

Milliman analysis: Public pension funded ratio continues to improve through second quarter, now at 73.0%

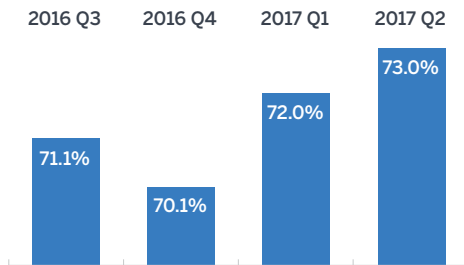
Public pension asset performance remained strong in the second quarter of 2017, generating a \$33 billion improvement in funded status

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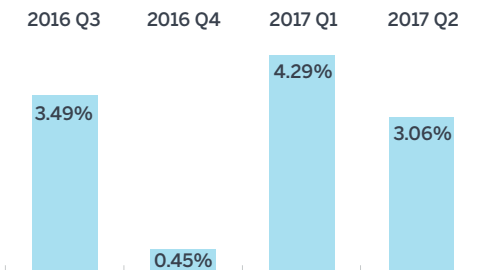
The strong equity returns in Q2 led public plan asset growth to outpace the rise in pension liability, increasing the estimated funded status of the 100 largest U.S. public pension plans by \$33 billion from the end of March 2017 through the end of June 2017, as measured by the Milliman 100 Public Pension Funding Index (PPFI).¹ During the second quarter, the deficit dropped from \$1.314 trillion to \$1.281 trillion. As of June 30, the funded ratio stood at 73.0%, up from 72.0% at the end of March.

FUNDED RATIO



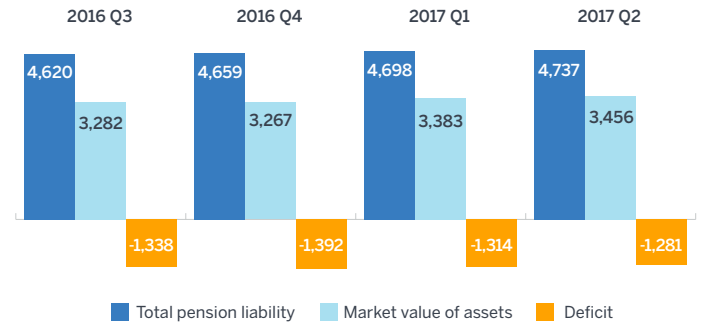
In aggregate, the PPFI plans experienced investment returns of 3.06% for the quarter. Estimated returns in the second quarter ranged from a low of 1.51% to a high of 4.02%. The plans with the 10 best returns averaged 3.63%, while the plans with the 10 worst returns averaged 2.04%. The plans generated investment income of approximately \$100 billion, but this income was offset by approximately \$27 billion of negative net cash flow, as benefits paid out of these plans exceeded the contributions flowing in. The Milliman 100 PPFI asset value increased from \$3.383 trillion at the end of Q1 to \$3.456 trillion at the end of Q2.

QUARTERLY INVESTMENT RETURNS



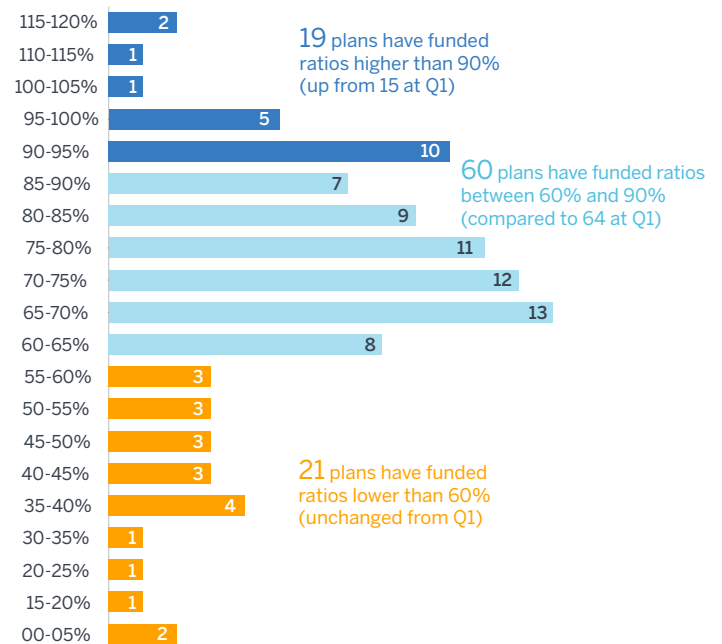
The total pension liability (TPL) increased from \$4.698 trillion at the end of Q1 to an estimated \$4.737 trillion at the end of Q2. The TPL is expected to grow modestly over time as interest on the TPL and the accrual of new benefits outpaces the benefits paid to retirees.

QUARTERLY FUNDED STATUS



Funded ratios improved across the board, with four more plans crossing the 90% funded mark by the end of Q2. There are now 19 plans above this mark, compared with just 10 at the end of 2016 Q4. However, there are still 21 plans whose funded ratios fall below 60%, and nine plans remain below 40% funded.

FUNDED RATIOS AT JUNE 30, 2017



The projected asset and liability figures presented in this quarterly analysis will be adjusted as part of Milliman's annual Public Pension Funding Study, due out later this summer.

¹ To view the full Milliman Public Pension Funding Study, go to milliman.com/ppfs.

About the Milliman 100 Public Pension Funding Index

For the past five years, Milliman has conducted an annual study of the 100 largest defined benefit plans sponsored by U.S. governments. The Milliman 100 Public Pension Funding Index projects the funded status for pension plans included in our study, reflecting the impact of actual market returns, utilizing the actual reported asset values, liabilities, and asset allocations of the pension plans.

The results of the Milliman 100 Public Pension Funding Index are based on the pension plan financial reporting information disclosed in the plan sponsors' Comprehensive Annual Financial Reports, which reflect measurement dates ranging from June 30, 2014 to December 31, 2015. This information was summarized as part of the Milliman 2016 Public Pension Funding Study, which was published on September 5, 2016.



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