

Milliman analysis: Funded status shows small improvement in August

The Milliman 100 PFI funded ratio rose to 97.1%, ending two-month skid in funded status losses

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The funded status of the 100 largest corporate defined benefit pension plans increased by \$28 billion during August as measured by the Milliman 100 Pension Funding Index (PFI). The deficit fell to \$54 billion based on liability declines combined with asset gains for the month. Pension liabilities declined due to an increase in the benchmark corporate bond interest rates used to value those liabilities. As of August 31, the funded ratio rose to 97.1%, up from 95.7% at the end of July. This reverses the declines experienced during the previous two months.

August's 0.90% investment return raised the Milliman 100 PFI asset value by \$10 billion, to \$1.844 trillion, marking five consecutive months of above-average returns. 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).

HIGHLIGHTS

	\$ BILLION			
	MV	PBO	FUNDED STATUS	FUNDED PERCENTAGE
JULY	1,835	1,917	(82)	95.7%
AUGUST	1,844	1,899	(54)	97.1%
MONTHLY CHANGE	+10	(18)	+28	1.4%
YTD CHANGE	+66	(70)	+136	6.8%

Note: Numbers may not add up precisely due to rounding

The projected benefit obligation (PBO) fell by \$18 billion during August, decreasing the Milliman 100 PFI value to \$1.899 trillion from \$1.917 trillion at the end of July. The change resulted from an increase of six basis points in the monthly discount rate to 2.65% for August, from 2.59% in July. Aside from March's discount rate of 3.12%, all other discount rates have been below 3.00% in the past 12 months.

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

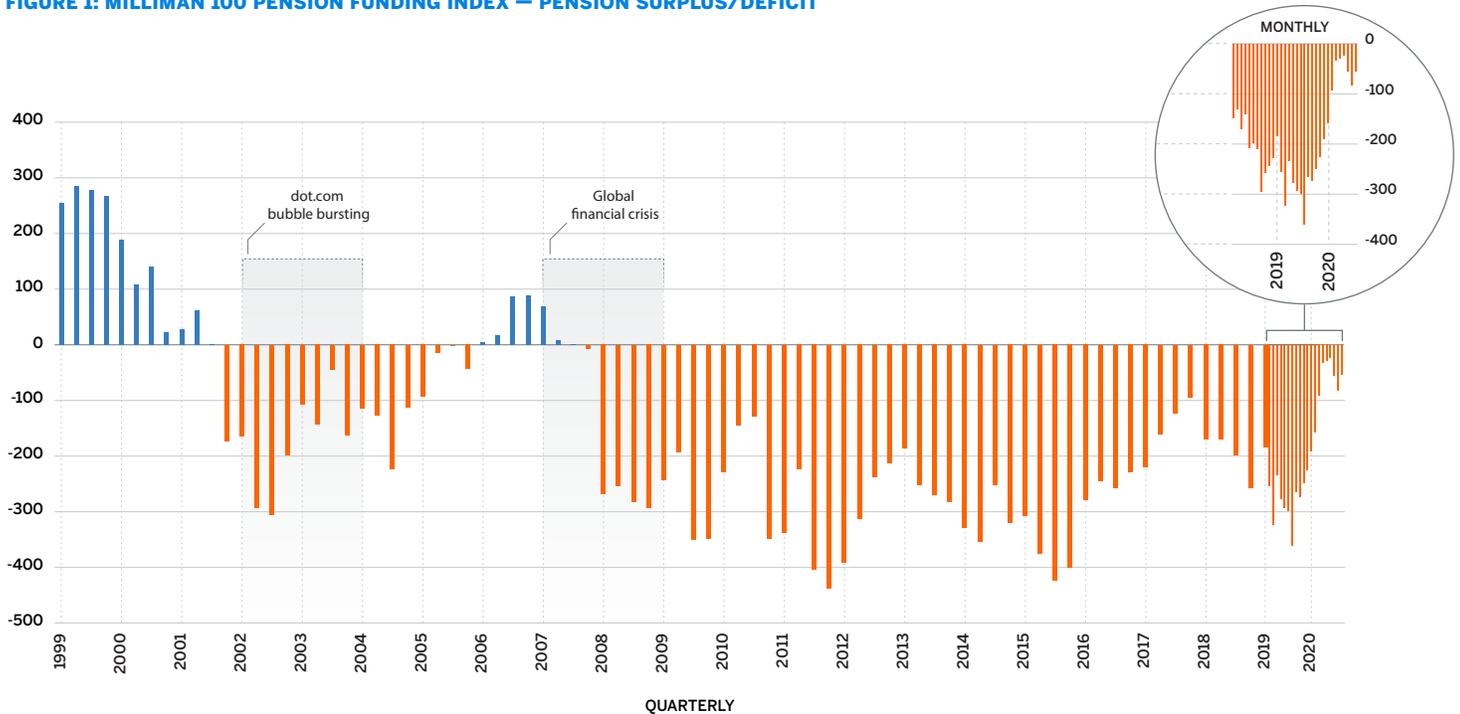
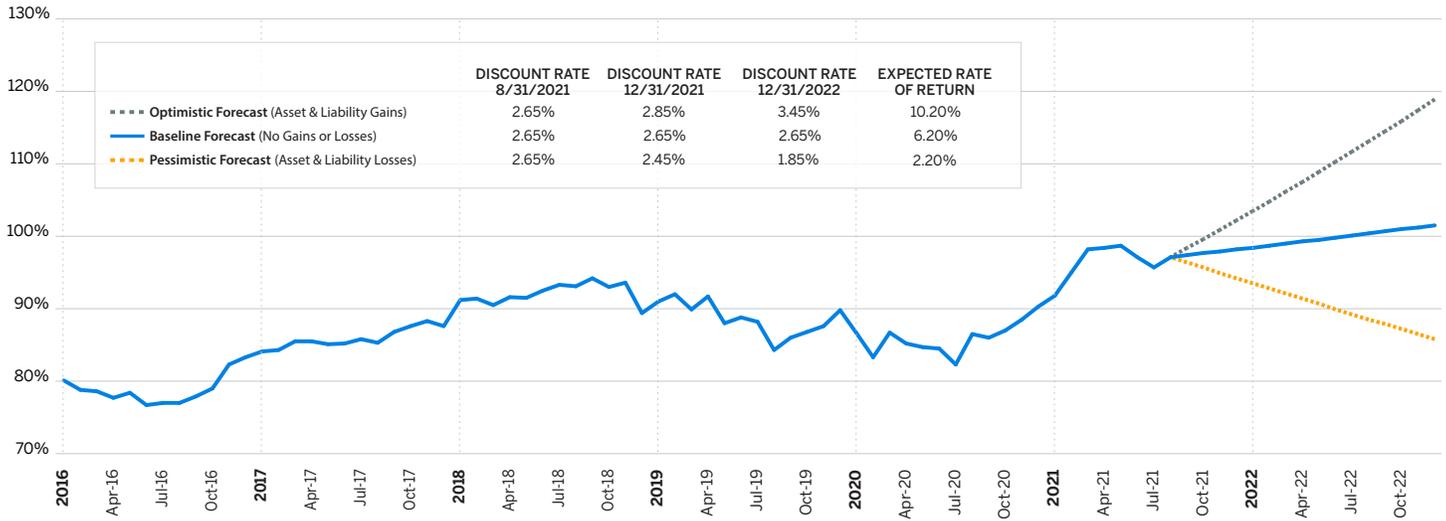


