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FOR IMMEDIATE RELEASE

Press Release

## **Milliman issues second annual Public Pension Funding Study, provides objective analysis of funded status for 100 largest plans**

**The 100 largest public pensions are a cumulative 70.6% funded;  
29 of the 100 plans lowered interest rate assumptions since 2012 study**

Seattle – November 13, 2013 – Milliman, Inc., a premier global consulting and actuarial firm, today released its second annual Public Pension Funding Study, which consists of the nation's 100 largest public defined benefit pension plans. The study offers an aggregate analysis of these 100 public pensions and their funded status. The study complements Milliman's corporate Pension Funding Study, which is now in its 13<sup>th</sup> year.

The Milliman analysis of these 100 plans identified several significant trends. Twenty-nine of these plans lowered their interest rate assumptions, with the median interest rate used by these plans decreasing from 8.00% in 2012 to 7.75% in 2013. A reduction in interest rates increases accrued liabilities and decreases funded ratios. The average funded ratio across the 100 plans is down slightly from the 2012 study, which reflects both the lowered interest rate assumptions and market movements. Because this study is based on published reports that largely reflect 2012 valuation dates, much of 2013's strong market performance is not reflected in this study's results.

"This year's study reflects a consensus move toward more conservative assumptions," said Becky Sielman, author of the Milliman Public Pension Funding Study. "This is evident in the average reduction in interest rate assumptions since last year's study. This year's study also provides an objective view of funded status, independent of what the 100 plans self-report. As was the case last year, our independent analysis of these pension plans indicates that most of the plans are realistically approaching their funding calculations, with the Milliman analysis only 2.6% larger than the cumulative accrued liability reported by the plans. While that still leaves a sizeable funding hole—these plans are 70.6% funded—at least it offers a realistic view of the road ahead."

The study provides insight into other aspects of these 100 plans, including investment allocations, liability and asset performance, and asset volatility ratios. Taken as a whole, the study allows for the ongoing, independent measurement of aggregate public pension funded status.

To view the complete study, go to [www.milliman.com/PPFS](http://www.milliman.com/PPFS). To receive regular updates of Milliman's pension funding analysis, contact us at [pensionfunding@milliman.com](mailto: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 [www.milliman.com](http://www.milliman.com).

**About the Milliman Public Pension Funding Study**

The Milliman Public Pension Study is based on the most recently available Comprehensive Annual Financial Reports and actuarial valuation reports, which reflect valuation dates ranging from June 30, 2010, to December 31, 2012; about two-thirds are from June 30, 2012 or later. For the purposes of this study, the reported asset allocation of each of the included plans has been analyzed to determine an independent measure of the expected long-term annual geometric average rate of return on plan assets. The reported accrued liability for each plan has then been recalibrated to reflect this actuarially determined interest rate. This study therefore adjusts for differences between each plan's assumed rate of investment return and a current market assessment of the expected return based on actual asset allocations. This study is not intended to price the plans' liabilities for accounting purposes or to analyze the funding of individual plans.

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