

Milliman analysis: Funded status erodes by \$11 billion in November

Asset losses lower Milliman 100 PFI funded ratio to 97.6%

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The funded status of the 100 largest corporate defined benefit pension plans decreased by \$11 billion during November as measured by the Milliman 100 Pension Funding Index (PFI). The deficit widened to \$44 billion primarily due to investment losses. As of November 30, the funded ratio declined to 97.6% from 98.2% seen at the end of October.

A 0.36% investment loss in November lowered the Milliman 100 PFI asset value to \$1.827 trillion from \$1.841 trillion at the end of October. By comparison, the 2021 Milliman Pension Funding Study reported that the monthly median expected investment return during 2020 was 0.50% (6.2% annualized). The full results of the annual 2021 study can be found at [milliman.com/pfs](https://www.milliman.com/pfs).

Pension liabilities declined slightly as a result of the benchmark corporate bond interest rates used to value those liabilities remaining flat at 2.72% during November. The projected benefit obligation fell by \$3 billion for the month, decreasing the Milliman 100 PFI value to \$1.872 trillion. Discount rates have crossed the 3.00% threshold only once over the past 12 months.

HIGHLIGHTS

	\$ BILLION			
	MV	PBO	FUNDED STATUS	FUNDED PERCENTAGE
OCTOBER	1,841	1,874	(34)	98.2%
NOVEMBER	1,827	1,872	(44)	97.6%
MONTHLY CHANGE	(13)	(3)	(11)	-0.6%
YTD CHANGE	+49	(97)	+146	7.3%

Note: Numbers may not add up precisely due to rounding

Over the last 12 months (October 2020 to November 2021), the cumulative asset return for these pensions has been 9.37% and the Milliman 100 PFI funded status deficit has declined by \$181 billion. Discount rates have shown a net increase over the last 12 months of 25 basis points. The funded ratio of the Milliman 100 companies has improved significantly over the past 12 months to 97.6% from 88.5%. We will continue to closely monitor the movement of the financial markets and the interest rate environment as year-end approaches.

