

# Milliman analysis: Funded status deficit improves by \$2 billion at end of April

The Milliman 100 PFI funded ratio increases to 98.3% as investment gain of 2.30% offsets discount rate decrease

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The funded status of the 100 largest corporate defined benefit pension plans increased by \$2 billion during April as measured by the Milliman 100 Pension Funding Index (PFI). The deficit improved to \$30 billion from \$32 billion at the end of March primarily due to strong investment performance during April. The funded status improvement was partially offset by liability increases due to a decrease in the benchmark corporate bond interest rates used to value pension liabilities. As of April 30, the funded ratio inched upward to 98.3%, from 98.2% at the end of March. This is the seventh consecutive month in which the funded ratio has improved.

April's robust 2.30% investment gain increased Milliman 100 PFI asset values by \$34 billion, to \$1,791 trillion at the end of April. By comparison, the 2021 Milliman Pension Funding Study (PFS) reported that the monthly median expected investment return during 2020 was 0.50% (6.2% annualized). The full results of the annual 2021 study can be found at [milliman.com/pfs](https://milliman.com/pfs).

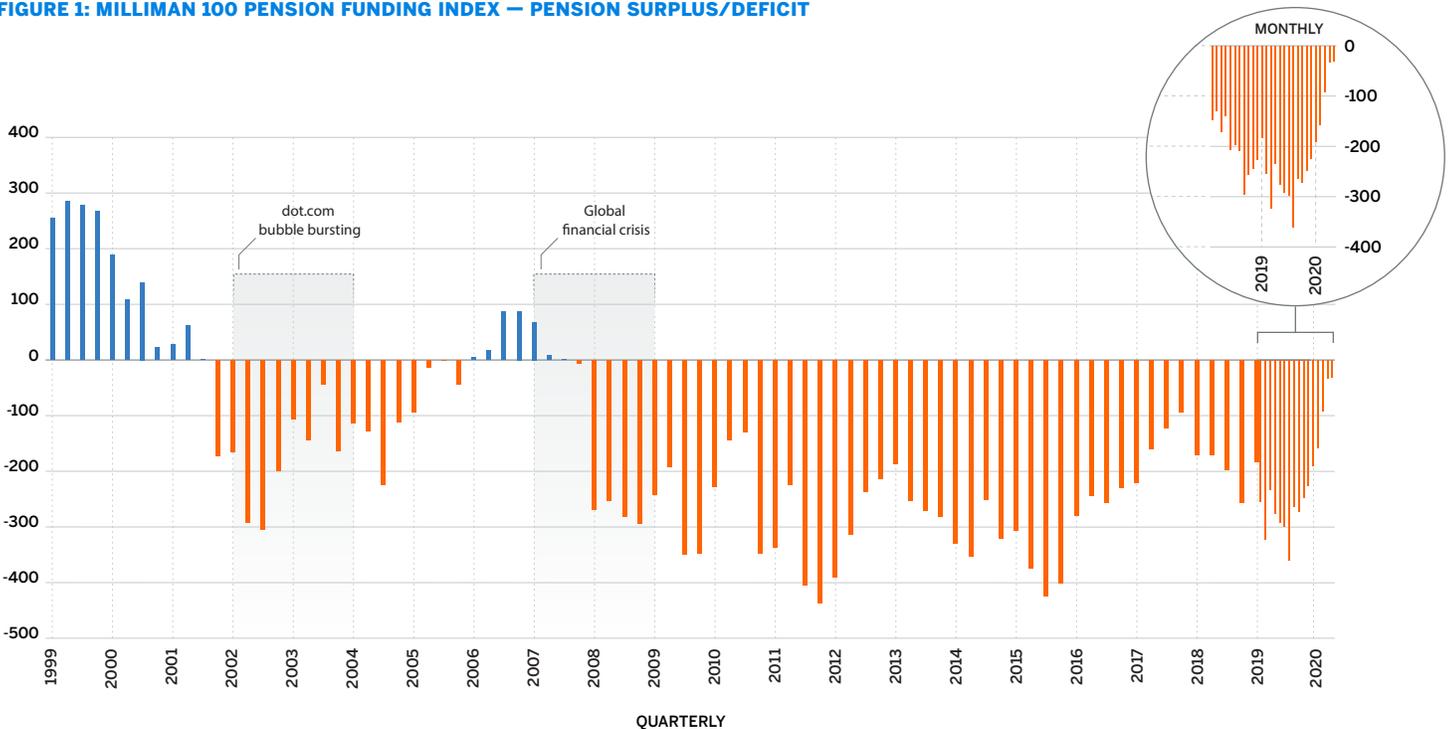
