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## Falling rates drove up pension liabilities in July: BNY Mellon

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By Editor Test      Wed, Aug 8, 2012

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The funded status of the typical U.S. corporate pension plan in July fell 2.9 percentage points to 68.7%, according to BNY Mellon. It was the lowest level since the company began tracking pension funded status in December 2007.

"A 34 basis-point drop in the Aa corporate discount rate, to 3.64%, led to a 5.5% increase in pension liabilities," the bank said in a release.

The rise in liabilities overwhelmed a 1.2 gain in assets at the typical corporate plan, according to the BNY Mellon Pension Summary Report for July 2012. The funded status of the typical plan has now fallen 3.7 percentage points during 2012.

Assets in the typical plan benefited from a one percent gain in U.S. equity markets and a 1.1% increase in international developed markets, according to BNY Mellon.

"The continuing uncertainty regarding the euro zone and lack of a coordinated response to the debt issues in Europe continue to send investors into bonds that are perceived to be a safe haven," said Jeffrey B. Saef, managing director, BNY Mellon Asset Management. "As long this uncertainty remains, we expect to see very low interest rates, which will continue to pressure plan sponsors."

Saef also noted that portfolios for plan sponsors have performed well, with assets rising more than seven percent during the first seven months of the year for the typical U.S. corporate plan. However, he added, "Hitting a return target isn't enough these days if you're not keeping up with the growth in liabilities."