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FOR IMMEDIATE RELEASE

Press Release

Milliman analysis: January's discount rate hits 20-year record low, sending corporate pension funding plummeting

Milliman 100 PFI funded status worsens by \$73 billion, funded ratio drops to 85.7%

SEATTLE – FEBRUARY 10, 2020 – Milliman, Inc., a premier global consulting and actuarial firm, today released the results of its latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans. In January, steep discount rate declines caused the PFI funding deficit to swell by \$73 billion; the funded ratio for these plans subsequently dropped from 89.0% to 85.7% for the month.

January's poor funding performance is the result of a 35-basis-point drop in the monthly discount rate, from 3.20% in December to 2.85%, setting the record for the lowest rate ever recorded in the 20-year history of the PFI, and only the second time the PFI's monthly discount rate has dropped below 3.00%. Pension liabilities increased by \$87 billion in January as a result, with the losses only partially offset by strong investment gains of \$14 billion.

"Corporate pensions are now starting off the year trying to dig their way out of a hole created by January's steep discount rate drop," said Zorast Wadia, author of the Milliman 100 PFI. "While much of the funding improvement from the fourth quarter of 2019 has been wiped out, there's a silver lining in the strong investment returns experienced this month. Let's hope that continues, with discount rates rising above three percent again."

Looking forward, under an optimistic forecast with rising interest rates (reaching 3.40% by the end of 2020 and 4.00% by the end of 2021) and asset gains (10.6% annual returns), the funded ratio would climb to 99% by the end of 2020 and 116% by the end of 2021. Under a pessimistic forecast (2.30% discount rate by the end of 2020 and 1.70% by the end of 2021 and 2.6% annual returns), the funded ratio would decline to 80% by the end of 2020 and 73% by the end of 2021.

To view the complete Pension Funding Index, go to <https://us.milliman.com/pfi>. To see the 2019 Milliman Pension Funding Study, go to <https://us.milliman.com/en/Insight/2019-Corporate-Pension-Funding-Study>. 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 Pension Funding Study

For the past 19 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 2019 Pension Funding Study are based on the pension plan accounting information disclosed in the footnotes to the companies' annual reports for the 2018 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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