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**FOR IMMEDIATE RELEASE**

**Press Release**

# Milliman analysis: The 100 largest U.S. corporate pension plans' funded status improved by only 0.1% in 2015

**Thirty-seven of the Milliman 100 plan sponsors disclose adoption of spot rate accounting method for fiscal year 2016 pension expense**

Seattle – April 7, 2016 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its 2016 Pension Funding Study, which analyzes the 100 largest U.S. corporate pension plans. In 2015, these pension plans experienced a funding percentage increase of 0.1%, improving the aggregate funded ratio from 81.7% to 81.8% based on a $75.8 billion decrease in the market value of plan assets and a $94.5 billion decrease in the projected benefit obligation (PBO). This resulted in an $18.7 billion increase in funded status. The miniscule improvement belies the fierce dynamics facing these pensions last year.

"What a strange year for these 100 pension plans," says Zorast Wadia, consulting actuary and co-author of the Pension Funding Study. "These pensions weathered volatile markets, unpredictable discount rate movements, adjusted mortality assumptions, pension risk transfers, and an industry-wide decline in cash contributions…and yet they still finished the year almost exactly where they began. Given all that transpired in 2015, plan sponsors may be relieved that plans did not experience funded status erosion like that of the prior year. But that doesn't change the fact of a pension funded deficit in excess of $300 billion."

Study highlights include:

**Surprising move toward spot rates.** Thirty-seven of the largest 100 plan sponsor companies will record fiscal year 2016 pension expense using an accounting method change linked to the spot interest rates derived from yield curves of high quality corporate bonds. The move to spot rates will result in pension expense savings.

**Actual returns well below expectations.** Actual plan returns were 0.9% for the year—just a fraction of the expected 7.2%.

**Impact of updated mortality assumptions.** Pension obligations at the end of 2015 were further reduced to reflect refinements in mortality assumptions. While we are unable to collect specific detail regarding the reduction in PBO, a 1% to 2% decrease has been anecdotally reported. Additional revisions to mortality assumptions may be published in the fourth quarter of 2016.

**Cash contributions reduced by almost $9 billion.** Approximately $40 billion was contributed in 2014, with that number falling to $31 billion in 2015. The likely cause of the decline: the continuation of interest rate stabilization (funding relief) courtesy of the Bipartisan Budget Act of 2015.

**Pension Risk Transfers continue.** The estimated amount of pension risk transfers collected from the accounting disclosures was nominally higher in 2015 ($11.6 billion) compared to 2014 ($11.4 billion). It seems likely these transactions may increase in 2016, spurred by the significant increases during 2015 in premiums payable to the Pension Benefit Guaranty Corporation (PBGC); the extension of these premium rate increases was also courtesy of the Bipartisan Budget Act of 2015.

**Equity allocations reach a record low.** By the end of 2015, equity allocations had dropped to 36.8%, the lowest in the 16-year history of this study. In recent years, the companies in the study generally shifted toward fixed income investments. However, unlike 2014—when plans with high allocations to fixed income outperformed plans with lower allocations—2015 saw plans with higher allocations to fixed income experience the same rate of return as those with lower allocations to fixed income.

**Under the radar.** The 2016 Pension Funding Study also reports on the funded status of Other Postemployment Benefits (OPEB) Plans.

To view the complete study, go to http://us.milliman.com/PFS/. To receive regular updates of Milliman's pension funding analysis, contact us at pensionfunding@milliman.com.

## About Milliman



### About the Milliman Pension Funding Study

For the past 16 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 2016 Pension Funding Study are based on the pension plan accounting information disclosed in the footnotes to the companies' annual reports for the 2015 fiscal year and for previous fiscal years. These figures represent the 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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