
Discount rates fall, pension liabilities rise

By Editor Test Tue, Jul 10, 2012

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In June, 100 of the nation's largest defined pensions experienced a collective \$57 billion decrease in funded status, according to Milliman's Pension Funding Index. A \$20 billion rise in asset values could not keep pace with a \$77 billion increase in pension obligations.

The \$57 billion decrease in funded status, combined the decrease of \$129 billion in April and May, accounted for the \$186 billion decline in funding during the second quarter.

"With the help of the lowest discount rate in the 12-year history of our study, corporate pensions last month saw their funding deficit increase to a near-record \$415 billion," said John Ehrhardt, co-author of the Milliman Pension Funding Study. "This is the second worst deficit we've seen."

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Looking forward, if these 100 pensions were to achieve their expected 7.8% median asset return and if the current discount rate of 4.32% were to be maintained throughout 2012 and 2013, these pensions would improve the pension funded ratio from to 77.4% from 75.6% by the end of 2012 and to 82.0% by the end of 2013.

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