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## **As the discount rate rises, so do pension funding ratios: Milliman**

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By No Author    *Thu, May 24, 2018*

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*Milliman's forecasts for the discount rate range from a high of 4.43% by end of 2018 and 5.03% by end of 2019 to a low of 3.63% at end of 2018 and 3.03% by end of 2019.*

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In April 2018, the 100 largest U.S. corporate pension plans experienced a \$20 billion improvement in funded status, according to the results of the latest Pension Funding Index (PFI) from Milliman, the global actuarial and consulting firm. An increase in the corporate bond rates that are used to measure pension liabilities drove the change.

From March 31, 2018 through April 30th, the monthly discount rate increased 12 basis points, to 4.03% from 3.91%; as a result, pension liabilities decreased by \$26 billion for the month. The funded ratio for the PFI plans increased to 91.6% from 90.6%, despite a 0.11% investment loss that reduced index assets by \$6 billion.

“Corporate pensions continue to get some discount rate relief in 2018, despite volatile equity markets,” said Zorast Wadia, co-author of the Milliman 100 PFI. “Over the past 12 months, with the rise in rates and a 6.17% cumulative asset gain for these plans, we’ve seen the funded ratio climb from 85.5% to 91.6%.”

Under an optimistic forecast with rising interest rates (reaching 4.43% by the end of 2018 and 5.03% by the end of 2019) and asset gains (10.8% annual returns), the funded ratio would climb to 101% by the end of 2018 and 117% by the end of 2019.

Under a pessimistic forecast (3.63% discount rate at the end of 2018 and 3.03% by the end of 2019 and 2.8% annual returns), the funded ratio would decline to 87% by the end of 2018 and 81% by the end of 2019.

To view the complete Pension Funding Index, go to <http://us.milliman.com/PFI>. To see the 2018 Milliman Pension Funding Study, go to <http://us.milliman.com/PFS/>.

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