FIGURE 2: MILLIMAN 100 PENSION FUNDING INDEX – PENSION FUNDED RATIO



Over the last 12 months (September 2020 – August 2021), the cumulative asset return for these pensions has been 12.97% and the Milliman 100 PFI funded status deficit has improved by \$210 billion. Discount rates have shown a net increase over the last 12 months of 11 basis points. The funded ratio of the Milliman 100 companies has improved significantly over the past 12 months to 97.1% from 86.5% primarily due to investment gains.

2021-2022 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 2.65% were maintained during 2021 and 2022, we forecast that the funded status of the surveyed plans would increase. This would result in a projected pension deficit of \$35 billion (funded ratio of 98.2%) by the end of 2021 and a projected pension surplus of \$28 billion (funded ratio of 101.5%) by the end of 2022. For purposes of this forecast, we have assumed 2021 and 2022 aggregate annual contributions of \$25 billion and \$28 billion, respectively.

Under an optimistic forecast with rising interest rates (reaching 2.85% by the end of 2021 and 3.45% by the end of 2022) and asset gains (10.2% annual returns), the funded ratio would climb to 102% by the end of 2021 and 119% by the end of 2022. Under a pessimistic forecast with similar interest rate and asset movements (2.45% discount rate at the end of 2021 and 1.85% by the end of 2022 and 2.2% annual returns), the funded ratio would decline to 94% by the end of 2021 and 86% by the end of 2022.

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 — AUGUST 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
AUGUST	2020	1,691,593	1,956,005	(264,412)	N/A	86.5%
SEPTEMBER	2020	1,673,054	1,946,196	(273,142)	(8,730)	86.0%
OCTOBER	2020	1,656,117	1,904,612	(248,495)	24,647	87.0%
NOVEMBER	2020	1,742,745	1,968,350	(225,605)	22,890	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	1,844,347	1,898,593	(54,246)	27,714	97.1%

PENSION ASSET AND LIABILITY RETURNS

END OF MONTH	YEAR	ASSET RETURNS		DISCOUNT RATE	LIABILITY RETURNS	
		MONTHLY	YEAR-TO-DATE		MONTHLY	YEAR-TO-DATE
AUGUST	2020	0.91%	5.54%	2.54%	-3.76%	11.45%
SEPTEMBER	2020	-0.95%	4.53%	2.57%	-0.15%	11.27%
OCTOBER	2020	-0.86%	3.63%	2.71%	-1.78%	9.29%
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	0.90%	6.87%	2.65%	-0.59%	-0.76%



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