

# Public pensions funded ratio climbs to 78.6% in Q4 2020, highest ratio in history of Milliman Public Pension Funding Study

Q4 investment performance of 8.36% improves funded status by \$322 billion in Q4 2020

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The fourth quarter (Q4) of 2020 closed with high water marks for both assets and liabilities for public pensions, with the estimated funded status of the 100 largest U.S. public pension plans growing from 72.6% at the end of September 2020 to **78.6%** at the end of December 2020, as measured by the Milliman 100 Public Pension Funding Index (PPFI).

The deficit between the estimated assets and liabilities shrank to **\$1.178 trillion** at the end of December 2020, down from \$1,500 trillion at the end of September 2020. Plans are now at the highest funding levels since the PPFI began in September 2016, a marked improvement since the Q1 2020 low point at the onset

of the COVID-19 pandemic. While this is positive news, the extent to which the pandemic will impact plan sponsors' ability to fund public pensions remains uncertain.

In aggregate, we estimate the PPFI plans experienced investment returns of **8.36%** in Q4, with individual plans' estimated returns ranging from 4.21% to 12.04%. The overall annualized return for the 12 months ending December 31, 2020, was 11.4%. The Milliman 100 PPFI asset value increased from \$3,972 trillion at the end of Q3 2020 to a PPFI high **\$4.335 trillion** at the end of Q4 2020. The plans gained market value of approximately \$388 billion, which was offset by approximately \$25 billion flowing out, as benefits paid out exceeded contributions coming in from employers and plan members.

FIGURE 1: FUNDED RATIO

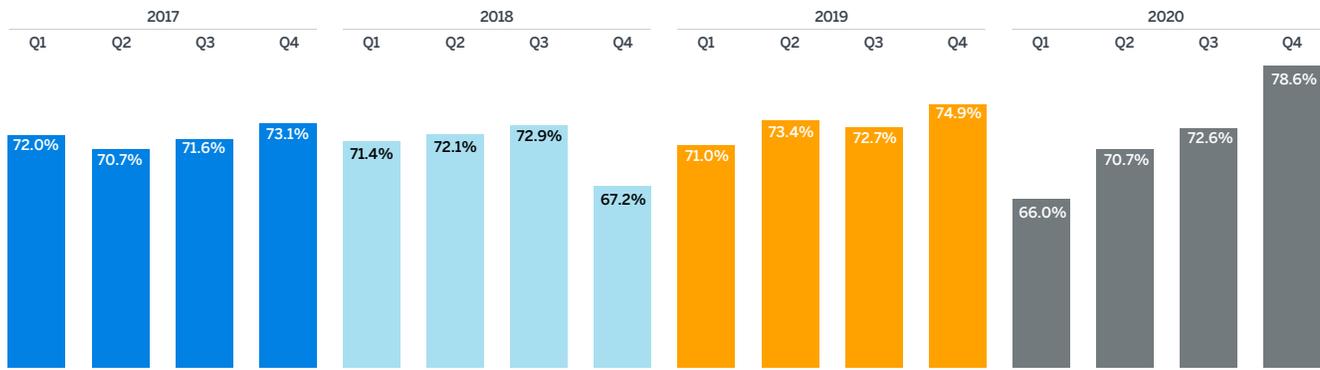
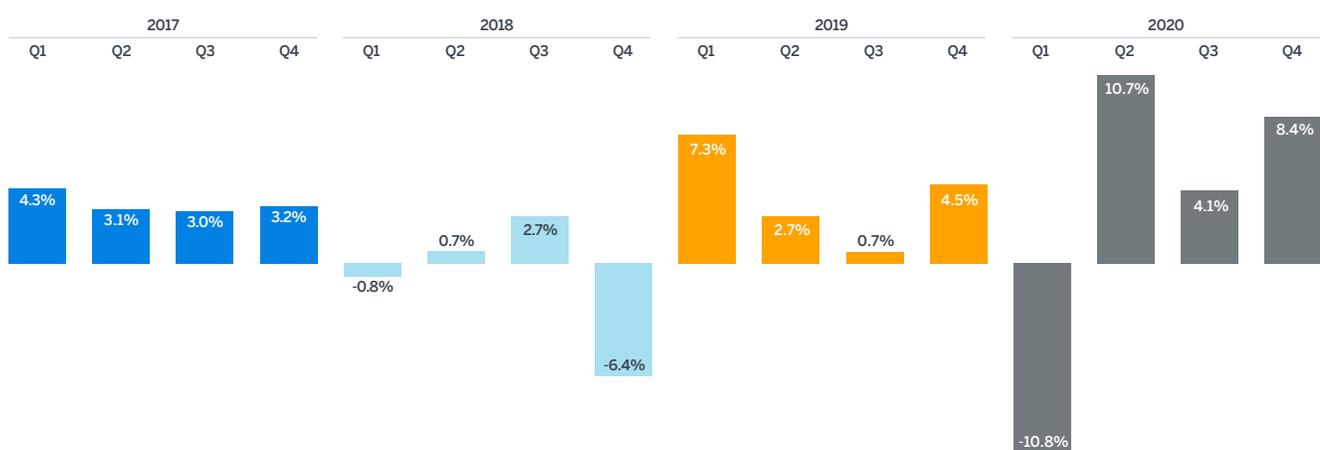
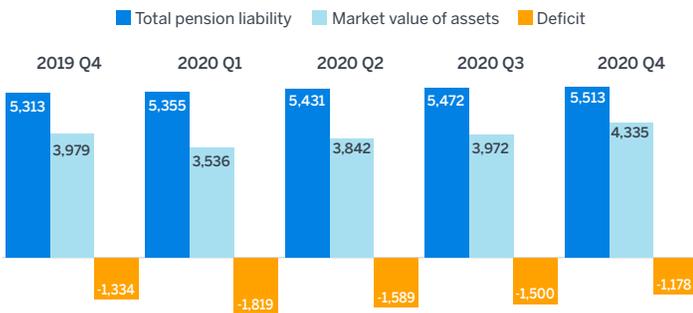