## HIGHLIGHTS

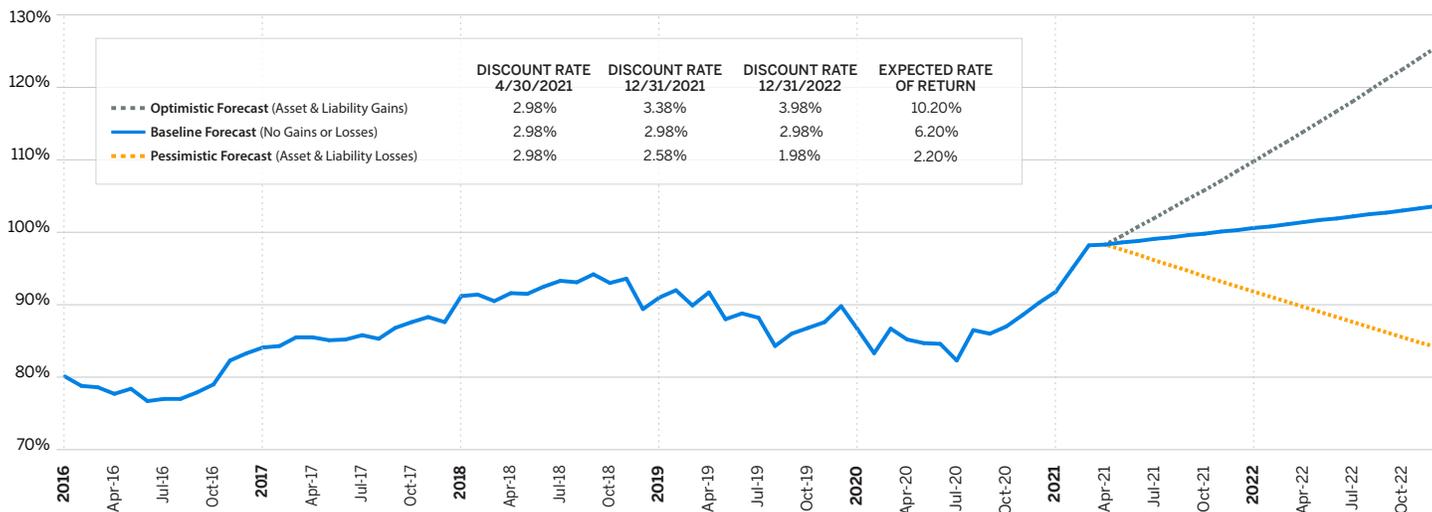
	\$ BILLION			
	MV	PBO	FUNDED STATUS	FUNDED PERCENTAGE
MARCH	1,757	1,789	(32)	98.2%
APRIL	1,791	1,821	(30)	98.3%
MONTHLY CHANGE	+34	+32	+2	0.1%
YTD CHANGE	+12	(148)	+160	8.0%

Note: Numbers may not add up precisely due to rounding

The Milliman 100 PFI projected benefit obligation (PBO) increased by \$32 billion during April to \$1.821 trillion. The change resulted from a decrease of 14 basis points in the monthly discount rate, to 2.98% for April from 3.12% in March. Discount rates above 3.00% have been short-lived with March being the only month posting such results in the last twelve months.

FIGURE 1: MILLIMAN 100 PENSION FUNDING INDEX — PENSION SURPLUS/DEFICIT



**FIGURE 2: MILLIMAN 100 PENSION FUNDING INDEX — PENSION FUNDED RATIO**

Over the last 12 months (May 2020 – April 2021), the cumulative asset gain for these pensions has been 15.7% and the Milliman 100 PFI funded status deficit has improved by \$246 billion. The funded status gain is primarily the result of stellar investments over the past 12-month period. Discount rates declined through most of 2020 and only recently showed upward movements during the first quarter of 2021. The funded ratio of the Milliman 100 companies has increased significantly over the past 12 months, to 98.3% from 85.2%.