FIGURE 1: MILLIMAN 100 PENSION FUNDING INDEX — PENSION SURPLUS/DEFICIT

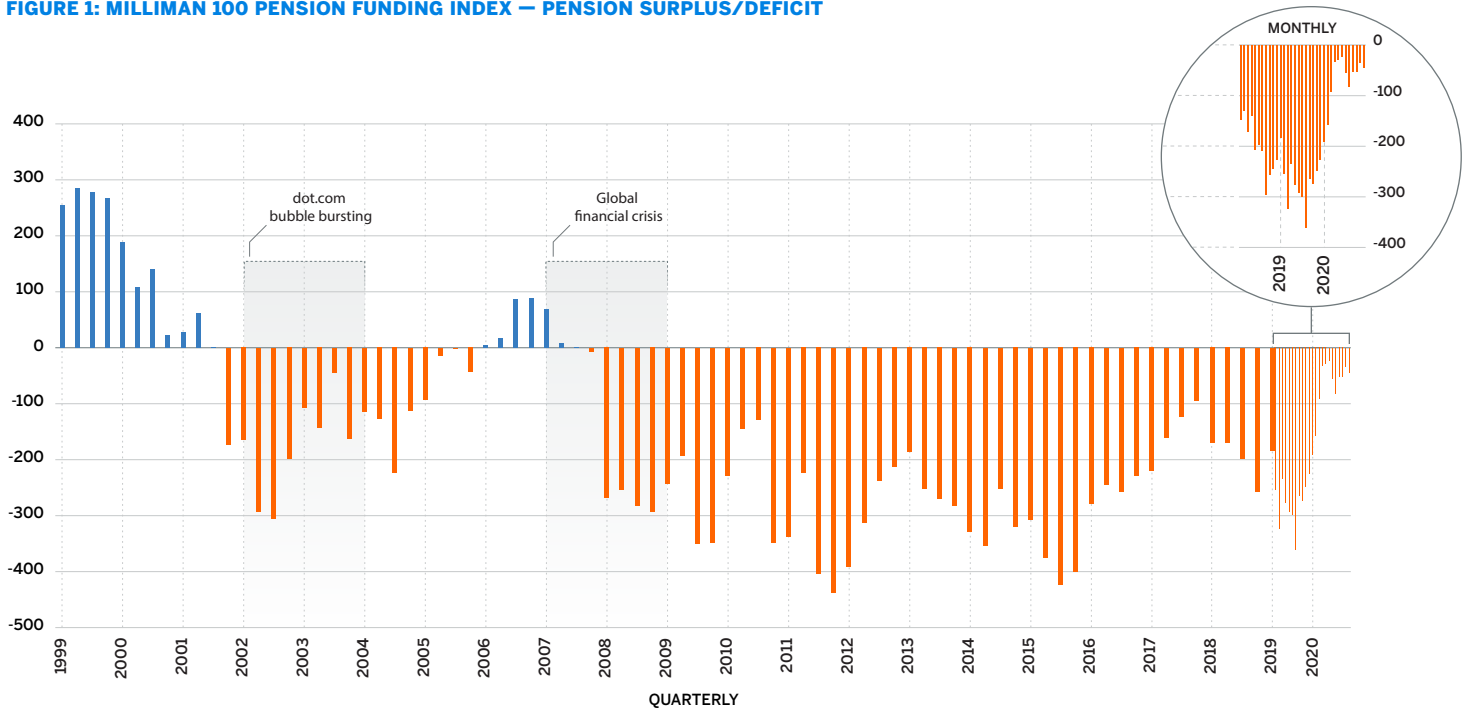
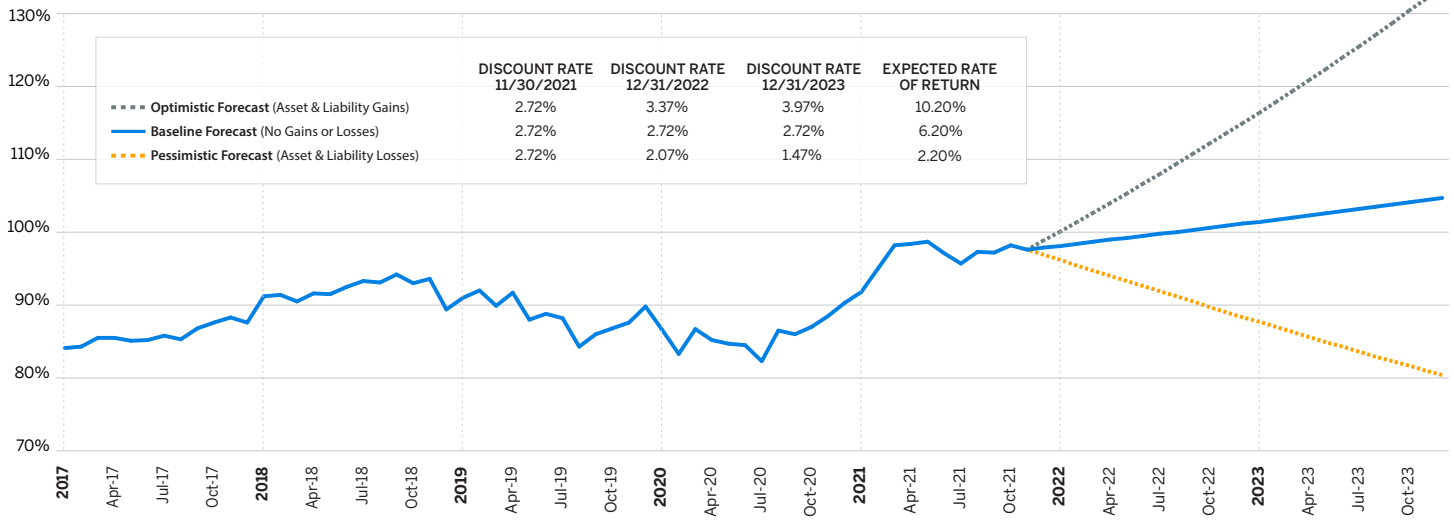


FIGURE 2: MILLIMAN 100 PENSION FUNDING INDEX – PENSION FUNDED RATIO



Since our last report, the Infrastructure, Investment and Jobs Act (IIJA) was enacted into law on November 15, 2021. IIJA offers additional contribution funding relief for plan sponsors by extending applicable interest rate smoothing for plan years starting in 2020 through 2035. Our forecasting in the section below will be re-evaluated accordingly as more data becomes available.

2021-2023 projections

If the Milliman 100 PFI companies were to achieve the expected 6.2% median asset return (as per the 2021 PFS), and if the current discount rate of 2.72% were maintained during the remaining month 2021 through the end of 2023, we forecast that the funded status of the surveyed plans would increase. This would result in a projected pension surplus of \$22 billion (funded ratio of 101.2%) by the end of 2022 and a projected pension surplus of \$85 billion (funded ratio of 104.7%) by the end of 2023. For purposes of this forecast, we have assumed 2022 and 2023 aggregate annual contributions of \$28 billion.

