

Milliman analysis: Public pension assets rebound 7.34% in Q1 2019, offsetting Q4 2018 losses

Funded status improves by \$185 billion in first quarter 2019

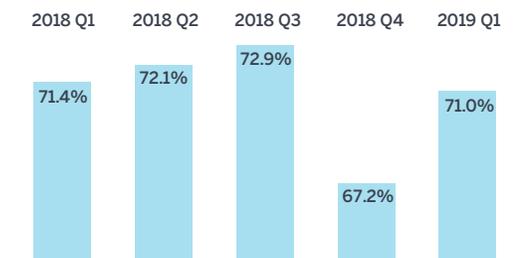


Rebecca A. Sielman, FSA

The first quarter of 2019 saw a welcome sharp rebound from the poor results of the prior quarter, as the estimated funded status of the 100 largest US public pension plans, as measured by the Milliman 100 Public Pension Funding Index (PPFI), jumped from 67.2% at the end of December 2018 to 71.0% at the end of March 2019.

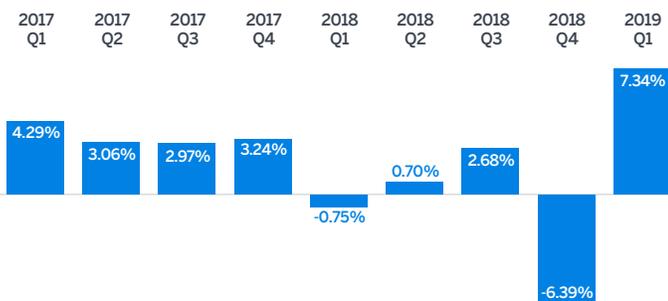
The deficit shrank to **\$1,508** trillion at the end of March 2019, compared to \$1.693 trillion at the end of December 2018. The \$185 billion increase in the funded status for Q1 was the largest quarterly increase since the PPFI began in September 2016, right on the heels of the largest quarterly decrease of \$306 billion in Q4 2018.

FUNDED RATIO



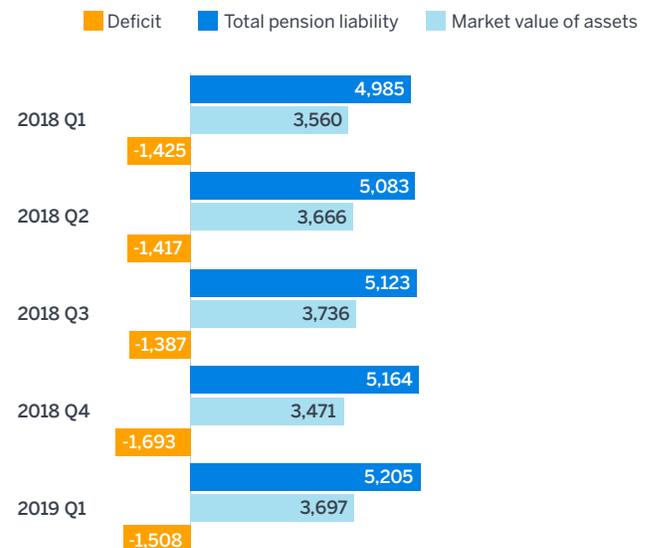
In aggregate, the PPFI plans experienced investment returns of **7.34%** in the first quarter. Estimated returns for Q1 ranged from a low of 3.52% to a high of 11.57%. The Milliman 100 PPFI asset value increased from \$3.471 trillion at the end of Q4 2018 to **\$3.697** trillion at the end of Q1 2019. The plans gained investment market value of approximately \$252 billion, which was offset by approximately \$26 billion flowing out, as benefits paid out exceeded contributions coming in from employers and plan members.

QUARTERLY INVESTMENT RETURNS



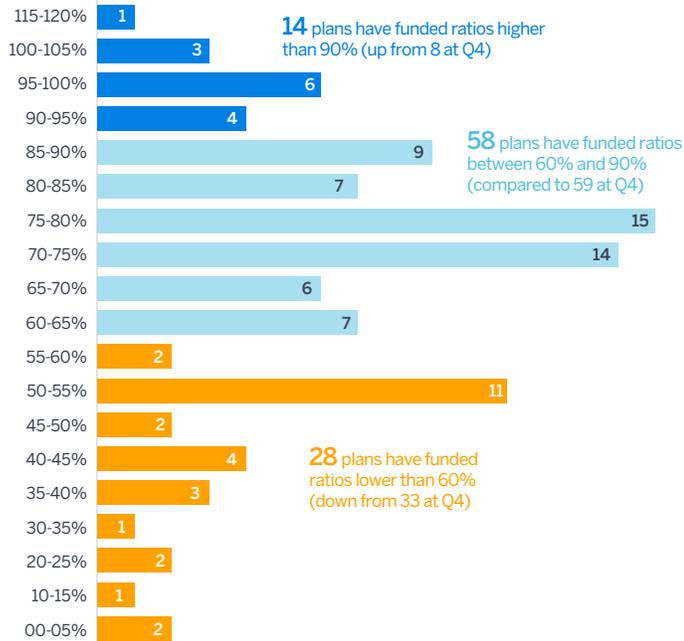
The total pension liability (TPL) continues to grow, and stood at an estimated **\$5.205** trillion at the end of Q1 2019, up from \$5.164 trillion at the end of Q4 2018. Just as pension assets grow over time with investment income and shrink over time as benefits are paid, so too does the TPL grow over time with interest and shrink as benefits are paid. The TPL also grows as active members accrue pension benefits.

QUARTERLY FUNDED STATUS



Funded ratios moved higher this quarter, with six plans moving back above the 90% funded mark; 14 plans are now above this mark, compared to eight at the end of the Q4 2018. At the lower end, the number of the more poorly funded pension plans also decreased. There are 28 plans whose funded ratios fall below 60%, and nine plans remain below 40% funded.

FUNDED RATIOS AT MARCH 31, 2019



About the Milliman 100 Public Pension Funding Index

Since 2012, 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, 2016 to December 31, 2017. This information was summarized as part of the Milliman 2018 Public Pension Funding Study, which was published on January 15, 2019.

This quarterly update reflects adjustments made as of the end of June 2018 as part of Milliman's annual Public Pension Funding Study, found here milliman.com/ppfs. The adjustments reflect updated publicly available asset and liability information gathered for the annual study.



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CONTACT

Becky Sielman
becky.sielman@milliman.com