## 2021-2022 projections

If the Milliman 100 PFI companies were to achieve the expected 6.2% median asset return (as per the 2021 PFS), and if the current discount rate of 2.98% were maintained during 2021 and 2022, we forecast that the funded status of the surveyed plans would increase. This would result in a projected pension surplus of \$6 billion (funded ratio of 100.3%) by the end of 2021 and a projected pension surplus of \$64 billion (funded ratio of 103.6%) by the end of 2022. For purposes of this forecast, we have assumed 2021 and 2022 aggregate annual contributions of \$25 billion and \$28 billion, respectively.

Under an optimistic forecast with rising interest rates (reaching 3.38% by the end of 2021 and 3.98% by the end of 2022) and asset gains (10.2% annual returns), the funded ratio would climb to 109% by the end of 2021 and 126% by the end of 2022. Under a pessimistic forecast with similar interest rate and asset movements (2.58% discount rate at the end of 2021 and 1.98% by the end of 2022 and 2.2% annual returns), the funded ratio would decline to 93% by the end of 2021 and 84% by the end of 2022.

## About the Milliman 100 monthly Pension Funding Index

For the past 21 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 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 2020 fiscal year and for previous fiscal years. This pension plan accounting disclosure information was summarized as part of the Milliman 2021 Pension Funding Study, which was published on April 7, 2021. 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 different funding standards than those for U.S. qualified pension plans. They do not represent the funded status of the companies' U.S. qualified pension plans under ERISA.

## MILLIMAN 100 PENSION FUNDING INDEX — APRIL 2021 (ALL DOLLAR AMOUNTS IN MILLIONS)

END OF MONTH	YEAR	MARKET VALUE OF ASSETS	PROJECTED BENEFIT OBLIGATION (PBO)	FUNDED STATUS	CHANGE IN FUNDED STATUS	FUNDED RATIO
APRIL	2020	1,589,805	1,865,965	(276,160)	N/A	85.2%
MAY	2020	1,614,226	1,906,180	(291,954)	(15,794)	84.7%
JUNE	2020	1,633,797	1,932,334	(298,537)	(6,583)	84.6%
JULY	2020	1,679,006	2,039,579	(360,573)	(62,036)	82.3%
AUGUST	2020	1,691,960	1,956,005	(264,045)	96,528	86.5%
SEPTEMBER	2020	1,673,462	1,946,196	(272,734)	(8,689)	86.0%
OCTOBER	2020	1,656,595	1,904,612	(248,017)	24,717	87.0%
NOVEMBER	2020	1,743,353	1,968,350	(224,997)	23,020	88.6%
DECEMBER	2020	1,778,535	1,968,688	(190,153)	34,844	90.3%
JANUARY	2021	1,763,560	1,921,148	(157,588)	32,565	91.8%
FEBRUARY	2021	1,759,704	1,851,360	(91,656)	65,932	95.0%
MARCH	2021	1,757,066	1,789,278	(32,212)	59,444	98.2%
APRIL	2021	1,790,663	1,821,118	(30,455)	1,757	98.3%

## PENSION ASSET AND LIABILITY RETURNS

END OF MONTH	YEAR	ASSET RETURNS		DISCOUNT RATE	LIABILITY RETURNS	
		MONTHLY	YEAR-TO-DATE		MONTHLY	YEAR-TO-DATE
APRIL	2020	4.68%	-1.42%	2.92%	6.74%	4.86%
MAY	2020	1.69%	0.25%	2.76%	2.52%	7.50%
JUNE	2020	1.37%	1.62%	2.65%	1.73%	9.36%
JULY	2020	2.92%	4.58%	2.26%	5.89%	15.80%
AUGUST	2020	0.91%	5.54%	2.54%	-3.76%	11.45%
SEPTEMBER	2020	-0.95%	4.53%	2.57%	-0.15%	11.27%
OCTOBER	2020	-0.86%	3.63%	2.71%	-1.78%	9.29%
NOVEMBER	2020	5.39%	9.21%	2.47%	3.70%	13.33%
DECEMBER	2020	2.15%	11.56%	2.46%	0.36%	13.73%
JANUARY	2021	-0.46%	-0.46%	2.62%	-2.08%	-2.08%
FEBRUARY	2021	0.16%	-0.30%	2.88%	-3.28%	-5.29%
MARCH	2021	0.23%	-0.07%	3.12%	-2.98%	-8.11%
APRIL	2021	2.30%	2.23%	2.98%	2.15%	-6.13%



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