the “red” or “deep red” zones show the contributions of mature plans (those with fewer active participants) are relatively small compared to the size of the plan’s assets and liabilities. The shortfall for red zone and deep red zone plans is expected to grow unless these plans experience superior asset returns, increased contributions, and/or benefit reductions.

To view the complete study, go to www.milliman.com/mpfs. 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.



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