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Press Release

Milliman Pension Funding Study: Nearly half of largest 100 corporate pensions started FY 2023 fully funded

Milliman 100 plans' deficit dropped from \$67.9 billion to \$8.7 billion, in spite of negative (-18.6%) investment return

SEATTLE – April 20, 2023 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its 2023 Corporate Pension Funding Study (PFS), which analyzes data for the 100 U.S. public companies with the largest defined benefit (DB) pension plans. The plans in this study represent employers across multiple business sectors, including communications, healthcare, financial services, industrials, energy, technology, utilities, and others. This marks the 23rd consecutive year in which the report has been published.

In a notable year marked by the Federal Reserve raising interest rates by more than 400 basis points to battle inflation, the Milliman 100 companies ended their 2022 fiscal years with a funded percentage of 99.3%, up from 96.3% the year prior. Despite investment returns for the year of -18.6% (with asset values dropping from an all-time PFS high in 2021 to their lowest value since 2012), 45 of the 100 companies had a funded ratio of at least 100% at their fiscal year-end thanks to a huge jump in discount rates. The aggregate pension deficit for these companies decreased from \$67.9 billion to \$8.7 billion.

“With both equities and fixed-income assets performing poorly in 2022, none of the Milliman 100 plans were safe from negative portfolio returns,” said Zorast Wadia, principal at Milliman and co-author of the PFS. “However, with lower equity prices and higher bond yields at the end of 2022, we are likely to see plan sponsors increase their expected return assumptions for the first time in the 23-year history of the Milliman PFS. The higher expected return assumptions should help to somewhat soften the blow of higher anticipated pension expense due to the large rise in discount rates, in the year ahead.”

Our expectations for 2023 include:

- Plan sponsor contributions are likely to increase given the significant investment losses suffered during 2022.
- Many companies may flip the switch from pension income to pension expense in FY2023 relative to FY2022.
- With the positive first-quarter returns seen in 2023 along with muted discount rate movements, the Milliman 100 companies are likely to be at an overall funding surplus; however with economic and political uncertainty lingering, we wouldn't be surprised to see funded status oscillation throughout the year.

To view the complete results of the 2023 Milliman Corporate Pension Funding Study, visit www.milliman.com/pfs. To see Milliman's full range of annual Pension Funding Studies, go to



<https://www.milliman.com/en/retirement-and-benefits/pension-funding-studies>. To receive regular updates of Milliman's pension funding analysis, contact us at pensionfunding@milliman.com.

About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information visit milliman.com.

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