FIGURE 2: QUARTERLY INVESTMENT RETURNS



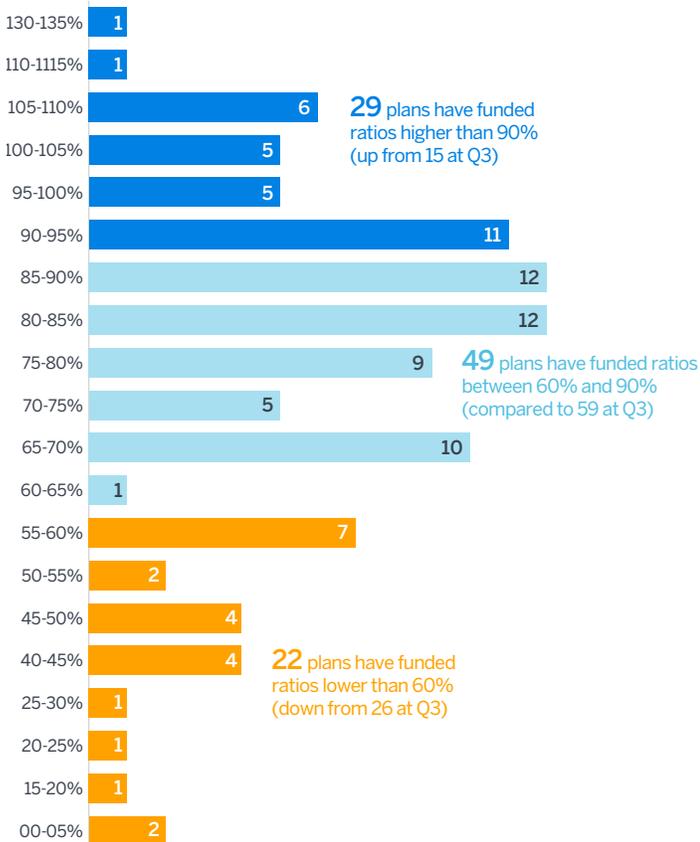
The total pension liability (TPL) continues to grow and stood at an estimated **\$5.513 trillion** at the end of Q4 2020, up from \$5.472 trillion at the end of Q3 2020. Just as pension assets grow over time with investment income and shrink over time as benefits are paid, so too does the TPL grow over time with interest and shrink as benefits are paid. The TPL also grows as active members accrue pension benefits.

**FIGURE 3: QUARTERLY FUNDED STATUS**



Funded ratios improved this quarter, with 29 plans above the 90% funded mark; 15 plans stood above this benchmark at the end of Q3 2020. Meanwhile, at the lower end of the spectrum 4 plans moved above 60% funded, bringing the total number of plans under this mark to 22, down from 26 at Q3 2020.

**FIGURE 4: FUNDED RATIOS AT DECEMBER 31, 2020**



**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, 2017 to December 31, 2019. This information was summarized as part of the Milliman 2020 Public Pension Funding Study, which was published on December 3, 2020.

This quarterly update reflects adjustments made as of the end of June 2020 as part of Milliman's annual Public Pension Funding Study, found here [milliman.com/ppfs](https://milliman.com/ppfs). The adjustments reflect updated publicly available asset and liability information gathered for the annual study.

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