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FOR IMMEDIATE RELEASE

Press Release

Milliman analysis: Corporate pension funding ratio at 87.5% at 2019 year-end despite best asset performance in 16+ years

The 94 basis-point drop in discount rates in 2019 countered stellar investment returns of 17.3% for Milliman 100 pensions

SEATTLE – APRIL 27, 2020 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its 2020 Corporate Pension Funding Study (PFS), which analyzes the 100 largest U.S. corporate pension plans. In 2019, these plans experienced their second-highest asset performance in PFS history, with aggregate gains of 17.3% – second only to 2003’s investment return of 19.5%. However, the improvement in the market value of assets was offset by a huge 94 basis-point drop in discount rates, raising pension liabilities and causing the overall pension funding ratio for 2019 to climb only a few percentage points, from 87.1% at 2018 year-end to 87.5% as of December 31, 2019. Now four months into 2020, it remains to be seen how the recent market volatility from the COVID-19 pandemic and implementation of the CARES Act by Congress will affect these plans.

“Corporate pensions have experienced a lot of turbulence so far in 2020, and plan sponsor strategies in response to the recent economic stressors and the CARES Act are just beginning to take shape,” says Zorast Wadia, co-author of Milliman’s Pension Funding Study. “Organizations that are considering deferring contributions this year should keep in mind the resulting impact on funded status, tax deductions, PBGC premiums and pension expense.”

Results from this year’s PFS show that employers contributed less than expected to corporate pensions in 2019, with contributions totaling \$34.0 billion for the year, compared to the record-setting amounts contributed in 2018 and 2017 (\$59.5 billion and \$61.8 billion, respectively).

Milliman’s 2020 study also includes an analysis of pension funding across business sectors and found that, for instance, plans in the financial services sector had an average funding ratio of 101% for 2019, while corporate pensions in the industrials and energy sectors had an average funding ratio below 83%.

To view the complete 2020 Milliman Corporate Pension Funding Study, go to www.milliman.com/pfs. 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.



About the Milliman Corporate Pension Funding Study

For the past 20 years, Milliman has conducted an annual study of the 100 largest defined benefit pension plans sponsored by U.S. public companies. The results of the Milliman 2020 Pension Funding Study are based on the pension plan accounting information disclosed in the footnotes to the companies' Form 10-K annual reports for the 2019 fiscal year and for previous fiscal years. These figures represent the Generally Accepted Accounting Principles (GAAP) accounting information that public companies are required to report under Financial Accounting Standards Board Accounting Standards Codification Subtopics 715-20, 715-30, and 715-60. In addition to providing the financial information on the funded status of their 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 from those for U.S. qualified pension plans. The information, data, and footnotes do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

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