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Press Release

Fifth annual Milliman Public Pension Funding Study finds funded status for 100 largest public pension plans drops below 70%

Plan sponsors continue to reduce assumed rates of return as public pension deficit reaches \$1.38 trillion

Seattle – October 6, 2016 – Milliman, Inc., a premier global consulting and actuarial firm, today released its fifth annual Public Pension Funding Study, which consists of the nation’s 100 largest public defined benefit pension plans and analyzes these plans from both a market value and an actuarial value perspective. A year with returns of just 1.31% and increasing liabilities pushed the funded status for these 100 plans below 70%. We estimate that between the plan sponsors’ most recent measurement dates and June 30, 2016 total plan assets decreased from \$3.24 trillion to \$3.20 trillion, while the liability grew from \$4.43 trillion to \$4.58 trillion, resulting in a deficit of \$1.38 trillion at June 30th.

“For the last few years we’ve noticed public pensions hunkering down and lowering assumed rates of return,” said Becky Sielman, author of the Milliman Public Pension Funding Study. “That trend continued this year, and it’s not about to abate any time soon. The gap between sponsor-reported assumptions and our independently-determined assumptions is the biggest we’ve seen, which indicates that rates still have a ways to go down and plan sponsors will face continuing pressure to reduce their interest rate assumptions.”

AGGREGATE FUNDED STATUS AS OF MOST RECENT MEASUREMENT DATE (\$ TRILLIONS)

	2013		2014		2015		2016	
	SPONSOR REPORTED	RECAL FIGURES	SPONSOR REPORTED	RECAL FIGURES	SPONSOR REPORTED	RECAL FIGURES	SPONSOR REPORTED	RECAL FIGURES
MEDIAN DISCOUNT RATE ¹	7.75%	7.47%	7.75%	7.34%	7.65%	7.25%	7.50%	6.99%
PLAN LIABILITY ²	\$3.77	\$3.86	\$3.88	\$4.03	\$4.08	\$4.26	\$4.43	\$4.64
PLAN ASSETS ³	\$2.58	\$2.58	\$2.75	\$2.75	\$3.06	\$3.06	\$3.24	\$3.24
FUNDED RATIO	68.5%	66.8%	70.7%	68.2%	75.0%	71.7%	73.3%	69.9%
UNFUNDED LIABILITY	\$1.19	\$1.28	\$1.13	\$1.28	\$1.02	\$1.20	\$1.18	\$1.40

1 Funding interest rate for 2013-2015; GASB 67/68 discount rate for 2016.

2 Accrued liability used for funding for 2013-2015; GASB 67/68 Total Pension Liability for 2016.

3 Market value of assets; referred to as Fiduciary Net Position in GASB 67/68 reporting.

Historically, assumptions of 8.50% were commonplace, but as of this year more than half of these plans have assumptions that are 7.50% or lower. Twenty-five of these 100 plans lowered their assumptions in the last year, and 58 have lowered their assumptions since Milliman began publishing this study in 2012.

To view the complete study, go to www.milliman.com/PPFS. 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 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, which reflect measurement dates ranging from June 30, 2014, to December 31, 2015; 84 are from June 30, 2015 or later. For the purposes of this study, the reported asset allocation of each of the plans has been analyzed to determine an independent measure of the expected long-term median real rate of return on plan assets. The sponsor-reported Total Pension Liability for each plan has then been recalibrated to reflect this independently determined investment return assumption. This study therefore adjusts for differences between each plan's reported discount rate and an independently calibrated current market assessment of the expected real return based on actual asset allocations. This study is not intended to price the plans' liabilities for purposes of determining contribution amounts or near-term plan settlement purposes nor to analyze the funding of individual plans.

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