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Press Release

Milliman analysis: Historic low interest rates widen pension funding deficit by $74 billion in 2012

$412 billion deficit on Dec. 31 results in 76.4% funded ratio, compared to $337 billion deficit and 78.7% funded ratio at end of 2011

Seattle – January 7, 2012 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its latest Pension Funding Index, which consists of 100 of the nation's largest corporate defined benefit pension plans. In December, these pensions experienced a $54 billion increase in funded status based on a $46 billion decrease in the pension benefit obligation (PBO) and a $8 billion increase in assets. The $54 billion improvement in December follows a $34 billion improvement in November, but it would still take many more months of improvement to make up for a year of ballooning pension deficit. At year end, the deficit of $412 billion is $74 billion higher than it was when 2011 ended.

"It was a good year on the asset side, with these pensions experiencing a $90 billion gain," said John Ehrhardt, co-author of the Milliman Pension Funding Study. "But it was a rough year on the liability side, with interest rates driving a $164 billion increase in the pension benefit obligation. People may be getting tired of hearing me saying it but interest rates have been the story for the last four years and that's not going to change in 2013."

In December, the discount rate used to calculate pension liabilities increased from 4.05% to 4.18%, decreasing the PBO from $1.794 trillion to $1.748 trillion at the end of the month. The overall asset value for these 100 pensions increased from $1.328 trillion to $1.336 trillion.

Looking forward, if these 100 pensions were to achieve their expected 7.8% median asset return and if the current discount rate of 4.18% were to be maintained throughout 2013 and 2014, these pensions would improve the pension funded ratio from 76.4% to 81.0% by the end of 2013 and to 85.7% by the end of 2014.

These year-end figures are only tentative, and will be revisited when the 2013 Milliman Pension Funding Study is completed in March. De-risking activities made by some of these companies will probably lower asset and liability figures, which we expect to have a slightly negative impact on the overall funded status of these plans.

To view the complete study, go to http://ow.ly/4xFIt. 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. It is a founding member of Abelica Global, an international organization of consulting firms serving employee benefits clients worldwide. For further information, visit milliman.com.

About the Milliman 100 Pension Funding Index

For the past 12 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 monthly 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 preceding fiscal year and for previous fiscal years. 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 funding standards different from those for U.S. qualified pension plans. The results do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

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