Under an optimistic forecast with rising interest rates (reaching 3.37% by the end of 2022 and 3.97% by the end of 2023) and asset gains (10.2% annual returns), the funded ratio would climb to 115% by the end of 2022 and 134% by the end of 2023. Under a pessimistic forecast with similar interest rate and asset movements (2.07% discount rate at the end of 2022 and 1.47% by the end of 2023 and 2.2% annual returns), the funded ratio would decline to 88% by the end of 2022 and 80% by the end of 2023.

About the Milliman 100 monthly Pension Funding Index

For the past 21 years, Milliman has conducted an annual study of the 100 largest defined benefit pension plans sponsored by U.S. public companies. The Milliman 100 Pension Funding Index projects the funded status for pension plans included in our study, reflecting the impact of market returns and interest rate changes on pension funded status, utilizing the actual reported asset values, liabilities, and asset allocations of the companies' pension plans.

The results of the Milliman 100 Pension Funding Index were based on the actual pension plan accounting information disclosed in the footnotes to the companies' annual reports for the 2020 fiscal year and for previous fiscal years. This pension plan accounting disclosure information was summarized as part of the Milliman 2021 Pension Funding Study, which was published on April 7, 2021. In addition to providing the financial information on the funded status of 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 than those for U.S. qualified pension plans. They do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

MILLIMAN 100 PENSION FUNDING INDEX — NOVEMBER 2021 (ALL DOLLAR AMOUNTS IN MILLIONS)

END OF MONTH	YEAR	MARKET VALUE OF ASSETS	PROJECTED BENEFIT OBLIGATION (PBO)	FUNDED STATUS	CHANGE IN FUNDED STATUS	FUNDED RATIO
NOVEMBER	2020	1,742,745	1,968,350	(225,605)	N/A	88.5%
DECEMBER	2020	1,778,535	1,968,688	(190,153)	35,452	90.3%
JANUARY	2021	1,763,529	1,921,148	(157,619)	32,534	91.8%
FEBRUARY	2021	1,759,672	1,851,360	(91,688)	65,931	95.0%
MARCH	2021	1,756,805	1,789,278	(32,473)	59,215	98.2%
APRIL	2021	1,791,884	1,821,118	(29,234)	3,239	98.4%
MAY	2021	1,806,000	1,829,032	(23,032)	6,202	98.7%
JUNE	2021	1,823,087	1,878,342	(55,255)	(32,223)	97.1%
JULY	2021	1,834,558	1,916,518	(81,960)	(26,705)	95.7%
AUGUST	2021	1,846,432	1,898,593	(52,161)	29,799	97.3%
SEPTEMBER	2021	1,807,469	1,859,659	(52,190)	(29)	97.2%
OCTOBER	2021	1,840,632	1,874,311	(33,679)	18,511	98.2%
NOVEMBER	2021	1,827,352	1,871,696	(44,344)	(10,665)	97.6%

PENSION ASSET AND LIABILITY RETURNS

END OF MONTH	YEAR	ASSET RETURNS			LIABILITY RETURNS	
		MONTHLY	YEAR-TO-DATE	DISCOUNT RATE	MONTHLY	YEAR-TO-DATE
NOVEMBER	2020	5.39%	9.21%	2.47%	3.70%	13.33%
DECEMBER	2020	2.15%	11.56%	2.46%	0.36%	13.73%
JANUARY	2021	-0.47%	-0.47%	2.62%	-2.08%	-2.08%
FEBRUARY	2021	0.16%	-0.30%	2.88%	-3.28%	-5.29%
MARCH	2021	0.22%	-0.08%	3.12%	-2.98%	-8.11%
APRIL	2021	2.39%	2.30%	2.98%	2.15%	-6.13%
MAY	2021	1.17%	3.50%	2.94%	0.80%	-5.38%
JUNE	2021	1.32%	4.86%	2.74%	3.06%	-2.49%
JULY	2021	1.00%	5.91%	2.59%	2.38%	-0.17%
AUGUST	2021	1.02%	6.99%	2.65%	-0.59%	-0.76%
SEPTEMBER	2021	-1.75%	5.12%	2.78%	-1.70%	-2.44%
OCTOBER	2021	2.21%	7.45%	2.72%	1.14%	-1.33%
NOVEMBER	2021	-0.36%	7.07%	2.72%	0.21%	-1.12%



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